San Miguel Global Power
Giving You the Power to Celebrate Life

San Miguel Global Power Holdings Corp.

5th Floor C5 Office Bldg. Complex, 100 E. Rodriguez Jr. Ave., C5 Road, Ugong, Pasig City, 1604 (02) 5317 1000

14 May 2024

SECURITIES AND EXCHANGE COMMISSION
Secretariat Building, PICC Complex,
Roxas Boulevard, Pasay City

Attention: **ATTY. OLIVER O. LEONARDO**
Director – Markets and Securities Regulation Department

Gentlemen:

We write in compliance with you letter dated May 2, 2024, relating to the comments to the Preliminary Information Statement ("PIS") of San Miguel Global Power Holdings Corp. (hereinafter referred to as the "Company") which was filed with your good office on April 29, 2024, in connection with the Regular Annual Meeting of the Stockholders of the Company scheduled on June 4, 2024.

We hereto submit the Definitive Information Statement ("DIS") of the Company for its 2024 Annual Stockholders' Meeting, which already includes the following matters:

a. the Company's Unaudited Consolidated Financial Statements as of and for the period ended March 31, 2024 (with comparative figures as of December 31, 2023 and for the period ended March 31, 2023) and the Selected Notes to the Consolidated Financial Statements, collectively attached as Annex "D" to the DIS, comprising of the following components as required by the Securities and Exchange Commission ("SEC") under Rule 68 of the Securities Regulation Code, as amended:

   i. Statements of Financial Position;
   ii. Statements of Comprehensive Income;
   iii. Statements of Cash Flows; and
   iv. Statements of Changes in Equity.

b. the Company's Management's Discussion and Analysis or Plan of Operation of the Company as of March 31, 2024 attached as Annex "F" to the DIS which contains the following information:

   i. Discussion of the Company's financial condition, changes in financial condition and results of operations for two comparative figures for the last three fiscal years in compliance with SEC Memorandum Circular No. 13 series 2023 entitled, "Guidelines on Annex C of Rule 12 of the Securities Regulation Code Interpreting the Comparative Periods Required in the Management's Discussion and Analysis";

ii. Past and future financial condition and results of operation, with particular emphasis on the prospects for the future; and
iii. Key variable and other qualitative and quantitative factors; and
iv. Top key performance indicators with discussion of the manner by which the Company calculates or identifies the indicators presented on a comparable basis.

The requirement to provide an explanation on underlying causes of the losses from operation and the steps the Company has taken or is taking to address these cause is not applicable as the Company did not register a loss from operation.

g. Minutes of the most regular meeting of the stockholders, attached as Annex "G" to the DIS.

We wish to further advise your good office that we will be delivering hard copies of the Notice of Meeting and the DIS to each of our stockholders on even date (instead of the alternative mode provided in the Notice of the Securities and Exchange Commission dated February 2024[1]) considering that the Company only has eight (8) stockholders, namely: San Miguel Corporation (its parent company) and the seven (7) incumbent directors of the Company.

Considering that the 2024 Annual Stockholders' Meeting will be conducted through videoconferencing, the procedure and specific details for attending the meeting, participation therein and casting of votes are duly set out in Appendix 1 of the Company's Notice of Meeting in the DIS, in compliance with the relevant rules and regulation of the Honorable Commission.

We hope you find the foregoing in order.

Very truly yours,

SAN MIGUEL GLOBAL POWER HOLDINGS CORP.

By:

VIRGILIO S. JACINTO
Corporate Secretary and
Compliance Officer

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[1] https://www.sec.gov.ph/wp-content/uploads/2024/02/2024Notice-re-Alternative-Mode-of-Distribution-of-ASM-Materials-2024-vF.pdf

COVER SHEET

C	S	2	0	0	8	0	1	0	9	9

S. E. C. Registration Number

SAN MIGUEL GLOBAL POWER HOLDINGS CORP.

(Company's Full Name)

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

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

Julie Ann B. Domino-Pablo
Contact Person

0917-1010354
Company Telephone Number

1	2

Month

3	1

Day

SEC Form 20-IS
Definitive Information Sheet
FORM TYPE

First Tuesday of

0	6

Month

1st Tues.
Day

Annual Meeting

Secondary License Type, If Applicable

Dept. Requiring this Doc.
Number/Section

Amended Articles

Total Amount of Borrowings

Total No. of Stockholders

Domestic

Foreign

To be accomplished by SEC Personnel concerned

File Number

LCU

Document I. D.

Cashier

STAMPS

Remarks = Pls. Use black ink for scanning purposes

5th Floor C5 Office Bldg. Complex, 100 E. Rodriguez Jr. Ave., C5 Road, Ugong, Pasig City, 1604 (02) 5317 1000

NOTICE OF ANNUAL MEETING OF STOCKHOLDERS

June 4, 2024

The Annual Meeting of the Stockholders of **SAN MIGUEL GLOBAL POWER HOLDINGS CORP.**[1] (formerly known as "SMC GLOBAL POWER HOLDINGS CORP." and hereinafter referred to as the "Company" or "San Miguel Global Power") will be held on **June 4, 2024 (Tuesday) at 2:00 p.m., which will be presided by the Chairman at No. 40 San Miguel Avenue, Mandaluyong City. Stockholders are requested to attend through videoconference through the Zoom Meeting ID 958 3078 4161.**

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 6, 2023 and the Minutes of the Special Stockholders' Meeting held on September 7, 2023
3. Approval of the 2023 Audited Financial Statements
4. Ratification of Acts and Proceedings of the Board of Directors and Corporate Officers
5. Appointment of External Auditors
6. Election of the Board of Directors
7. Approval of Directors' Fee
8. Ratification of the Execution of Omnibus Agreement by the Company as Sponsor and Shares Security Grantor
9. Change in Principal Office Address and Amendment of the Articles of Incorporation to reflect the same
10. Other Matters
11. Adjournment

A copy of the Minutes of the Annual Stockholders' Meeting held on June 6, 2023 and Minutes of the Special Stockholders Meeting on September 7, 2023 are included in this Definitive Information Statement and is available for viewing on the Company's website *www.smcglobalpower.com.ph*.

As allowed under SEC Memorandum Circular No. 6 series of 2020 dated March 12, 2020 entitled "Guidelines on the Attendance and Participation of Directors, Trustees, Stockholders, Members, and Other Persons of Corporations in Regular and Special Meetings through Teleconferencing, Video Conferencing and other Remote or Electronic Means of Communication", the Company will not hold a physical meeting and will instead conduct the meeting through videoconferencing. Stockholders can attend the meeting by videoconferencing. Stockholders intending to attend the meeting by videoconferencing should notify the Company by email to *ASM@smcgph.sanmiguel.com.ph* by **May 27, 2024** 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.

[1] On March 22, 2023, the Securities and Exchange Commission ("SEC") approved the change of name of "SMC Global Power Holdings Corp." to "San Miguel Global Power Holdings Corp.".

Votes will be cast through ballots or proxies. The deadline for the submission of ballots and proxies is on **May 20, 2024**. For your convenience, a sample of a ballot/proxy is attached to the Definitive Information Statement. For an individual, his/her ballot or proxy must be accompanied by a valid government-issued ID with a photo. For a corporation, its proxy must be accompanied by its Corporate Secretary's certification setting the representative's authority to represent the corporation in the meeting. Ballots and proxies may be sent through email at *ASM@smcgph.sanmiguel.com.ph* or by personal delivery to the Office of the Corporate Secretary at the 5th Floor, C5 Office Building Complex, #100 E. Rodriguez Jr. Ave., C5 Road, Bo. Ugong, Pasig City 1604, Metro Manila. Proxies need not be notarized. Validation of ballots and proxies will be on **May 27, 2024** at 2:00 p.m. at the Office of the Corporate Secretary at the above-mentioned address. Hard copies of the ballots and proxies and notarized Secretary's Certificates will be immediately sent as soon as reasonable to do so.

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

Mandaluyong City, May 14, 2024.

Virgilio S. Jacinto
Corporate Secretary and Compliance Officer

Appendix 1

PROCEDURE FOR THE 2024 ANNUAL STOCKHOLDERS' MEETING OF SAN MIGUEL GLOBAL POWER HOLDINGS CORP. THROUGH VIDEOCONFERENCING

1. The Chairman shall preside the 2024 Annual Stockholders' Meeting at No. 40 San Miguel Avenue, Mandaluyong City.
2. Stockholders of record as of May 7, 2024 who intend to attend the meeting through videoconferencing are requested to notify the Company by email to ASM@smcgph.sanmiguel.com.ph by May 27, 2022 at 12 noon.
3. For validation purposes, the email should contain the following information: (i) name, (ii) address, (iii) email address, (iv) Zoom user name that the stockholder will be using and (v) a scanned copy of any valid government-issued identification (ID) card with photo of the stockholder.
4. Only the stockholders who have notified the Company of their intention to participate through videoconferencing as above-described and have been validated to be stockholders of record of the Company will be considered in computing stockholder attendance at the meeting, together with the stockholders attending through proxies.
5. On June 3, 2024, the Corporate Secretary and/or the Assistant Corporate Secretary shall inform the stockholders of the password for the videoconferencing by email.
6. On June 4, 2024, 1:45 p.m., the stockholders participating via videoconferencing shall each click on the link provided. The stockholder will need to input the password provided and click join meeting. Thereafter, the stockholder will have to wait until the meeting host will let him/her in to the meeting.
7. Votes of all stockholders can only be cast through ballots or proxies submitted on or before May 20, 2024. 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 20, 2024 by email sent to ASM@smcgph.sanmiguel.com.ph or by personal delivery to the Office of the Corporate Secretary at the 5th Floor, C5 Office Building Complex, #100 E. Rodriguez Jr. Ave., C5 Road, Bo. Ugong, Pasig City 1604, Metro Manila.
9. For an individual, his/her ballot or proxy must be accompanied by a valid government-issued ID with a photo. For a corporation, its proxy must be accompanied by its corporate secretary's certification stating the representative's authority to represent the corporation in the meeting. Validation of ballots and proxies will be on May 27, 2024 at 2:00 p.m. at the Office of the Corporate Secretary at the above-mentioned address.
10. The nominees for election to the Board were submitted in writing to the Board of Directors through the Corporate Secretary. The Corporate Governance Committee is tasked to pre-screen and evaluate the qualifications of the nominees in accordance with the Amended Manual on Corporate Governance of the Company.
11. The voting procedure for all items in the Agenda, including the election of the members of the Board, are set out in this Definitive Information Statement.
12. Stockholders may send their questions and/or comments during the meeting, or prior thereto by email to ASM@smcgph.sanmiguel.com.ph. Questions and comments may also be written in the space provided in the sample ballot/proxy form.
13. The proceedings of the meeting will be recorded.

Should you have questions or requests for clarification on the procedure for the 2024 Annual Stockholders' Meeting, please email them to ASM@smcgph.sanmiguel.com.ph.

SAN MIGUEL GLOBAL POWER HOLDINGS CORP.
ANNUAL STOCKHOLDERS' MEETING
JUNE 4, 2024
2:00 p.m. via Videoconferencing
("2024 Annual Stockholders' Meeting")

Please mark as applicable:

☐ **Vote by ballot**: The undersigned stockholder of San Miguel Global Power Holdings Corp. (formerly known as "San Miguel Global Power Holdings Corp." and hereinafter referred to as the "Company") casts his/her vote on the agenda items for the 2024 Annual Stockholders' Meeting, as expressly indicated with **"X"** below in this ballot.

☐ **Vote by proxy:** 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 2024 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 8.

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 Annual Stockholders' Meeting held on June 6, 2023 and the Minutes of the Special Stockholders' Meeting held on September 7, 2023				
3. Approval of the 2023 Audited Financial Statements				
4. Ratification of all Acts of the Board of Directors and Corporate Officers since the 2023 Annual Stockholders' Meeting				
5. Appointment of External Auditors for 2024				
6. Approval of Directors' Fees				
7. Ratification of the execution of Omnibus Agreement by the Company as Sponsor and Shares Security Grantor				
8. Change in Principal Office Address and Amendment of the Articles of Incorporation to reflect the same				

Signed this _______________ 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 20, 2024 by email sent to *ASM@smcgph.sanmiguel.com.ph* or by mail sent to the Office of the Corporate Secretary at the 5th Floor, C5 Office Building Complex, #100 E. Rodriguez Jr. Ave., C5 Road, Bo. Ugong, Pasig City 1604, Metro Manila. This ballot/proxy, when properly executed, will be voted in the manner as marked/directed herein by the stockholder. If no direction is made in the proxy, such proxy will be voted for the election of all nominees and for the approval of the matters stated above and for such other matters as may properly come before the meeting as recommended by the management or the Board of Directors. A stockholder giving a proxy has the power to revoke it either in an instrument in writing duly presented to and recorded with the Corporate Secretary on or before 12:00 p.m. of May 27, 2024. 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 2024 Annual Stockholders Meeting ("Secretary's Certificate"). Validation of ballots and proxies will be on May 27, 2024 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 **San Miguel Global Power Holdings Corp.**

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

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

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

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

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

8. **June 4, 2024, 2:00 p.m., No. 40 San Miguel Avenue, Mandaluyong City**
   (venue where meeting will be presided by Chairman. Stockholders are requested to attend via videoconference)
   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 14, 2024**

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

11. Securities registered pursuant to Sections 8 and 12 of the Code or Sections 4 and 8 of the RSA (information on number of shares and amount of debt is applicable only to corporate registrants):
    ₱15 Billion worth of Fixed Rate Bonds issued in July 2016
    ₱20 Billion worth of Fixed Rate Bonds issued in December 2017
    ₱15 Billion worth of Fixed Rate Bonds issued in August 2018
    ₱30 Billion worth of Fixed Rate Bonds issued in April 2019
    ₱40 Billion worth of Fixed Rate Bonds issued in July 2022

Title of Each Class	Number of Shares of Common Stock Outstanding and Amount of Debt Outstanding **(as of March 31, 2024)**
Common Shares	**2,823,604,000**
Consolidated Total Liabilities (in Thousands)	**₱460,291,630**

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 **San Miguel Global Power Holdings Corp.**[1] (formerly known as *"SMC Global Power Holdings Corp."* and hereinafter referred to as the "Company" or "San Miguel Global Power") will be held **on June 4, 2024 at 2:00 p.m. and will be presided by the Chairman at No. 40 San Miguel Avenue, Mandaluyong City. As allowed under SEC Memorandum Circular No. 6 series of 2020 dated March 12, 2020 entitled "Guidelines on the Attendance and Participation of Directors, Trustees, Stockholders, Members, and Other Persons of Corporations in Regular and Special Meetings through Teleconferencing, Video Conferencing and other Remote or Electronic Means of Communication", the stockholders are requested to attend through videoconferencing using the Zoom Meeting ID 958 3078 4161.**

Stockholders intending to attend the meeting by videoconferencing should notify the Company by email to ASM@smcgph.sanmiguel.com.ph by **May 27, 2024** at 12 noon. The procedure and further details for attending the meeting, participation therein and casting of votes are set forth in Appendix 1 of the Notice and shall be included in the Definitive Information Statement.

Votes will be cast through ballots or proxies. The deadline for the submission of ballots and proxies is on **May 20, 2024**. For your convenience, a sample of a ballot/proxy is attached to this Definitive Information Statement. For an individual, his/her ballot or proxy must be accompanied by a valid government-issued ID with a photo. For a corporation, its proxy must be accompanied by its Corporate Secretary's certification setting the representative's authority to represent the corporation in the meeting. Ballots and proxies may be sent through email at ASM@smcgph.sanmiguel.com.ph or by personal delivery to the Office of the Corporate Secretary at the 5th Floor, C5 Office Building Complex, #100 E. Rodriguez Jr. Ave., C5 Road, Bo. Ugong, Pasig City 1604, Metro Manila. Proxies need not be notarized. Validation of ballots and proxies will be on **May 27, 2024** at 2:00 p.m. at the Office of the Corporate Secretary at the above-mentioned address. Hard copies of the ballots and proxies and notarized Secretary's Certificates will be immediately sent as soon as reasonably possible.

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

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

The information statement is first to be sent to the stockholders on **May 14, 2024.**

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

[1] On March 22, 2023, the Securities and Exchange Commission ("SEC") approved the change of name of "SMC Global Power Holdings Corp." to "San Miguel Global Power Holdings Corp.".

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 2024 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 2024 Annual Stockholders' Meeting will be sent to the stockholders as of record date of May 7, 2024.

      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 7, 2024. 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 shall be 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 6, 2023 and the Minutes of the Special Stockholders' Meeting held on September 7, 2023

   Copies of the Minutes of the Annual Stockholders' Meeting held on June 6, 2023 (the "2023 Annual Stockholders' Meeting") and Special Stockholders' Meeting held on September 7, 2023 (the "2023 Special Stockholders' Meeting") are included in this Definitive Information Statement (attached as **Annex "G"** and **Annex "H"**, respectively) 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 2023 Annual Stockholders' Meeting and the 2023 Special Stockholders' Meeting.

3. Approval of the 2023 Audited Financial Statements

   a. The Management of the Company will deliver the report on the performance of the Company for 2023 and present for approval of the stockholders the 2023 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 2023 Audited Financial Statements. Stockholders may raise their questions and/or comments during the meeting, or prior thereto by email to ASM@smcgph.sanmiguel.com.ph. Questions and comments may also be written in the space provided in the ballot/proxy form.

   c. Duly authorized representatives of R. G. Manabat & Co., the external auditors for 2023, will be present at the 2024 Annual Stockholders' Meeting to respond to appropriate questions concerning the 2023 Audited Financial Statements of the Company.

   d. After the open forum, the stockholders will then be requested to approve the 2023 Audited Financial Statements.

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

   The acts and proceedings of the Board of Directors and corporate officers since the 2023 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 2023 Annual Stockholders' Meeting.

5. Appointment of External Auditors

   The Audit and Risk Oversight Committee shall endorse the re-appointment of R. G. Manabat & Co. as the external auditor of the Company for 2024. 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 2024.

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

   In accordance with the Company's Amended By-laws, the nominations for the election of all directors by the stockholders were submitted in writing to the Board of Directors through the Corporate Secretary. The Corporate Governance Committee has pre-screened and evaluated the qualifications of the nominees in accordance with the Amended Manual on Corporate Governance of the Company in its meeting held on May 13, 2024. The Board of Directors during its regular meeting held on May 13, 2024 has determined that all the nominees for election to the Board of Directors satisfy the mandatory requirements specified under the provisions of Section 2, Article III of the Company's Amended By-laws.

   The seven (7) nominees, who are all incumbent members of the Board of Directors, will be submitted for re-election to the Board of Directors by the stockholders at the 2024 Annual Stockholders' Meeting. The profiles of the nominees, as well as the certification of their qualifications, are provided in this Definitive Information Statement.

7. Approval of Directors' Fees

   In compliance with Section 29 of the Revised Corporation Code, the Directors' Fees for independent directors, representing per diem allowance for their attendance in meetings, will be submitted for ratification and approval by the stockholders.

8. Ratification of the Execution of Omnibus Agreement by the Company as Sponsor and Shares Security Grantor

   In its special meeting held on October 20, 2023, the Board of Directors authorized (i) the Company to act as the Sponsor and Shares Security Grantor under a term loan facility to be obtained by SMGP BESS Power Inc. (formerly, Universal Power Solutions, Inc.)[2] (the "Borrower" and a wholly-owned subsidiary of the Company), in the aggregate principal amount of up to Forty Billion Pesos (₱40,000,000,000.00), from China Banking Corporation, Bank of Commerce, and BDO Unibank, Inc. (collectively, the "Senior Term Lenders"), (ii) the creation of a security interest in favor of the Senior Term Lenders over: (a) the shares of the Company in the Borrower and (b) the subordinated shareholder loans extended by the Company to the Borrower and perpetual securities issued by the Borrower to the Company, and (iii) the designation of authorized signatories to the agreements to be executed to implement the foregoing transactions.

   The Omnibus Loan and Security Agreement was executed by the Borrower, the Company and the

[2] On November 3, 2023, the SEC approved the change of name of "Universal Power Solutions, Inc." to "SMGP Bess Power Inc."

Senior Term Lenders on October 23, 2023 (the "Omnibus Agreement"). The Omnibus Agreement requires that the execution, delivery and performance by the Company of the agreements, the Notes and Counterparty Consents as defined under the Omnibus Agreement to which the Company is a party, shall be approved or ratified by the stockholders of the Company holding at least 2/3 of the outstanding capital stock thereof.

9. Change in Principal Office Address and Amendment of the Articles of Incorporation to reflect the same

   In its meeting held on May 13, 2024, all the members of the Board of Directors of the Company unanimously approved the change in the place of principal office of the Company ***from*** 5th Floor, C5 Office Building Complex, #100 E. Rodriguez Jr. Ave., C5 Road, Bo. Ugong, Pasig City 1604, Metro Manila ***to*** No. 40 San Miguel Avenue, Mandaluyong City, Metro Manila, and the amendment of Article Third of the Amended Articles of Incorporation of the Company to reflect the aforementioned change in the principal office address.

   The approval of the stockholders of the Company is sought for the purpose of amending the Article Third of the Amended Articles of Incorporation of the Company to reflect the aforementioned change in the place of its principal Office (the "Proposed Amendment").

10. 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.

11. 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 10, 2024**, the Company has only one (1) class of securities, consisting of 2,823,604,000 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 7, 2024.** Only stockholders of records at the close of business on **May 7, 2024** 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 7, 2024**, 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 20, 2024**, which is at least 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 whom are independent directors.

The beneficial owner of more than five percent (5%) of the Company's voting securities as of **May 10, 2024**, 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	2,823,600,500	100%
Common	Ramon S. Ang No. 40 San Miguel Ave., Mandaluyong City (Director)	Nominee-director of SMC in the Board	Filipino	500	0%
Common	John Paul L. Ang No. 40 San Miguel Ave., Mandaluyong City (Director)	Nominee-director of SMC in the Board	Filipino	500	0%
Common	Aurora T. Calderon No. 40 San Miguel Ave., Mandaluyong City (Director)	Nominee-director of SMC in the Board	Filipino	500	0%
Common	Virgilio S. Jacinto No. 40 San Miguel Ave., Mandaluyong City (Director)	Nominee-director of SMC in the Board	Filipino	500	0%
	Total:			**2,823,602,500**	

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

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

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

As regards security ownership of management, the table below sets out the details of the voting securities in the name of the director, executive officers, and nominees for election as directors, of the Company as of **May 10, 2024**:

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

The aggregate number of shares owned of record by the directors of the Company as a group as of **May 10, 2024** is 3,500 common shares, which is less than 1% of the outstanding shares of the Company.

Voting Trust Holders of 5% or More

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

Changes in Control

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

Parent Company

The parent company of San Miguel Global Power is SMC. As of **December 31, 2023**, SMC owns approximately 100% of the issued and outstanding capital stock of San Miguel Global Power. On the other hand, Top Frontier Investment Holdings, Inc. owns 61.78% of the outstanding common stock of SMC as of **December 31, 2023**.

DIRECTORS AND EXECUTIVE OFFICERS

Directors and Executive Officers

The overall management and supervision of San Miguel 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 10, 2024**, the following are the incumbent members of the Board of Directors of the Company, all of whom are nominees for re-election as directors at the meeting:

Name	Age	Citizenship	Position	Year Appointed
Ramon S. Ang	70	Filipino	Chairman	2010
John Paul L. Ang	44	Filipino	Vice Chairman	2021
Aurora T. Calderon	69	Filipino	Director	2010
Virgilio S. Jacinto	67	Filipino	Director	2011
Jack Arroyo, Jr.	65	Filipino	Independent Director	2011
Consuelo M. Ynares-Santiago	84	Filipino	Independent Director	2011
Josefina Guevara-Salonga	82	Filipino	Independent Director	2017

As of **May 10, 2024**, the following are the incumbent executive officers of the Company:

Name	Age	Citizenship	Position	Year Position was Assumed
Ramon S. Ang	70	Filipino	Chairman & Chief Executive Officer and President & Chief Operating Officer	2010 & 2017
John Paul L. Ang	44	Filipino	Vice Chairman	2021
Virgilio S. Jacinto	67	Filipino	Corporate Secretary & Compliance Officer	2010 & 2011
Elenita D. Go	63	Filipino	General Manager	2011
Paul Bernard D. Causon	46	Filipino	Vice President & Chief Finance Officer	2018 & 2017
Ramon U. Agay	66	Filipino	Assistant Vice President & Comptroller	2015 & 2011
Irene M. Cipriano	49	Filipino	Assistant Corporate Secretary	2010
Maria Floreselda S. Abalos-Sampaga	59	Filipino	Data Privacy Officer	2019
Reynaldo S. Matillano	63	Filipino	Internal Audit Manager	2017
Jeciel B. Campos	66	Filipino	Assistant Vice President and Sales and Marketing Manager	2018
Jose Ferlino P. Raymundo	65	Filipino	Assistant Vice President and Energy Sourcing and Trading Manager	2018
Danilo T. Tolarba	55	Filipino	Assistant Vice President and Human Resources Group Manager	2018
Julie Ann B. Domino-Pablo	42	Filipino	Assistant Vice President and General Counsel	2020
Gonzalo B. Julian, Jr.	57	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 San Miguel 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 San Miguel 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 San Miguel Global Power such as Sual Power Inc. (formerly known as "San Miguel Energy Corporation" and hereinafter referred to as "SPI"), San Miguel Electric Corp. ("SMELC"), South Premiere Power Corp ("SPPC"), San Roque Hydropower Inc. (formerly known as "Strategic Power Devt. Corp." and hereinafter referred to as "SRHI"), Limay Power Inc. (formerly known as "SMC Consolidated Power Corporation" and hereinafter referred to "LPI"), Malita Power Inc. (formerly known as "San Miguel Consolidated Power Corporation" and hereinafter referred to as "MPI"), SMGP BESS Power Inc. (formerly known as 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, San Miguel Equity Investments, Inc., 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., 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, the Chairman of the Board and President of Privado Holdings, Corp. and the Chairman, President and Chief Executive Officer of Far East Holdings Inc. He formerly held the following positions: Chairman of the Board of Liberty Telecoms Holdings, Inc. and Cyber Bay Corporation; President and Chief Operating Officer of PAL Holdings, Inc. and Philippine Airlines, Inc.; Director of Air Philippines Corporation; and Vice Chairman of the Board and Director of Manila Electric Company. Mr. Ang holds directorships in various domestic and international subsidiaries of SMC. He has a Bachelor of Science degree in Mechanical Engineering from Far Eastern University. Mr. Ang attended a corporate governance training seminar conducted by the Center for Global Best Practices on November 10, 2023.

John Paul L. Ang is a Director and Vice Chairman of San Miguel Global Power since June 1, 2021. He is a member of the Executive Committee, Corporate Governance Committee, Audit and Risk Oversight Committee and Related Party Transaction Committee of San Miguel Global Power. He is also the President and Chief Executive Officer of Eagle Cement Corporation since 2008 and Southwestern Cement Corporation since 2017. He is also currently a member of the Board of Directors of Top Frontier Investment Holdings, Inc., SMC, Petron Corporation, San Miguel Food and Beverage, Inc., and KB Space Holdings, Inc., and the President of San Miguel Equity Investments Inc. He was the Managing Director of Sarawak ClinkerSdn. Bhd. Malaysia and the Purchasing Officer of Basic Cement. He graduated from the Ateneo de Manila University with a Bachelor of Arts degree in Interdisciplinary Studies. On September 20, 2023, he attended a corporate governance training seminar conducted by SGV & Co.

Aurora T. Calderon is a Director of San Miguel Global Power since August 31, 2010. Ms. Calderon is also a member of the Executive Committee, Audit and Risk Oversight Committee and Related Party Transaction Committee of San Miguel Global Power. She is a Director of several subsidiaries of San Miguel 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. In December 2022, the designation of Ms. Calderon in SMC was also changed to Senior Executive Assistant to the President and Chief Executive Officer in line with the change of designation of Mr. Ang. 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. She attended a corporate governance training seminar conducted by the Center for Global Best Practices on November 10, 2023.

Virgilio S. Jacinto is the Corporate Secretary of San Miguel 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 San Miguel 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 San Miguel Global Power such as SPI, SMELC, SPPC, SRHI, LPI, and MPI. He is also the Corporate Secretary and Compliance Officer of Top Frontier Investment Holdings, Inc., and Ginebra San Miguel, Inc. He is a Director of Petron Corporation and is a Director and Corporate Secretary of various domestic and international subsidiaries and affiliates of SMC. He was formerly the Vice President and First Deputy General Counsel of SMC. He was a Director and Corporate Secretary of United Coconut Planters Bank, and a Partner at Villareal Law Offices. Atty. Jacinto is an Associate Professor at the University of the Philippines, College of Law. He obtained his law degree from the University of the Philippines *cum laude* where he was the class salutatorian and placed sixth in the 1981 bar examinations. He holds a Masters of Laws degree from Harvard Law School. He holds directorships in various domestic and international subsidiaries of SMC. On September 20, 2023, he attended a corporate governance training seminar conducted by SGV & Co.

Jack G. Arroyo, Jr. is an Independent Director of San Miguel 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 San Miguel 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. He attended corporate governance training seminars conducted by the SGV & Co. on September 8, 2023 and Center for Global Best Practices on November 10, 2023.

Consuelo M. Ynares-Santiago is an Independent Director of San Miguel 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 San Miguel Global Power. She is also an Independent Director of Top Frontier Investment Holdings, Inc., SMC SLEX Inc. (formerly, "South Luzon Tollway Corporation"), Anchor Insurance Brokerage Corporation, and Phoenix Petroleum Phil. Inc. She served as an Associate Justice of the Supreme Court of the Philippines; Associate Justice of the Court of Appeals of the Philippines; and a Regional Trial Court Judge of Makati City. She graduated from the University of the Philippines College of Law. On November 10, 2023, she attended a corporate governance training seminar conducted by Center for Global Best Practices.

Josefina Guevara-Salonga is an Independent Director of San Miguel 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 San Miguel 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 November 10, 2023, she attended a corporate governance training seminar conducted by Center for Global Best Practices.

Elenita D. Go is the General Manager of San Miguel Global Power since December 14, 2011. She joined San Miguel 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 SPI, SPPC, SRHI, LPI, MPI, CLPPC, LETI, and SMGP BESS Power Inc., and is the Chairman in other subsidiaries of San Miguel Global Power. She is also the President of SMGP Foundation, Inc.[3], the Managing Partner and Chief Executive Officer of Masinloc Power Co. Ltd. ("MPCL", formerly, "Masinloc Power Partners Co. Ltd.")[4] and SMGP Kabankalan Power Co. Ltd.[5] (formerly known as "SMCGP Philippines Energy Storage Co. Ltd.") and the Chief Operating Officer of MPGC. 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 November 10, 2023, she attended a corporate governance training seminar conducted by Center for Global Best Practices.

Paul Bernard D. Causon is the Chief Finance Officer of San Miguel 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 MPCL and SMGP Kabankalan Power Co. Ltd., and the Chief Financial Officer of SMGP 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 November 10, 2023, he attended a corporate governance training seminar conducted by Center for Global Best Practices.

[3] On 12 January 2024 , the SEC approved the change of name of "SMCGP Philippines Power Foundation Inc." to "SMGP Foundation Inc."

[4] On November 13, 2023, the SEC approved the change of name of "Masinloc Power Partners Co. Ltd." to "Masinloc Power Co. Ltd."

[5] On September 21, 2023, the SEC approved the change of name of "SMCGP Philippines Energy Storage Co. Ltd." to "SMGP Kabankalan Power Co. Ltd."

Ramon U. Agay is the Comptroller of San Miguel 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 San Miguel Global Power, such as SPI, SMELC, SPPC, SRHI, LPI, MPI, CLPPC and LETI, and the Treasurer of Luzon Power Dynamics Services Inc.[6], Vizmin Power Services Corp.[7] and several other subsidiaries of San Miguel 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 November 10, 2023, he attended a corporate governance training seminar conducted by Center for Global Best Practices.

Irene M. Cipriano is the Assistant Corporate Secretary of San Miguel 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 San Miguel 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. In 2021, she completed the Executive Management Development Program of the Asian Institute of Management. On October 20, 2023, she attended a corporate governance training seminar conducted by Risk, Opportunities, Assessment and Management (ROAM), Inc.

Reynaldo S. Matillano is the Audit Manager of San Miguel 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 of Science in Business Administration, major in Accounting from Saint Paul University in Dumaguete City. On November 10, 2023, he attended a corporate governance training seminar conducted by Center for Global Best Practices.

Maria Floreselda S. Abalos-Sampaga was appointed as the Data Protection Officer of the San Miguel 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 San Miguel 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 November 10, 2023, she attended a corporate governance training seminar conducted by Center for Global Best Practices.

Jeciel B. Campos is the Sales and Marketing Manager of San Miguel 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 November 10, 2023, he attended a corporate governance training seminar conducted by Center for Global Best Practices.

Jose Ferlino P. Raymundo is the Energy Sourcing & Trading Manager of San Miguel 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 San Miguel Global Power. He holds a Bachelor of Science in Electrical

[6] On 14 November 2023, SEC approved the change of name of "Mantech Power Dynamics Services Inc." to "Luzon Power Dynamics Services Inc."

[7] On 14 November 2023, SEC approved the change of name of "Safetech Power Services Corp." to "VisMin Power Dynamics Services Inc."

Engineering degree from Mapua Institute of Technology. On November 10, 2023, he attended a corporate governance training seminar conducted by Center for Global Best Practices.

Danilo T. Tolarba has been the Head of the Human Resources Division of San Miguel 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 of Science in Business Management degree from the Polytechnic University of the Philippines. On November 10, 2023, he attended a corporate governance training seminar conducted by Center for Global Best Practices.

Julie Ann B. Domino-Pablo is the Assistant Vice President and General Counsel of San Miguel 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 San Miguel 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 San Miguel 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 November 10, 2023, she attended a corporate governance training seminar conducted by 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 San Miguel Global Power effective March 1, 2020. Prior to the acquisition of MPCL and other entities of the Masinloc Group, he was the Managing Partner and CEO of MPCL 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 November 10, 2023, he attended a corporate governance training seminar conducted by 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 4, 2024** are as follows:

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

Independent Directors

The incumbent independent directors of the Company are as follows:

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

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

The nominees for re-election as independent directors of the Board of Directors on June 4, 2024 are as follows:

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

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

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

Each of Jack G. Arroyo, Jr. and Consuelo M. Ynares-Santiago have been serving the Company as an independent director for more than nine (9) years. The Company's Corporate Governance Committee has evaluated their independence and determined that they possess all the qualifications and none of the disqualifications to act as independent director of the Company, in accordance with the Amended Manual on Corporate Governance. Accordingly, the necessary endorsements for Board approval were made in the meetings held on May 13, 2024. 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 2024 Annual Stockholders' Meeting in compliance with the provisions of the Amended Manual on Corporate Governance.

Re-election of Jack G. Arroyo, Jr.

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

Re-election of Consuelo M. Ynares-Santiago

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

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

The nominations for the election of all directors by the stockholders will be 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 13, 2024, the Corporate Governance Committee pre-screened the qualifications of the nominees and prepared a final list of nominees eligible for election. No other nominations were entertained after the final list of candidates was prepared.

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

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

Significant Employees

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

Family Relationships

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

Involvement of Directors and Officers in Certain Legal Proceedings

None of the directors, nominees for election as director, executive officers or control persons of the Company have been the subject of any (a) bankruptcy petition, (b) conviction by final judgment in a criminal proceeding, domestic or foreign, (c) order, judgment or decree of any court of competent jurisdiction, domestic or foreign, permanently or temporarily enjoining, barring, suspending or otherwise limiting his involvement in any type of business, securities, commodities or banking activities, which is not subsequently reversed, suspended or vacated, or (d) judgment of violation of a securities or commodities law or regulation by a domestic or foreign court of competent jurisdiction (in a civil action), the 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 19, Related Party Disclosures, of the Notes to the 2023 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 2023 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 11, 2024 meetings, with the end in view of ensuring that its performance accords with best practices and meets its objectives thereunder.

Attached hereto as Annex "I" are the results of the self-assessment on the performance of each Board Committees, the Board of Directors, and management for calendar year 2023, based on the self-rating forms approved by the Board of Directors in its March 11, 2024 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 13, 2024.

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 *(The Chief Executive Officer, President & Chief Operating Officer, and the Senior Officers of the Company for 2021 to 2023 are Ramon S. Ang, Elenita D. Go, Paul Bernard D. Causon, and Ramon U. Agay)*	2024 (estimated)	₱81.6	₱23.2
	2023	₱79.5	₱16.3
	2022	₱76.3	₱24.5
All other Officers and Directors as a group unnamed	2024 (estimated)	₱55.6	₱33.7
	2023	₱53.7	₱27.1
	2022	₱47.1	₱29.6

Standard Arrangements on Directors' Compensation

The Amended By-Laws of the Company provides that the 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 Company provides its independent directors a per diem allowance of ₱40,000.00, ₱45,000.00, and ₱20,000.00.00 for their attendance to each regular board and stockholders' meeting, special board meeting, and board committee meetings, respectively. Each of the independent directors, namely: Jack G. Arroyo, Jr., Consuelo M. Ynares-Santiago, and Josefina Guevara Salonga, received a total of ₱685,000.00.00 in 2023 for their attendance in the board meetings, annual stockholders' meeting, and board committee meetings held in 2023.

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 therefore. Other than the aforesaid per diem allowance for the independent directors of the Company, all 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 fourteen (14) 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 2017, 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

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

San Miguel Global Power, together with its subsidiaries, associates and joint ventures, is one of the largest power companies in the Philippines, controlling 5,057 MW of combined capacity as of December 31, 2023. The Company benefits from a diversified power portfolio, including natural gas, coal, renewable energy such as hydroelectric power and battery energy storage systems ("BESS"). Based on the total installed generating capacities reported in Energy Regulatory Commission ("ERC") Resolution No. 02, Series of 2024 dated March 12, 2024, the Company believes that its combined installed capacity comprises approximately 20% of the National Grid, 26% of the Luzon Grid and 8% of the Mindanao Grid, in each case, as of December 31, 2023. Market share is computed by dividing the installed generating capacity of the Company with the installed generating capacity of Luzon Grid, Mindanao Grid or National Grid (17,961,724 kW, 4,187,838 kW and 225,567, 270kW, respectively based on data provided under the ERC Resolution on Grid Market Share Limitation). In addition, the Company is engaged in distribution and retail electricity services and has various power projects in the pipeline.

San Miguel Corporation entered the power industry in 2009 following the acquisition of rights to administer the output produced by Independent Power Producers ("IPPs") in privatization auctions conducted by the Government through the Power Sector Assets and Liabilities Management Corporation ("PSALM"), The following companies under the San Miguel Corporation group became the Independent Power Producer Administrator ("IPPA") of the following plants: (1) Sual Power Inc.[8] (formerly known as "San Miguel Energy Corporation" and hereinafter referred to as "SPI") became the

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[8] On March 9, 2023, the SEC approved the change of name of "San Miguel Energy Corporation" to "Sual Power Inc.".

IPPA for the Sual Power Plant, a coal-fired thermal power plant located in Sual, Pangasinan, in November 2009; and (2) San Roque Hydropower Inc. (formerly known as "Strategic Power Devt. Corp." and hereinafter referred to as "SRHI")[9] became the IPPA for the San Roque Power Plant, a hydroelectric power plant located in San Manuel, Pangasinan, in January 2010 (the Sual Power Plant and San Roque Power Plant are collectively referred to as the "IPPA Power Plants"). SPI and SRHI are collectively referred to as the "IPPA Subsidiaries". South Premiere Power Corp. ("SPPC") also became the IPPA for the Ilijan Power Plant, a natural gas-fired combined cycle power plant located in Ilijan, Batangas, in June 2010 until the Ilijan Power Plant was turned over to SPPC in June 2022.

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 SPI and SRHI has the ability to manage both market and price risks by entering into bilateral contracts with offtakers while capturing potential upside from the sale of excess capacity through the wholesale electricity spot market ("WESM").

In September 2010, San Miguel Corporation consolidated its power generation business through the transfer of its equity interests in SPI, SRHI and SPPC to San Miguel Global Power. San Miguel Global Power also became a wholly-owned subsidiary of San Miguel Corporation.

Building on its experience as an IPPA since San Miguel Corporation's transfer of interests in SPI, SRHI and SPPC, San Miguel Global Power embarked on the development of its own greenfield power projects. In 2013, San Miguel Global Power initiated two greenfield power projects, namely, the construction of the 2 x 150 MW Davao Greenfield Power Plant which is owned by Malita Power Inc.[10] (formerly known as "San Miguel Consolidated Power Corporation" and hereinafter referred to as "MPI"), its wholly-owned subsidiary, and the 4 x 150 MW Limay Greenfield Power Plant which is owned by Limay Power Inc.[11] (formerly known as "SMC Consolidated Power Corporation" and hereinafter referred to as "LPI"), another wholly-owned subsidiary. Units 1, 2, 3 and 4 of the Limay Greenfield Power Plant commenced commercial operations in May 2017, September 2017, March 2018 and July 2019, respectively while Units 1 and 2 of the Davao Greenfield Power Plant commenced commercial operations in July 2017 and February 2018, respectively.

San Miguel Global Power also pursued strategic acquisitions to increase its energy portfolio. In November 2014, San Miguel 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 ("AHEPP").

In March 2018, San Miguel Global Power completed the acquisition of 51% and 49% of the equity interests in SMCGP Masin Pte. Ltd. ("SMCGP Masin", formerly Masin AES Pte. Ltd.) from AES Phil Investment Pte. Ltd. ("AES Phil") and Gen Plus B.V., respectively. SMCGP Masin indirectly owned, through its subsidiaries, at the time of such acquisition, Masinloc Power Co. Ltd.[12] ("MPCL", formerly Masinloc Power Partners Co. Ltd. ("MPPCL") and SMGP Kabankalan Power Co. Ltd.[13] ("SMGP

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[9] On March 31, 2023, the SEC approved the change of name of "Strategic Power Devt. Corp." to "San Roque Hydropower Inc.".

[10] On March 9, 2023, the SEC approved the change of name of "San Miguel Consolidated Power Corporation" to "Malita Power Inc.".

[11] On February 7, 2023, the SEC approved the change of name of "SMC Consolidated Power Corporation" to "Limay Power Inc.".

[12] On November 13, 2023, the SEC approved the change of name of "Masinloc Power Partners Co. Ltd." to "Masinloc Power Co. Ltd."

[13] On September 21, 2023, the SEC approved the change of name of "SMCGP Philippines Energy Storage Co. Ltd." to "SMGP Kabankalan Power Co. Ltd."

Kabankalan", formerly SMCGP Philippines Energy Storage Co. Ltd., (SMCGP Masin and its subsidiaries are collectively referred to as the "Masinloc Group"). MPPCL owns, operates and maintains the 1 x 330 MW (Unit 1), 1 x 344 MW (Unit 2) coal- fired power plant and 1 x 355 MW (Unit 3) which commenced commercial operations on September 2020 (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 Kabankalan holds the 20 MWh battery energy storage system facility in Kabankalan, Negros Occidental (the "Kabankalan BESS"). The capacity of Phase 1 of the Kabankalan BESS (20 MWh) is contracted under an Ancillary Service Procurement Agreement ("ASPA") with the National Grid Corporation of the Philippines ("NGCP") with a term of 5 years which commenced in January 2022.

On September 19, 2018, Prime Electric Generation Corporation ("PEGC"), and Oceantech Power Generation Corporation ("OPGC"), both wholly-owned subsidiaries of San Miguel Global Power, purchased the entire partnership interests in SMCGP Kabankalan from subsidiaries of SMCGP Masin. San Miguel Global Power was admitted as an additional limited partner of SMCGP Masinloc Partners Co. Ltd. ("MAPACO") in 2019 (a limited partnership under the Masinloc Group) and of MPPCL in June 2020. In 2022, San Miguel Global Power was also admitted as a partner of SMCGP Masinloc Powers Co. Ltd. ("MAPOCO", a limited partnership under the Masinloc Group) and now owns 99.96% partnership interest in MAPACO after SMCGP Masin's 50.68% partnership interest in MAPACO and 60% partnership interest in MAPOCO were transferred to San Miguel Global Power following the approval of SMCGP Masin's petition for withdrawal of its license to operate by the SEC in August 2022.

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

On June 2, 2022, San Miguel Global Power acquired 50% interest in Isabel Ancillary Services Co. Ltd. ("IASCO") through the acquisition by Power Ventures Generation Corporation ("PVGC") of 49.31% limited partnership interest in IASCO and the acquisition by PEGC of 50% equity interest in Isabel AS Holdings Corp., the sole general partner which owns 1.38% partnership interest in IASCO. IASCO is the operator of the 70MW Modular Diesel Engine Power Plant in Isabel, Leyte.

Aside from MPCL and SMGP Kabankalan, San Miguel Global Power also owns several other BESS facilities in Luzon, Visayas and Mindanao through its subsidiary, SMGP BESS Power Inc., which provide regulatory and contingency reserve to the NGCP. The 10 MWh Masinloc BESS of MPCL and several BESS sites of SMGP BESS Power Inc. in Luzon, Visayas and Mindanao with a total capacity of 330 MWh were contracted by NGCP after MPCL and SMGP BESS were declared as winning bidders in the competitive selection process conducted by NGCP in 2023 for its ancillary services requirement. Out of the 330 MWh, 220 MWh commenced operations in 2023 while the remaining 110 MWh commenced operations in March 2024, following the Provisional Authority granted by the ERC on the relevant ASPAs.

Mariveles Power Generation Corporation ("MPGC"), another subsidiary of San Miguel Global Power of which it holds 94.55% ownership interest, is also currently constructing a 4 x 150 MW circulating fluidized bed coal-fired power plant and associated facilities in Mariveles, Bataan. Unit 1 commenced commercial operations on March 28, 2024, while Unit 2 is undergoing testing and commissioning.

San Miguel Global Power, through its subsidiaries SPI, SRHI, SPPC, AHC, LPI, MPI, and MPCL, sells power through offtake agreements directly to customers, including the Manila Electric Company

("Meralco") and other distribution utilities, electric cooperatives and industrial customers, or through the WESM. The majority of the consolidated sales of San Miguel Global Power are through long-term take-or-pay offtake contracts most of which have provisions for passing on fuel costs, foreign exchange differentials and certain other fixed costs.

San Miguel Global Power is also engaged in distribution and retail electricity services. In April 2013, San Miguel Global Power, through SMC Power Generation Corp. ("SPGC"), acquired 35% equity stake in Olongapo Electric Distribution Company, Inc. ("OEDC"). In October 2013, San Miguel 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 rights, interests and obligations of San Miguel Global Power under the concession agreement with ALECO were assumed by its wholly-owned subsidiary, Albay Power and Energy Corp. ("APEC") on November 2013. The concession agreement was terminated on November 21, 2022.

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

Financial Statements

1. the Audited Consolidated Financial Statements as of and for the year ended December 31, 2023 (with comparative figures as of and for the year ended December 31, 2022), including the Company's Statement of Management's Responsibility and the Notes to the 2023 Audited Consolidated Financial Statements (the ***"2023 Audited Consolidated Financial Statements***), are collectively attached hereto as **Annex "B"**.

   The following components of the 2023 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, 2024 (with comparative figures as of December 31, 2023 and for the period ended March 31, 2023) and the Selected Notes to the Unaudited Consolidated Financial Statements, are collectively attached hereto as **Annex "D"**, comprising of the following components as required by the SEC under SRC Rule 68, as amended:

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

Management Discussion and Analysis

The Management's Discussion and Analysis or Plan of Operation of the Company as of December 31, 2023 and March 31, 2024 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 ₱2.5 million, ₱7.3 million, and ₱8.8 million in 2023, 2022, and 2021, 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 San Miguel 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 San Miguel 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 ₱3,774,400,000.00 comprised of 3,774,400,000 common shares with par value of ₱1.00 per common share. As of **May 10, 2024**, the Company has issued and outstanding 2,823,604,000 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 10, 2024**, the Company has eight (8) stockholders, seven (7) of whom are individuals with 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	2,823,600,500	100%
Ramon S. Ang	Common	500	0%
John Paul L. Ang	Common	500	0%
Aurora T. Calderon	Common	500	0%
Virgilio S. Jacinto	Common	500	0%
Jack G. Arroyo, Jr.	Common	500	0%

Consuelo M. Ynares-Santiago	Common	500	0%
Josefina Guevara-Salonga	Common	500	0%
Total	Common	2,823,604,000	100%

Dividend Policy

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

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

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

There were no cash dividend declarations during the year ended December 31, 2023, 2022, and 2021.

Distributions to Senior Perpetual Capital Securities (SPCS) Holders

San Miguel Global Power paid ₱15,035 million, ₱15,362 million and ₱12,191 million to the SPCS holders in 2023, 2022 and 2021 as distributions in accordance with the terms and conditions of their respective subscription agreements.

Distributions to Redeemable Perpetual Securities (RPS) Holder

San Miguel Global Power paid nil, ₱1,617 million and ₱1,996 million to the RPS holder in 2023, 2022 and 2021 as distributions in accordance with the terms and conditions of the relevant subscription agreement.

Further, San Miguel Global Power paid distributions to SPCS holders amounting to US$16.91 million (equivalent to ₱1,262 million, inclusive of tax), US$25.34 million (equivalent to ₱1,948 million, inclusive of tax), US$25.45 million (equivalent to ₱1,952 million, inclusive of tax) and US$14.64 million (equivalent to ₱1,119 million, inclusive of tax), on January 19, 2024, April 19, 2024, April 23, 2024, and May 3, 2024, respectively.

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

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

1. RPS

Name of Security Sold	Underwriter	Date of Issuance	Amount of Securities	Basis for Exemption
RPS	N/A	November 8, 2022	US$85,000,000.00	Section 10.1(k) of the SRC
RPS	N/A	March 10, 2023	US$500,000,000.00	Section 10.1(k) of the SRC
RPS	N/A	May 2, 2023	US$145,000,000.00	Section 10.1(k) of the SRC
RPS	N/A	May 2, 2023	US$145,000,000.00	Section 10.1(k) of the SRC
RPS	N/A	May 30, 2023	₱6,000,000	Section 10.1(k) of the SRC
RPS	N/A	June 1, 2023	₱7,000,000	Section 10.1(k) of the SRC
RPS	N/A	June 5, 2023	₱5,000,000	Section 10.1(k) of the SRC
RPS	N/A	June 13, 2023	₱6,760,000	Section 10.1(k) of the SRC
RPS	N/A	July 10, 2023	₱5,000,000	Section 10.1(k) of the SRC

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

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

On November 4, 2022, the Company completed the conduct of tender offers to holders of the above-listed SPCS listed with the SGX-ST and has accepted all valid tender offers of Securities from Securityholders representing an aggregate principal amount of US$123,934,000.

On April 25, 2024, the Company, as Issuer of the Senior Perpetual Capital Securities issued on 25 April 2019 and 03 July 2019 (collectively, the "Securities"), completed the redemption in full of the

Securities (the "Step Up Date"), pursuant to and in accordance with the terms and conditions of the Securities. The redemption was made after the issuance of the notice to the holders of the Securities, dated 11 March 2024. The redemption price of the Securities consists of the principal amount of US$783,164,000.00, plus any accrued but unpaid distributions up to (but excluding) the Step Up Date. As a result of the redemption, distributions on the Securities ceased to accrue as of the Step Up Date, and the Securities has been cancelled and delisted from the Singapore Exchange Securities Trading Limited.

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 San Miguel 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"). San Miguel 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 San Miguel 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 San Miguel 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, with the end in view of ensuring that its performance accords with best practices and meets its objectives thereunder. The performance of the Board Committees, the Board of Directors, and Management for 2023 were assessed through self-rating forms approved by the Board during its meeting held on March 11, 2024 and accomplished by the Board Committees, the Board of Directors, and Management. The results of the 2023 Performance Assessments has beed validated by the Compliance Officer and the Corporate Governance Committee and will be presented to the Board of Directors in its Board Meeting held on May 13, 2024. The details of the foregoing matters, as well as all other disclosures made by the Company pursuant to relevant rules and regulation of the SEC are posted in the Company's website www.smcglobalpower.com.ph.

Under the CG Code for PCs and RIs, San Miguel Global Power is now required to submit an Annual Corporate Governance Report (ACGR). Pursuant to SEC Memorandum Circular No. 13, Series of 2021 ("SEC MC No. 13"), every public company ("PC") and registered issuer ("RI") shall be required to submit its ACGR with the SEC on or before June 30 of the following year for every year that the company qualifies as a PC or RI. The first submission of the ACGR covered the period from January – December 2021. The Company filed its ACGR for 2021 and 2022 on June 30, 2022 and June 30, 2023, respectively, in compliance with SEC MC No. 13. For the 2023 AGCR, the same shall be filed by the

Company with the SEC on or before June 30, 2024.

Pursuant to its commitment to good governance and business practice, San Miguel 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 San Miguel 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 San Miguel Global Power regularly attend corporate governance training seminars. For 2023, its directors and officers attended at least one (1) of the following corporate governance training seminars: seminars: (i) by SGV & Co. on September 20, 2023, (ii) by Risks, Opportunities, Assessment and Management (ROAM), Inc. on October 20, 2023; and (iii) by Center for Global Best Practices on November 10, 2023.

With regard to the adequacy of the Company's internal control, the Board of Directors, during its meeting held on March 11, 2024, confirmed and certified that a sound internal audit, control and compliance system is in place and working effectively.

ACTION WITH RESPECT TO REPORTS

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

1. Minutes of the Previous Stockholders' Meetings

   a. 2023 Annual Stockholders' Meeting held on June 6, 2023 with the following items:
      i. Certification of Quorum
      ii. Approval of the Minutes of the Annual Stockholders' Meeting held on June 7, 2022
      iii. Approval of the 2022 Audited Financial Statements
      iv. Ratification of Acts, Proceedings, and Resolutions of the Board of Directors and Corporate Officers
      v. Appointment of External Auditors
      vi. Election of the Board of Directors
      vii. Other Matters
      vii. Adjournment

   The Minutes of the 2023 Annual Stockholders' Meeting contain the following information, among others:
      1) Voting and vote tabulation procedures used in the 2022 meeting;
      2) Opportunity given to stockholders or members to ask questions;
      3) The matters discussed and resolutions reached;
      4) A record of the voting results for each agenda item; and
      5) A list of the directors, officers and stockholders who attended the meeting.

   A copy of the Minutes of the 2023 Annual Stockholders' Meeting is hereto attached as **Annex "G"** and is available for viewing on the Company's website www.smcglobalpower.com.ph and for examination by the stockholders of the Company during office hours at the Office of the Corporate Secretary.

   b. Minutes of the 2023 Special Stockholders' Meeting held on September 7, 2023 with the following items:
      i. increase in the authorized capital stock of the Company by ₱1,774,400,000.00 (comprising of 1,774,400,000 shares with par value of ₱1.00 per share), or *from* ₱ 2,000,000,000.00, divided into 2,000,000,000 shares with par value of ₱1.00 per share *to* ₱3,774,400,000.00, divided into 3,774,400,000 shares with par value of ₱1.00 per share (the "ACS Increase");

ii. amendment of Article Seventh of the Amended Articles of Incorporation of the Company to reflect the ACS Increase;
iii. ratification of the subscription by SMC to 443,600,000 shares out of the ACS Increase for a total subscription amount of ₱13,308,000,000.00.

The Minutes of the 2023 Special Stockholders' Meeting contain the following information, among others:

1) Voting and vote tabulation procedures used in the meeting;
2) Opportunity given to stockholders or members to ask questions;
2) The matters discussed and resolutions reached;
3) A record of the voting results for each agenda item; and
4) A list of the directors, officers and stockholders who attended the meeting.

A copy of the Minutes of the 2023 Special Stockholders' Meeting is hereto attached as **Annex "H"** and is available for viewing on the Company's website www.smcglobalpower.com.ph and for examination by the stockholders of the Company during office hours at the Office of the Corporate Secretary.

2. Approval of the 2023 Audited Financial Statements

3. Ratification of all acts, proceedings and resolutions of the Board of Directors and Corporate Officers since the 2023 Annual Stockholders' Meeting, which include:

   a. Approval of the following matters:
      i. Minutes of Previous Meetings;
      ii. Quarterly financial performance and financial position of the Company;
      iii. Issuance of ₱5,000,000,000.00 redeemable perpetual securities to SMC under such terms and conditions determined by Management to be most beneficial to the Company;
      iv. Opening for subscription of the current unissued shares of the Company and the subscription by SMC to 410,000,000 shares of the Company out of the latter's unissued capital stock for a total subscription amount of ₱12,300,000,000.00;
      v. Increase in the authorized capital stock of the Company by ₱1,774,400,000.00 (comprising of 1,774,400,000 shares with par value of ₱1.00 per share), or *from* ₱2,000,000,000.00, divided into 2,000,000,000 shares with par value of ₱1.00 per share *to* ₱3,774,400,000.00, divided into 3,774,400,000 shares with par value of ₱1.00 per share (the "ACS Increase");
      vi. To secure the approval by the stockholders of the Company of the ACS Increase in a special stockholders' meeting to be convened on 07 September 2023 via remote communication;
      vii. Application for SEC approval of the ACS Increase and the amendment of the Company's Amended Articles of Incorporation to reflect the ACS Increase;
      viii. Opening for subscription of the shares out of the ACS Increase and subscription by SMC to 443,600,000 shares out of the ACS Increase or for a total subscription amount of ₱13,308,000,000.00;
      ix. Capital securities distribution to holders of the US$750 Million SPCS which the Company issued on October 21, 2020;
      x. Capital securities distribution to holders of the US$800 Million SPCS which the Company issued on April 25, 2019;
      xi. Capital securities distribution to holders of the US$500 Million SPCS, which the Company issued on November 5, 2019;
      xii. Amendment of the Articles of Partnership of Masinloc Power Partners Co. Ltd. to reflect its new name and update the partnership interests and sharing ratio of the partners,

including authorized representatives;

xiii. Appointment of the authorized representatives of the Company in MPCL, SMCGP Masinloc Partners Company Limited, and SMCGP Masinloc Power Company Limited,

xiv. Authority of the Company to act as the Sponsor and Shares Security Grantor under a term loan facility to be obtained by Universal Power Solutions, Inc. (now named, "SMGP BESS Power Inc.") from the Senior Term Lenders;

xv. Creation of a security interest in favor of the Senior Term Lenders over: (a) the shares of the Company in SMGP BESS Power Inc., and (b) the subordinated shareholder loans extended by the Company to SMGP BESS Power Inc. and perpetual securities issued by the SMGP BESS Power Inc. to the Company;

xvi. Capital securities distribution to holders of the US$750 Million SPCS which the Company issued on June 9, 2021;

xvii. Capital securities distribution to holders of the US$600 Million SPCS which the Company issued on January 21, 2020;

xviii. Opening for subscription of all the unissued shares of the Company and the subscription by SMC of 720,000,000 shares of the Company;

xix. Adoption of various amended company policies;

xx. Execution of the Share Subscription Agreements by and among: (a) the Company, SPPC, and Meralco Powergen Corporation ("MGEN"); (b) the Company, Excellent Energy Resources, Inc., and MGEN; (c) the Company, Ilijan Primeline Industrial Estate Corp., and MGEN; (d) the Company, MGEN, Eurodite Universal Power Incorporation, and Linseed Field Corporation; as well as the execution of other contracts, term sheets, and documents necessary to implement the transactions contemplated therein;

xxi. Approval of the 2024 Internal Audit Plan;

xxii. Approval of the 2024 Self-Rating Forms;

xxiii. Issuance by the Company of up to US$800 Million redeemable perpetual capital securities , under such terms and conditions determined by Management to be most beneficial to the Company; and

xxiv. Redemption in full by the Company of all the outstanding SPCS issued on April 25, 2019 and July 3, 2019;

xxv. Participation of San Roque Hydropower Inc. in the selection and appointment of the Independent Power Producer Administrator (IPPA) for administration of the contracted capacity and privatization of the Caliraya-Botocan-Kalayaan Hydroelectric Power Plants of PSALM;

xxvi. Confirmation of the integrated LNG Facility Transaction of the Company with Meralco Powergen Corporation and Aboitiz Power;

xxvii. Details of the 2024 Annual Stockholders' Meeting of the Company, including the internal procedures for the conduct of 2024 Annual Stockholders' Meeting via remote communication through videoconferencing, in accordance with existing rules and guidelines promulgated by the SEC;

xxviii. Report on the qualifications of the nominees for the election to the Board of Directors of the Company to be held on the 2024 Annual Stockholders' Meeting;

xxix. 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 2023;

xxx. Change in the principal address of the Corporation ***from*** 5th Floor, C5 Office Building Complex, #100 E. Rodriguez Jr. Ave., C5 Road, Bo. Ugong, Pasig City 1604, Metro Manila ***to*** No. 40 San Miguel Mandaluyong City, and the amendment of Article Third of the Amended Articles of Incorporation of the Corporation to reflect the aforementioned change in address; and

xxxi. Inclusion of Angat Hydropower Corporation in the Company's Multi-Employer Retirement Plan.

b. Election and Appointment of officers and Lead Independent Director;
c. Appointment of the members of the Board Committees; and
d. Designation of depository banks, appointment of authorized signatories for banking and other corporate transactions.

4. Appointment of R.G. Manabat & Co. as external auditors of the Company for fiscal year 2024

5. Election of the Board of Directors

6. Approval of Directors' Fee

7. Ratification of the execution of Omnibus Agreement by the Company as Sponsor and Shares Security Grantor

8. Amendment of the Articles of Incorporation of SMGP to reflect the change in the principal office address of the Company

OTHER PROPOSED ACTION

Ratification of the execution of the Omnibus Agreement by the Company as Sponsor and Shares Security Grantor

In its special meeting held on October 20, 2023, the board of directors authorized (i) the Company to act as the Sponsor and Shares Security Grantor under a term loan facility to be obtained by SMGP BESS Power Inc. (formerly, Universal Power Solutions, Inc.) (the "Borrower" and a wholly-owned subsidiary of the Company), in the aggregate principal amount of up to Forty Billion Pesos (₱40,000,000,000.00), from China Banking Corporation, Bank of Commerce, and BDO Unibank, Inc. (collectively, the "Senior Term Lenders") to be divided into two tranches of (x) up to ₱28,000,000,000.00 for Tranche A and (y) up to ₱12,000,000,000.00 for Tranche B, (ii) the creation of a security interest in favor of the Senior Term Lenders over: (a) the shares of the Company in the Borrower and (b) the subordinated shareholder loans extended by the Company to the Borrower and perpetual securities issued by the Borrower to the Company, and (iii) the designation of authorized signatories to the agreements to be executed to implement the foregoing transactions.

The Omnibus Loan and Security Agreement was executed by the Borrower, the Company and the Senior Term Lenders on October 23, 2023 (the "Omnibus Agreement") to fund the cost and expenses in relation to the design, construction, and operation of up to 930MWh of battery energy storage system projects built or to be built across various sites in the Philippines by the Borrower, as well as for the redemption of outstanding perpetual securities, reimbursement or repayment of reimbursable sponsor advances (as applicable), payment of interests during construction and payment of transaction costs.

To be presented for the approval of the stockholders of the Company in its meeting to be convened on June 4, 2024, is the approval or the ratification of the execution, delivery and performance by the Company of the Omnibus Agreement, the Notes and Counterparty Consents as defined thereunder as the same are required to be approved or ratified by the stockholders of the Company owning and/or representing at least 2/3 of the outstanding capital stock.

Change in the Principal Office Address and Amendment of the Articles of Incorporotion to reflect the same

During the meeting held on May 13, 2024, all the members of the Board of Directors of the Company unanimously approved the change in the place of principal office of the Company ***from*** 5th Floor, C5 Office Building Complex, #100 E. Rodriguez Jr. Ave., C5 Road, Bo. Ugong, Pasig City 1604, Metro Manila ***to*** No. 40 San Miguel Avenue, Mandaluyong City, Metro Manila, and the amendment of Article Third of the Amended Articles of Incorporation of the Company to reflect the aforementioned change in the principal office address.

The vote of the stockholders of the Company owning and/or representing at least 2/3 of the outstanding capital stock is sought for the purpose of amending the Article Third of the Amended Articles of Incorporation of the Company to reflect the aforementioned change in the place of its principal office (the "Proposed Amendment").

VOTING PROCEDURES

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.

Stockholders of record as of May 7, 2024 shall be entitled to one (1) vote for each share of stock recorded in their names in the books of the Company.

The approval or the ratification of the stockholders of the Company holding at least 2/3 of the outstanding capital stock is required for the execution, delivery and performance by the Company of the Omnibus Agreement, the Notes and Counterparty Consents, and the Proposed Amendment.

In case of election of directors, cumulative voting as set out in pages 3-4 5 and 8 of this Definitive Information Statement shall be adopted. The seven (7) nominees with the greatest number of votes will be elected as directors.

Counting of the votes will be done by the Corporate Secretary or Assistant Corporate Secretary with the assistance of the independent auditors. Considering that the 2024 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 20, 2024 by email sent to ASM@smcgph.sanmiguel.com.ph or by personal delivery to the Office of the Corporate Secretary at No. 40 San Miguel Avenue, Mandaluyong City. A sample of the ballot and proxy is included in this Definitive Information Statement.

For an individual, his/her ballot or proxy must be accompanied by a valid government-issued ID with a photo. For a corporation, its proxy must be accompanied by its corporate secretary's certification stating the representative's authority to represent the corporation in the meeting. Validation of ballots and proxies will be on May 27, 2024 at 2:00 p.m. at the Office of the Corporate Secretary at the above-mentioned address.

UNDERTAKING

The Company undertakes to post the full version of this Definitive Information Statement under SEC Form 20-IS, together with oll 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 2023 Annual Report under SEC Form 17-A, at the stockholder's option, upon written request addressed to the Office of the Corporate Secretary, San Miguel Global Power Holdings Corp., 5th Floor, C5 Office Building Complex, #100 E. Rodriguez Jr. Ave., C5 Road, Bo. Ugong, Pasig City 1604, Metro Manila.

SIGNATURE

After reasonable inquiry and to the best of my knowledge and belief, I certify that the information set forth in this report is true, complete and correct. This report is signed in Mandaluyong City on **May 14, 2024**.

SAN MIGUEL GLOBAL POWER HOLDINGS CORP.

By:

Virgilio S. Jacinto
Corporate Secretary and Compliance Office

ANNEX "A-1"

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 **SAN MIGUEL 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
Philippine Healthcare Educators, Inc. (PHEI)	Member of the Board of Directors	2003 to Present

3. I possess all the qualifications and none of the disqualifications to serve as an Independent Director of **SAN MIGUEL 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 **SAN MIGUEL 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 **SAN MIGUEL GLOBAL POWER HOLDINGS CORP.** of any changes in the above-mentioned information within five (5) days from its occurrence.

Done this 08 May 2024 at Mandaluyong City.

JACK G. ARROYO, JR.
Affiant

SUBSCRIBED AND SWORN to before me this 08 May 2024 at Mandaluyong City, affiant personally appeared before me and exhibited to me his Philippine Passport with Passport No. P7252861A issued on 22 May 2018 at DFA Manila.

Doc. No.: 239;
Page No.: 49;
Book No.: VII;
Series of 2024.

JOSE ANGELITO M. ILANO
Commission No. 0520-23
Notary Public for Mandaluyong City
Until December 31, 2024
SMC, 40 San Miguel Ave., Mandaluyong City
Roll of Attorneys No. 62172
PTR No. 5427[illegible]58; 01/02/2024; Mandaluyong City
IBP Lifetime Member No. 018308; 12/14/17; Quezon City
MCLE Compliance No. VII-0016522; 04/28/22; Pasig City

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

CERTIFICATION OF INDEPENDENT DIRECTOR ANNEX "A-2"

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 **SAN MIGUEL 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 **SAN MIGUEL 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 **SAN MIGUEL 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 **SAN MIGUEL GLOBAL POWER HOLDINGS CORP.** of any changes in the above-mentioned information within five (5) days from its occurrence.

Done this 08 May 2024 at Mandaluyong City.

CONSUELO M. YNARES-SANTIAGO
Affiant

SUBSCRIBED AND SWORN to before me this 08 May 2024 at Mandaluyong City, affiant personally appeared before me and exhibited to me her Philippine Passport with Passport No. P9683307A issued on 23 November 2018, at DFA Manila.

Doc. No.: 240;
Page No.: 49;
Book No.: VII;
Series of 2024.

JOSE ANGELITO M. ILANO
Commission No. 0520-23
Notary Public for Mandaluyong City
Until December 31, 2024
SMC, 40 San Miguel Ave., Mandaluyong City
Roll of Attorneys No. 62172
PTR No. 5427158; 01/02/2024: Mandaluyong City
IBP Lifetime Member No. 018308; 12/14/17; Quezon City
MCLE Compliance No. VII-0016522; 04/28/22; Pasig City

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

ANNEX "A-3"

CERTIFICATION OF INDEPENDENT DIRECTOR

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

1. I am a nominee for Independent Director of **SAN MIGUEL 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	2010-2021
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 **SAN MIGUEL 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 **SAN MIGUEL 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 **SAN MIGUEL GLOBAL POWER HOLDINGS CORP.** of any changes in the above-mentioned information within five (5) days from its occurrence.

Done this 08 May 2024 at Mandaluyong City.

Josefina Guevara- Salonga
Affiant

SUBSCRIBED AND SWORN to before me this 08 May 2024 at Mandaluyong City, affiant personally appeared before me and exhibited to me her Philippines Passport with Passport No. P8640089A issued on 06 September 2018, at DFA Manila.

Doc. No.: 241;
Page No.: 50;
Book No.: VI;
Series of 2024.

JOSE ANGELITO M. ILANO
Commission No. 0520-23
Notary Public for Mandaluyong City
Until December 31, 2024
SMC, 40 San Miguel Ave., Mandaluyong City
Roll of Attorneys No. 62172
PTR No. 5427158; 01/02/2024: Mandaluyong City
IBP Lifetime Member No. 018308; 12/14/17; Quezon City
MCLE Compliance No. VII-0016522; 04/28/22; Pasig City

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

Annex "B"

The following document has been received:

Receiving: Jojit Licudine
Receipt Date and Time: April 15, 2024 08:00:21 PM

Company Information

SEC Registration No.: CS200801099
Company Name: SAN MIGUEL GLOBAL POWER HOLDINGS CORP.
Industry Classification: J66940
Company Type: Stock Corporation

Document Information

Document ID: OST10415202482201537
Document Type: Financial Statement
Document Code: FS
Period Covered: December 31, 2023
Submission Type: Consolidated, Annual
Remarks: None

Acceptance of this document is subject to review of forms and contents

From:	corsec.imc@sanmiguel.com.ph
To:	Alma G. Checa; Mary Claire D. Cantor; Julie Ann B. Domino; Beatriz Irina Denise A. Garcia; Keel Achernar R. Dinoy; Vilma C. Quizon
Cc:	Ramon U. Agay Jr.
Subject:	SMGP_AFS_FW: SEC eFast Initial Acceptance
Date:	Monday, April 15, 2024 8:03:31 PM

From: noreply-cifssost@sec.gov.ph <noreply-cifssost@sec.gov.ph>
Sent: Monday, 15 April 2024 8:00 pm
Subject: SEC eFast Initial Acceptance

CAUTION: This email originated from outside of the organization. Do not click links or open attachments unless you recognize the sender and know the content is safe.

Greetings!

SEC Registration No: CS200801099
Company Name: SAN MIGUEL GLOBAL POWER HOLDINGS CORP.
Document Code: AFS

This serves as temporary receipt of your submission.
Subject to verification of form and quality of files of the submitted report.
Another email will be sent as proof of review and acceptance.

Thank you.

REMINDER:
TO ALL FILERS OF REPORTS IN THE e-FAST

Please strictly follow the instruction stated in the form.

Filings not in accordance with the prescribed template for the following reports will be automatically reverted by the system to the filer.

1. General Information Sheet (GIS-Stock)
2. General Information Sheet (GIS-Non-stock)
3. General Information Sheet (GIS- Foreign stock & non-stock)
4. Broker Dealer Financial Statements (BDFS)
5. Financing Company Financial Statements (FCFS)
6. Investment Houses Financial Statements (IHFS)
7. Publicly – Held Company Financial Statement

8. General Form for Financial Statements
9. Financing Companies Interim Financial Statements (FCIF)
10. Lending Companies Interim Financial Statements (LCIF)

Per Section 18 of SEC Memorandum Circular No. 3 series of 2021, the reckoning date of receipt of reports is the date the report was initially submitted to the eFast, if the filed report is compliant with the existing requirements.

A report, which was reverted or rejected, is considered not filed or not received. A notification will be sent to the filer, stating the reason for the reports rejection in the remarks box.

SECURITIES AND EXCHANGE COMMISSION
SEC Headquarters, 7907 Makati Avenue,
Salcedo Village, Barangay Bel-Air, Makati City,
1209, Metro Manila, Philippines

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

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

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

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

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

COMPANY INFORMATION

Company's email Address	Company's Telephone Number/s	Mobile Number
N/A	5317-1000	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	5317-1000	N/A

CONTACT PERSON's ADDRESS

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

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

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

SAN MIGUEL GLOBAL POWER HOLDINGS CORP.

(Formerly SMC Global Power Holdings Corp.)
(A Wholly-owned Subsidiary of San Miguel Corporation)

AND SUBSIDIARIES

CONSOLIDATED FINANCIAL STATEMENTS
December 31, 2023, 2022 and 2021

With Independent Auditors' Report

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

REPORT OF INDEPENDENT AUDITORS

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

Opinion

We have audited the consolidated financial statements of San Miguel Global Power Holdings Corp. (formerly SMC Global Power Holdings Corp.) and Subsidiaries (the “Group”), which comprise the consolidated statements of financial position as at December 31, 2023 and 2022, 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, 2023, and notes, comprising material 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, 2023 and 2022, and its consolidated financial performance and its consolidated cash flows for each of the three years in the period ended December 31, 2023, 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, Material Accounting Policies, Note 4, Use of Judgments, Estimates and Assumptions and Note 14, 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, 2023, 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, 2023 are expected to be made available to us after the date of this auditors' report.

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

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

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

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

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

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

Auditors' Responsibilities for the Audit of the Consolidated Financial Statements

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

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

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

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

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

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

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

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

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

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

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the consolidated financial statements of the current period and are therefore the key audit matters. We describe these matters 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
Tax Identification No. 912-535-864
BIR Accreditation No. 08-001987-031-2022
Issued June 27, 2022; valid until June 27, 2025
PTR No. MKT 10075206
Issued January 2, 2024 at Makati City

April 15, 2024
Makati City, Metro Manila

San Miguel Global Power
Giving You the Power to Celebrate Life

San Miguel Global Power Holdings Corp.

5th Floor C5 Office Bldg. Complex, 100 E. Rodriguez Jr. Ave., C5 Road, Ugong, Pasig City, 1604 (02) 5317 1000

STATEMENT OF MANAGEMENT'S RESPONSIBILITY FOR FINANCIAL STATEMENTS

The management of **San Miguel Global Power Holdings Corp.** (formerly **"SMC Global Power Holdings Corp."** or the "**Company**") is responsible for the preparation and fair presentation of the consolidated financial statements including the schedules attached therein, for the years ended December 31, 2023, 2022 and 2021, 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 11th day of March 2024

ACKNOWLEDGMENT

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

Before me, a Notary Public for and in Pasig City, this 11th day of March 2024, personally appeared the following:

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

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

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

Doc. No.: 21;
Page No.: 6;
Book No.: IV;
Series of 2024

MONALYN ANN L. BAQUIRAN NOTARY PUBLIC ROLL NO. 56497 PASIG CITY, PHILIPPINES

MONALYN ANN L. BAQUIRAN
Appointment No. 278 (2023-2024)
Notary Public for Pasig City
Until December 31, 2024
5th Floor, C5 Office Building Complex,
#100 E. Rodriguez Jr. Ave., C5 Road,
Bo. Ugong, Pasig City 1604, Metro Manila
Roll No. 56497
PTR No. 1650870 / 01-03-2024 / Pasig City
IBP Lifetime No. 8246 / IBP-Rizal (RSM) Chapter
MCLE Compliance No. VII-0019561; 05-30-2022; Pasig City

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

CONSOLIDATED STATEMENTS OF FINANCIAL POSITION
DECEMBER 31, 2023 AND 2022
(In Thousands)

	Note	**2023**	2022
ASSETS			
Current Assets			
Cash and cash equivalents	*7, 30, 31*	**P31,659,442**	P22,726,236
Trade and other receivables - net	*4, 6, 8, 19, 30, 31*	**116,976,024**	105,939,341
Inventories	*4, 6, 9, 19*	**16,841,384**	16,822,159
Prepaid expenses and other current assets	*6, 10*	**48,521,564**	43,292,852
Total Current Assets		**213,998,414**	188,780,588
Noncurrent Assets			
Investments and advances - net	*4, 11*	**10,953,048**	7,854,591
Property, plant and equipment - net	*4, 6, 12*	**339,224,974**	304,412,525
Right-of-use assets - net	*6, 13*	**104,975,320**	106,609,844
Goodwill and other intangible assets - net	*4, 6, 14*	**71,712,053**	71,764,559
Deferred tax assets	*4, 27*	**973,481**	2,280,281
Other noncurrent assets	*15, 19, 30, 31*	**43,098,000**	35,812,345
Total Noncurrent Assets		**570,936,876**	528,734,145
		P784,935,290	P717,514,733
LIABILITIES AND EQUITY			
Current Liabilities			
Loans payable	*16, 30, 31*	**P13,736,000**	P21,000,000
Accounts payable and accrued expenses	*17, 19, 30, 31*	**97,632,905**	84,447,174
Lease liabilities - current portion	*4, 6, 30, 31*	**17,645,586**	19,185,386
Income tax payable		**222,179**	326,144
Current maturities of long-term debt - net of debt issue costs	*18, 30, 31*	**54,124,645**	63,721,744
Total Current Liabilities		**183,361,315**	188,680,448
Noncurrent Liabilities			
Long-term debt - net of current maturities and debt issue costs	*18, 30, 31*	**204,644,828**	208,430,880
Deferred tax liabilities	*27*	**21,284,723**	19,364,348
Lease liabilities - net of current portion	*4, 6, 30, 31*	**25,141,714**	40,772,724
Other noncurrent liabilities	*4, 6, 19, 20, 30, 31*	**7,029,505**	7,949,774
Total Noncurrent Liabilities		**258,100,770**	276,517,726
Total Liabilities		**441,462,085**	465,198,174

Forward

	Note	2023	2022
Equity	*21*		
Equity Attributable to Equity Holders of the Parent Company			
Capital stock		**P2,823,604**	P1,250,004
Additional paid-in capital		**48,081,781**	2,490,000
Senior perpetual capital securities		**161,767,709**	161,767,709
Redeemable perpetual securities		**102,546,825**	51,934,069
Equity reserves	*20, 31*	**(3,019,154)**	(1,558,950)
Retained earnings		**30,367,328**	35,526,185
		342,568,093	251,409,017
Non-controlling Interests	*11*	**905,112**	907,542
Total Equity		**343,473,205**	252,316,559
		P784,935,290	P717,514,733

See Notes to the Consolidated Financial Statements.

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

CONSOLIDATED STATEMENTS OF INCOME
FOR THE YEARS ENDED DECEMBER 31, 2023, 2022 AND 2021
(In Thousands, Except Per Share Data)

	Note	**2023**	2022	2021
REVENUES	*19, 22, 33*	**P169,590,237**	P221,388,788	P133,710,171
COST OF POWER SOLD	*19, 23*	**130,991,692**	198,370,980	92,161,341
GROSS PROFIT		**38,598,545**	23,017,808	41,548,830
SELLING AND ADMINISTRATIVE EXPENSES	*19, 24*	**(6,166,455)**	(5,739,882)	(4,915,271)
OTHER OPERATING INCOME	*11, 12, 19, 25*	**94,023**	11,607,688	207,018
INTEREST EXPENSE AND OTHER FINANCING CHARGES	*6, 12, 16, 17, 18, 20*	**(18,478,128)**	(18,287,680)	(18,269,192)
INTEREST INCOME	*7, 11, 19*	**749,339**	1,211,414	617,100
EQUITY IN NET LOSSES OF AN ASSOCIATE AND JOINT VENTURES - Net	*11*	**(272,092)**	(400,130)	(117,348)
OTHER INCOME (CHARGES) - Net	*6, 12, 26*	**537,960**	(7,240,819)	(1,192,643)
INCOME BEFORE INCOME TAX		**15,063,192**	4,168,399	17,878,494
INCOME TAX EXPENSE	*27, 28*	**5,160,206**	1,034,751	1,900,167
NET INCOME		**P9,902,986**	P3,133,648	P15,978,327
Attributable to:				
Equity holders of the Parent Company	*29*	**9,905,416**	P3,162,545	P16,058,084
Non-controlling interests		**(2,430)**	(28,897)	(79,757)
		P9,902,986	P3,133,648	P15,978,327
Basic/Diluted Earnings (Loss) Per Common Share Attributable to Equity Holders of the Parent Company	*29*	**(P7.06)**	(P11.73)	P0.88

See Notes to the Consolidated Financial Statements.

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

CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME
FOR THE YEARS ENDED DECEMBER 31, 2023, 2022 AND 2021

(In Thousands)

	Note	**2023**	2022	2021
NET INCOME		**P9,902,986**	P3,133,648	P15,978,327
OTHER COMPREHENSIVE INCOME (LOSS)				
Items that will not be reclassified to profit or loss				
Share in other comprehensive income (loss) of a joint venture and an associate - net	*11*	**(3,795)**	(2,069)	1,238
Remeasurements gain (loss) on net defined benefit retirement plan	*20*	**(49,748)**	(15,387)	11,817
Income tax benefit (expense)	*27*	**13,809**	(3,615)	(193)
		(39,734)	(21,071)	12,862
Items that may be reclassified to profit or loss				
Net gain (loss) on cash flow hedges	*31*	**31,229**	(40,038)	55,962
Gain (loss) on exchange differences on translation of foreign operations		**(3,008)**	37,418	3,380,769
		28,221	(2,620)	3,436,731
OTHER COMPREHENSIVE INCOME (LOSS) - Net of tax		**(11,513)**	(23,691)	3,449,593
TOTAL COMPREHENSIVE INCOME - Net of tax		**P9,891,473**	P3,109,957	P19,427,920
Attributable to:				
Equity holders of the Parent Company		**P9,893,903**	P3,138,854	P19,507,677
Non-controlling interests		**(2,430)**	(28,897)	(79,757)
		P9,891,473	P3,109,957	P19,427,920

See Notes to the Consolidated Financial Statements.

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

CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY
FOR THE YEARS ENDED DECEMBER 31, 2023, 2022 AND 2021
(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	Equity Reserves	Translation Reserves	Reserve for Retirement Plan	Hedging Reserve	Retained Earnings	Total	Non-controlling Interests	Total Equity
As at January 1, 2023		**P1,250,004**	**P2,490,000**	**P161,767,709**	**P51,934,069**	**(P2,378,421)**	**P917,966**	**(P67,266)**	**(P31,229)**	**P35,526,185**	**P251,409,017**	**P907,542**	**P252,316,559**
Net income (loss)		**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**9,905,416**	**9,905,416**	**(2,430)**	**9,902,986**
Other comprehensive income (loss) – net of tax	*20, 31*	**-**	**-**	**-**	**-**	**-**	**(3,008)**	**(39,734)**	**31,229**	**-**	**(11,513)**	**-**	**(11,513)**
Total comprehensive income (loss)		**-**	**-**	**-**	**-**	**-**	**(3,008)**	**(39,734)**	**31,229**	**9,905,416**	**9,893,903**	**(2,430)**	**9,891,473**
Issuance of redeemable perpetual securities	*21, 32*	**-**	**-**	**-**	**70,832,760**	**-**	**-**	**-**	**-**	**-**	**70,832,760**	**-**	**70,832,760**
Issuance of capital stock	*21, 32*	**1,573,600**	**45,591,781**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**47,165,381**	**-**	**47,165,381**
Share issuance costs		**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**(29,200)**	**(29,200)**	**-**	**(29,200)**
Purchase of redeemable perpetual securities issued	*21, 32*	**-**	**-**	**-**	**(20,220,004)**	**(1,448,691)**	**-**	**-**	**-**	**-**	**(21,668,695)**	**-**	**(21,668,695)**
Distributions to senior perpetual capital securities	*21*	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**(15,035,073)**	**(15,035,073)**	**-**	**(15,035,073)**
Transactions with owners		**1,573,600**	**45,591,781**	**-**	**50,612,756**	**(1,448,691)**	**-**	**-**	**-**	**(15,064,273)**	**81,265,173**	**-**	**81,265,173**
As at December 31, 2023		**P2,823,604**	**P48,081,781**	**P161,767,709**	**P102,546,825**	**(P3,827,112)**	**P914,958**	**(P107,000)**	**P -**	**P30,367,328**	**P342,568,093**	**P905,112**	**P343,473,205**
As at January 1, 2022		P1,062,504	P2,490,000	P167,767,364	P32,751,570	(P2,379,442)	P880,548	(P46,195)	P8,809	P48,247,948	P250,783,106	P945,492	P251,728,598
Net Income (loss)		-	-	-	-	-	-	-	-	3,162,545	3,162,545	(28,897)	3,133,648
Other comprehensive income (loss) - net of tax	*20, 31*	-	-	-	-	-	37,418	(21,071)	(40,038)	-	(23,691)	-	(23,691)
Total comprehensive income (loss)		-	-	-	-	-	37,418	(21,071)	(40,038)	3,162,545	3,138,854	(28,897)	3,109,957
Issuance of redeemable perpetual securities	*21, 32*	-	-	-	19,182,499	-	-	-	-	-	19,182,499	-	19,182,499
Repurchase of senior perpetual capital securities	*21, 32*	-	-	(5,999,655)	-	-	-	-	-	1,297,015	(4,702,640)	-	(4,702,640)
Share issuance cost		-	-	-	-	-	-	-	-	(202,329)	(202,329)	(8,032)	(210,361)
Decrease in noncontrolling interest	*11, 21*	-	-	-	-	1,021	-	-	-	-	1,021	(1,021)	-
Collection of subscription receivable	*21*	187,500	-	-	-	-	-	-	-	-	187,500	-	187,500
Distributions:													
Senior perpetual capital securities	*21*	-	-	-	-	-	-	-	-	(15,362,068)	(15,362,068)	-	(15,362,068)
Redeemable perpetual securities	*21*	-	-	-	-	-	-	-	-	(1,616,926)	(1,616,926)	-	(1,616,926)
Transactions with owners		187,500	-	(5,999,655)	19,182,499	1,021	-	-	-	(15,884,308)	(2,512,943)	(9,053)	(2,521,996)
As at December 31, 2022		P1,250,004	P2,490,000	P161,767,709	P51,934,069	(P2,378,421)	P917,966	(P67,266)	(P31,229)	P35,526,185	P251,409,017	P907,542	P252,316,559

Forward

							Equity Attributable to Equity Holders of Parent Company							
							Equity Reserves							
	Note	**Capital Stock**	**Additional Paid-in Capital**	**Senior Perpetual Capital Securities**	**Redeemable Perpetual Securities**	**Undated Subordinated Capital Securities**	**Equity Reserves**	**Translation Reserves**	**Reserve for Retirement Plan**	**Hedging Reserve**	**Retained Earnings**	**Total**	**Non-controlling Interests**	**Total Equity**
As at January 1, 2021		P1,062,504	P2,490,000	P132,199,732	P32,751,570	P13,823,499	(P1,621,661)	(P2,500,221)	(P59,057)	(P47,153)	P47,178,853	P225,278,066	P1,025,955	P226,304,021
Net income (loss)		-	-	-	-	-	-	-	-	-	16,058,084	16,058,084	(79,757)	15,978,327
Other comprehensive income - net of tax	*20, 31*	-	-	-	-	-	-	3,380,769	12,862	55,962	-	3,449,593	-	3,449,593
Total comprehensive income (loss)		-	-	-	-	-	-	3,380,769	12,862	55,962	16,058,084	19,507,677	(79,757)	19,427,920
Issuance of senior perpetual capital securities	*21, 32*	-	-	35,567,632	-	-	-	-	-	-	-	35,567,632	-	35,567,632
Redemption of undated subordinated capital securities	*21, 32*	-	-	-	-	(13,823,499)	(758,001)	-	-	-	-	(14,581,500)	-	(14,581,500)
Share issuance cost		-	-	-	-		-	-	-	-	(145,116)	(145,116)	-	(145,116)
Decrease in noncontrolling interest	*11, 21*	-	-	-	-		220	-	-	-	-	220	(706)	(486)
Collection of subscription receivable		-	-	-	-	-	-	-	-	-	-	-	-	-
Distributions:				-										
Senior perpetual capital securities	*21*	-	-	-	-	-	-	-	-	-	(12,191,210)	(12,191,210)	-	(12,191,210)
Redeemable perpetual securities	*21*	-	-	-	-	-	-	-	-	-	(1,996,495)	(1,996,495)	-	(1,996,495)
Undated subordinated capital securities	*21*	-	-	-	-	-	-	-	-	-	(656,168)	(656,168)	-	(656,168)
Transactions with owners		-	-	35,567,632	-	(13,823,499)	(757,781)	-	-	-	(14,988,989)	5,997,363	(706)	5,996,657
As at December 31, 2021		P1,062,504	P2,490,000	P167,767,364	P32,751,570	P -	(P2,379,442)	P880,548	(P46,195)	P8,809	P48,247,948	P250,783,106	P945,492	P251,728,598

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

CONSOLIDATED STATEMENTS OF CASH FLOWS
FOR THE YEARS ENDED DECEMBER 31, 2023, 2022 AND 2021
(In Thousands)

	Note	**2023**	2022	2021
CASH FLOWS FROM OPERATING ACTIVITIES				
Income before income tax		**P15,063,192**	P4,168,399	P17,878,494
Adjustments for:				
Interest expense and other financing charges	*6, 16, 18*	**18,442,976**	18,264,120	18,263,484
Depreciation and amortization	*6, 12, 13, 14, 23, 24*	**12,316,676**	11,921,691	11,374,200
Equity in net losses of an associate and joint ventures	*11*	**272,092**	400,130	117,348
Retirement cost	*20*	**122,286**	161,751	23,756
Loss on retirement of fixed assets	*6, 12, 23*	**63,435**	-	-
Impairment losses on trade and other receivables	*8, 24*	**60,714**	52,855	44,006
Impairment losses on property, plant and equipment	*12, 26*	**34,991**	34,991	34,991
Reversal of impairment losses on trade and other receivables	*8, 24, 26*	**(107,363)**	(22,924)	(410,433)
Interest income	*7, 11*	**(749,339)**	(1,211,414)	(617,100)
Unrealized foreign exchange losses (gains) - net		**(2,951,651)**	7,493,127	1,642,094
Operating income before working capital changes		**42,568,009**	41,262,726	48,350,840
Increase in:				
Trade and other receivables - net	*8*	**(11,324,029)**	(58,393,512)	(9,315,447)
Inventories	*9*	**(8,914)**	(6,705,378)	(4,375,044)
Prepaid expenses and other current assets	*10*	**(5,153,650)**	(13,723,242)	(7,214,738)
Increase (decrease) in:				
Accounts payable and accrued expenses	*17*	**9,768,715**	29,856,291	11,672,484
Other noncurrent liabilities and others		**(1,418,915)**	2,761,788	4,272,950
Cash generated from (used in) operations		**34,431,216**	(4,941,327)	43,391,045
Interest income received		**674,539**	927,792	578,406
Income taxes paid		**(678,781)**	(495,519)	(253,054)
Interest expense and other financing charges paid		**(18,174,796)**	(18,349,112)	(18,277,655)
Net cash flows provided by (used in) operating activities		**16,252,178**	(22,858,166)	25,438,742

Forward

	Note	2023	2022	2021
CASH FLOWS FROM INVESTING ACTIVITIES				
Cash from newly acquired subsidiaries, net	*11*	**P120,664**	(P11,862)	P -
Proceeds from disposal of subsidiaries, net of cash disposed of	*11, 19, 25*	**-**	494,302	-
Proceeds from sale of properties	*12, 19, 25*	**-**	1,186,888	-
Additions to intangible assets	*6, 14*	**(56,971)**	(254,017)	(185,046)
Decrease (increase) in other noncurrent assets	*15*	**(2,350,820)**	(3,645,541)	2,225,807
Additions to investments and advances	*11*	**(4,182,237)**	(938,666)	(998,157)
Advances paid to suppliers and contractors	*15*	**(7,307,078)**	(5,013,237)	(14,173,577)
Additions to property, plant and equipment	*12*	**(36,178,975)**	(48,475,898)	(39,594,597)
Net cash flows used in investing activities		**(49,955,417)**	(56,658,031)	(52,725,570)
CASH FLOWS FROM FINANCING ACTIVITIES				
Proceeds from short-term borrowings	*16, 32*	**95,322,000**	51,181,875	29,077,530
Proceeds from issuances of redeemable perpetual securities	*21, 32*	**70,832,760**	19,182,499	-
Proceeds from long-term debts	*18, 32*	**51,977,500**	72,312,000	21,885,000
Proceeds from issuance of capital stock	*21, 32*	**47,165,381**	-	-
Proceeds from collection of subscription receivable	*21*	**-**	187,500	-
Distributions paid to redeemable perpetual securities holder	*21*	**-**	(1,616,926)	(1,996,495)
Repurchase of senior perpetual capital securities	*21, 32*	**-**	(4,702,640)	-
Distributions paid to undated subordinated capital securities holders	*21*	**-**	-	(656,168)
Redemption of undated subordinated capital securities	*21*	**-**	-	(14,581,500)
Proceeds from issuances of senior perpetual capital securities	*21*	**-**	-	35,567,632
Payments of share issuance costs		**(29,200)**	(210,361)	(145,116)
Distributions paid to senior perpetual capital securities holders	*21*	**(15,035,073)**	(15,362,068)	(12,191,210)
Payments of lease liabilities	*6, 32*	**(19,314,572)**	(24,220,192)	(24,464,357)
Payments for the purchase of redeemable perpetual securities	*21*	**(21,668,695)**	-	-
Payments of long-term debts	*18, 32*	**(64,362,371)**	(30,581,714)	(23,136,723)
Payments of short-term borrowings	*16, 32*	**(102,586,000)**	(32,373,125)	(29,332,530)
Net cash flows provided by (used in) financing activities		**42,301,730**	33,796,848	(19,973,937)

Forward

	Note	2023	2022	2021
EFFECT OF EXCHANGE RATE CHANGES ON CASH AND CASH EQUIVALENTS		**P334,715**	P755,434	P4,233,230
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS		**8,933,206**	(44,963,915)	(43,027,535)
CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR		**22,726,236**	67,690,151	110,717,686
CASH AND CASH EQUIVALENTS AT END OF YEAR	*7*	**P31,659,442**	P22,726,236	P67,690,151

See Notes to the Consolidated Financial Statements.

SAN MIGUEL GLOBAL POWER HOLDINGS CORP.
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NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

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

1. Reporting Entity

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

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

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

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

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 and Sustainability Reporting Standards Council (FSRSC).

The consolidated financial statements were approved and authorized for issue in accordance with a resolution by the BOD on March 11, 2024.

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

Items	Measurement Basis
Financial assets at fair value through profit or loss (FVPL)	Fair value
Defined benefit retirement asset (liability)	Fair value of the plan assets less the 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	
	2023	2022
Power Generation		
Sual Power Inc. (SPI, formerly San Miguel Energy Corporation) [(a)]	**100**	100
South Premiere Power Corp. (SPPC)	**100**	100
San Roque Hydropower Inc. (SRHI, formerly Strategic Power Devt. Corp.) [(b)]	**100**	100
Limay Power Inc. (LPI, formerly SMC Consolidated Power Corporation) [(c)]	**100**	100
Malita Power Inc. (MPI, formerly San Miguel Consolidated Power Corporation) [(d)]	**100**	100
PowerOne Ventures Energy Inc. (PVEI) [(e)]	**100**	100
Prime Electric Generation Corporation (PEGC) [(f)]	**100**	100
Oceantech Power Generation Corporation (OPGC)	**100**	100
Masinloc Power Co. Ltd. (MPCL, formerly Masinloc Power Partners Co. Ltd.) [(g)]	**100**	100
Power Ventures Generation Corporation (PVGC) [(g) (f)]	**100**	100
Mariveles Power Generation Corporation (MPGC) [(h)]	**95**	95
SMC Global Light and Power Corp. (SGLPC)	**100**	100
Excellent Energy Resources Inc. (EERI)	**100**	100
Retail and Other Power-related Services		
SMGP BESS Power Inc. (SMGP BESS, formerly “Universal Power Solutions, Inc.” [(i)]	**100**	100
SMGP Kabankalan Power Co. Ltd. (SMGP Kabankalan, formerly SMCGP Philippines Energy Storage Co. Ltd.) [(j)]	**100**	100
Albay Power and Energy Corp. (APEC)	**100**	100
SMC Power Generation Corp. (SPGC) [(k)]	**100**	100

(a) On March 9, 2023, the Philippine SEC approved the change in the corporate name to “Sual Power Inc.”.
(b) On March 31, 2023, the Philippine SEC approved the change in the corporate name to “San Roque Hydropower Inc.”.
(c) 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). On February 7, 2023, the Philippine SEC approved the change in the corporate name to “Limay Power Inc.”.

(d) *Owner of the 2 x 150 MW CFB coal-fired power plant in Malita, Davao (Davao Greenfield Power Plant). On March 9, 2023, the Philippine SEC approved the change in the corporate name to "Malita Power Inc.".*

(e) *PVEI owns 60% of the outstanding capital stock of Angat Hydropower Corporation (AHC) and KWPP Holdings Corporation (KWPP) as joint ventures (Note 11).*

(f) *On June 2, 2022, the Parent Company acquired 50% interests in Isabel Ancillary Services Co. Ltd. (IASCO) through the acquisition by PVGC of 49.31% limited partnership interest in IASCO and the acquisition by PEGC of 50% equity interests in Isabel AS Holdings Corp. (Isabel AS), the sole general partner which owns 1.38% partnership interest in IASCO. IASCO operates the 70 MW Modular Engine Power Plant in Isabel, Leyte (Note 11).*

(g) *Co-owned by the Parent Company with its subsidiaries, SMCGP Masinloc Power Company Limited (MaPoCo) and PVGC, and owner of the Masinloc Power Plant (Notes 11 and 12). On November 13, 2023, the Philippine SEC approved the change in corporate name to "Masinloc Power Co. Ltd.".*

(h) *Owner of the 4 x 150 MW CFB coal-fired power plant in Mariveles, Bataan (Mariveles Greenfield Power Plant) (Note 12). The Parent Company subscribed to additional unissued common shares of MPGC in December 2022, thereby increasing its ownership interest from 91.98% to 94.55% as at December 31, 2022. Non-controlling interests represent the 5.24% and 0.21% held by Meralco PowerGen Corporation (MGen) and by Zygnet Prime Holdings, Inc. (Zygnet), respectively. It has not yet started commercial operations as at December 31, 2023 (Note 11).*

(i) *Owner of various battery energy storage system (BESS) facilities in the country (Note 12). SMGP BESS commenced commercial operations in August 2023 (Note 12). On November 3, 2023, the Philippine SEC approved the change in the corporate name to "SMGP BESS Power Inc.".*

(j) *Indirectly owned by the Parent Company, through its wholly-owned subsidiaries PEGC and OPGC, and owner of the BESS facility in Kabankalan, Negros Occidental. SMGP Kabankalan started its commercial operations in January 2022 (Note 12). On September 21, 2023, the Philippine SEC approved the change in the corporate name to "SMGP Kabankalan Power Co. Ltd.".*

(k) *SPGC owns 35% of the outstanding capital stock of Olongapo Electricity Distribution Company, Inc., (OEDC) as an associate (Note 11).*

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

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

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

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

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

Non-controlling interests include the interests not held by the Parent Company in MPGC as at December 31, 2023 and 2022 (Note 11).

3. Material Accounting Policy Information

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.

The FSRSC approved the adoption of a number of new and amendments to standards as part of PFRS.

<u>Adoption of Amended Standards</u>

The Group has adopted the following amendments to PFRS effective January 1, 2023 and accordingly, changed its accounting policies in the following areas:

- 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 accounting estimate is developed to achieve the objective set out by an accounting policy. Developing an accounting estimate includes both selecting a measurement technique (estimate or valuation technique) and choosing the inputs to be used when applying the chosen measurement technique. The effects of changes in the inputs or measurement techniques are changes in accounting estimates. The definition of accounting policies remains unchanged. The amendments also provide examples on the application of the new definition.

- Disclosure of Accounting Policies (Amendments to PAS 1, *Presentation of Financial Statements*, 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 include guidance and additional examples on the application of materiality to accounting policy disclosures.

  The Group reviewed the accounting policies and although the amendments did not result in any changes to the accounting policies themselves, updates were made to the accounting policy information in certain instances in line with the amendments.

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

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

New and Amendments to Standards Not Yet Adopted

A number of new and amendments to standards are effective for annual reporting periods beginning after January 1, 2023 and have not been applied in preparing the consolidated financial statements. None of these are expected to have a significant effect on the consolidated financial statements.

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

- Lease Liability in a Sale and Leaseback (Amendments to PFRS 16, *Leases*). The amendments confirm the following:

  - On initial recognition, the seller-lessee includes variable lease payments when it measures a lease liability arising from a sale and leaseback transaction.

  - After initial recognition, the seller-lessee applies the general requirements for subsequent accounting of the lease liability such that it recognizes no gain or loss relating to the right-of-use asset it retains.

  A seller-lessee may adopt different approaches that satisfy the new requirements on subsequent measurement.

  The amendments are effective for annual reporting periods beginning or after January 1, 2024, with earlier application permitted. Under PAS 8, the amendments apply retrospectively to sale and leaseback transactions entered into or after the date of initial adoption of PFRS 16.

- Classification of Liabilities as Current or Noncurrent - 2020 Amendments and Noncurrent Liabilities with Covenants - 2022 Amendments (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 require that the right must have substance and exist at the reporting period;

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

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

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

  The amendments apply retrospectively for annual reporting periods beginning on or after January 1, 2024, with early application permitted.

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

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

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

  The amendments are effective for annual reporting periods beginning on or after January 1, 2024, with early application permitted. However, some relief from providing certain information in the year of initial application is available.

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

- how employees of the business are compensated; and

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

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

- contingent events that would change the amount or timing of cash flows;
- terms that may adjust the contractual coupon rate, including variable rate features;
- prepayment and extension features; and
- terms that limit the Group's claim to cash flows from specified assets.

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

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

- it is held within a business model with the objective of holding financial assets to collect contractual cash flows; and
- its contractual terms give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

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

The Group's cash and cash equivalents, trade and other receivables, noncurrent receivables and restricted cash are included under this category (Notes 7, 8, 10, 15, 30 and 31).

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

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

- it is held within a business model whose objective is achieved by both collecting contractual cash flows and selling the financial assets; and
- its contractual terms give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

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

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

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

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

The Group's derivative assets that were designated as cash flow hedge, which matured in Mach 2023, were classified under this category (Notes 10, 15, 30 and 31).

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

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

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

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

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

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

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

The Group's derivative liabilities that are not designated as cash flow hedge are classified under this category (Notes 17, 30 and 31).

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

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

The Group's liabilities arising from its trade transactions or borrowings such as loans payable, accounts payable and accrued expenses, long-term debt, lease liabilities and other noncurrent liabilities are included under this category (Notes 6, 16, 17, 18, 30 and 31).

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.

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

Impairment of Financial Assets

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

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

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

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

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

At each reporting date, the Group assesses whether 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.

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, 2022, which matured in March 2023 (Notes 10, 15, 30 and 31).

Inventories

Inventories are valued at the lower of cost and net realizable value. Cost is determined using weighted average method for coal inventories, liquefied natural gas (LNG), 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 of write-down of inventories arising from an increase in net realizable value, if any, 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.

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, *Business Combination*. 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.

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.

Property, Plant and Equipment

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

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

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

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

	Number of Years
Power plants	5 - 42
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>
At inception of a contract, the Group assesses whether a contract is, or contains, a lease. A contract is, or contains, a lease if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration. To assess whether a contract conveys the right to control the use of an identified asset for a period of time, the Group assesses whether, throughout the period of use:

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

	Number of Years
Computer software and licenses	3
Other rights	27

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.

Impairment of Non-financial Assets

The carrying amounts of investments and advances, property, plant and equipment, right-of-use assets, intangible assets with finite useful lives, and investment property 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.

Capital Stock, Additional Paid-in Capital and Reserves

Common Shares

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

Additional Paid-in Capital

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

Equity Reserve

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

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.

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.

<u>Other Operating Income</u>
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.

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

<u>Other Income</u>
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.

<u>Costs and Expenses</u>
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

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.

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. Related parties may be individuals or corporate entities.

Basic and Diluted Earnings (Loss) Per Common Share
Basic earnings (loss) per share 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 earnings (loss) per share is computed in the same manner, adjusted for the effect of all potential dilutive debt or equity instruments.

Operating Segments
The Group's operating segments are organized and managed separately according to the services provided, with each segment representing a strategic business unit that offers different economic characteristic and activities. Financial Information on operating segments is presented in Note 5 to the consolidated financial statements. The Chief Executive Officer (the chief operating decision maker) reviews management reports on a regular basis.

The measurement policies the Group used for segment reporting under PFRS 8, *Operating Segments* 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 significant effect on the amounts recognized in the consolidated financial statements:

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

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 under "Other operating income" account in the consolidated statements of income amounted to P83,640, P29,299 and P11,717 in 2023, 2022 and 2021, respectively (Notes 6 and 25).

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

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

Estimating the Incremental Borrowing Rate. The Group cannot readily determine the interest rate implicit in the leases. Therefore, it uses its 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 P42,787,300 and P59,958,110 as at December 31, 2023 and 2022, respectively (Notes 6, 30, 31 and 32).

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

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

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

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, KWPP, Isabel AS and IASCO as joint ventures (Note 11).

Distinction Between Investment Property and Owner-occupied Property. The Group determines whether a property qualifies as investment property or owner-occupied property. In making its judgment, the Group considers whether the property generates cash flows largely independent of the other assets held by the Group. Owner-occupied properties generate cash flows that are attributable not only to the property but also to the other assets used in marketing or administrative functions. Some properties comprise a portion that is held to earn rentals or for capital appreciation and another portion that is held for use in marketing or for administrative purposes. If the portions can be sold separately (or leased out separately under finance lease), the Group accounts for the portions separately. If the portions cannot be sold separately, the property is accounted for as investment property only if an insignificant portion is held for use in the supply of services or for administrative purposes. Judgment is applied in determining whether ancillary services are so significant that a property does not qualify as investment property. The Group considers each property separately in making its judgment.

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

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

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

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

Estimates and Assumptions

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

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

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

In 2023 and 2022, the Group recognized impairment losses on trade and other receivables amounting to P60,714 and P52,855, respectively (Notes 8 and 24). The allowance for impairment losses on trade and other receivables amounted to P2,665,606 and P2,690,984 as at December 31, 2023 and 2022, respectively (Notes 8 and 30). The carrying amount of trade and other receivables amounted to P116,976,024 and P105,939,341 as at December 31, 2023 and 2022, respectively (Notes 8, 30, 31).

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 additional provision for ECL on other financial assets at amortized cost was recognized in 2023 and 2022.

The carrying amounts of other financial assets at amortized cost are as follows:

	Note	**2023**	2022
Cash and cash equivalents (excluding cash on hand)	*7*	**P31,657,566**	P22,724,545
Noncurrent receivables (including Amounts owed by related parties included under “Other noncurrent assets” account)	*15*	**10,705,575**	13,996,196
Restricted cash (included under “Prepaid expenses and other current assets” and “Other noncurrent assets” accounts)	*10, 15*	**6,271,296**	7,698,458
	30, 31	**P48,634,437**	P44,419,199

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 (Notes 3 and 31).

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

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

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

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

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

The Group assessed that no write-down of inventories to net realizable value is necessary as at December 31, 2023 and 2022.

The carrying amount of inventories amounted to P16,841,384 and P16,822,159 as at December 31, 2023 and 2022, respectively (Note 9).

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

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

Property, plant and equipment, net of accumulated depreciation and amortization, amounted to P339,469,930 and P304,622,490 as at December 31, 2023 and 2022, respectively. Accumulated depreciation and amortization of property, plant and equipment amounted to P36,241,767 and P27,756,125 as at December 31, 2023 and 2022, respectively (Note 12).

Right-of-use assets, net of accumulated depreciation and amortization, amounted to P104,975,320 and P106,609,844 as at December 31, 2023 and 2022, respectively. Accumulated depreciation and amortization of right-of-use assets amounted to P19,272,871 and P15,314,709 as at December 31, 2023 and 2022, respectively (Note 13).

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

Intangible assets with finite useful lives, such as computer software and licenses, and others, net of accumulated amortization, amounted to P1,758,831 and P1,811,337 as at December 31, 2023 and 2022, respectively. Accumulated amortization of computer software and licenses, and others amounted to P530,039 and P411,361 as at December 31, 2023 and 2022, respectively (Note 14). The mining rights have been derecognized following the sale of SPI's 100% shareholdings in Daguma Agro-Minerals Inc. (DAMI), Sultan Energy Phils. Corp. (SEPC) and Bonanza Energy Resources, Inc. (BERI) in December 2022 (Notes 11, 14 and 25).

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

The recoverable amount of goodwill arising from the acquisition of SMCGP Masin Pte. Ltd., SMCGP Transpower Pte. Ltd. (SMCGP Transpower) and SMCGP Philippines Inc. (collectively referred to as Masinloc Group) in 2018, has been determined based on the value in use using discounted cash flows. Assumptions used in the discounted cash flows include discount rates of 10.5% in 2023 and 11.0% in 2022 and 9.0% in 2021, and terminal growth rates of 3.0% in 2023, and 5.0% in 2022 and 2021 (Note 14).

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 2023, 2022 and 2021 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, 2023 and 2022.

The carrying amount of goodwill amounted to P69,953,222 as at December 31, 2023 and 2022 (Note 14).

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 separate acquisition of Ilijan Primeline Industrial Estate, Inc. (IPIEC), Blue Eagle Star, Corp. (Blue Eagle), Multi-Ventures Investment Holdings, Inc. (MVIHI) and Bluelight Industrial Estate, Inc. (Bluelight) in 2023 and 2022 represents an asset acquisition since it does not meet the requirements of being a business as set out in PFRS 3 (Note 11).

The carrying amount of goodwill arising from business combinations amounted to P69,953,222 as at December 31, 2023, and 2022 (Note 14).

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

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

Deferred tax assets from temporary differences amounted to P973,481 and P2,280,281 as at December 31, 2023 and 2022, respectively (Note 27).

Impairment of Non-financial Assets. PFRS requires that an impairment review be performed on investments and advances, property, plant and equipment, right-of-use assets, intangible assets with finite useful lives, and investment property 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 P244,956 and P209,965 as at December 31, 2023 and 2022, respectively (Note 12).

The combined carrying amounts of investments and advances, property, plant and equipment, right-of-use assets, intangible assets with finite useful lives, and investment property (presented under "Other noncurrent assets" account) amounted to P460,130,955 and P420,688,297 as at December 31, 2023 and 2022, respectively (Notes 11, 12, 13, 14 and 15).

Present Value of Defined Benefit Retirement Obligation. The present value of the defined benefit retirement obligation depends on a number of factors that are determined on an actuarial basis using a number of assumptions. These assumptions are described in Note 20 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 P640,443 and P487,046 as at December 31, 2023 and 2022, respectively (Note 20).

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

The Group's ARO, presented under "Other noncurrent liabilities" account in the consolidated statements of financial position, amounted to P798,030 and P704,270 as at December 31, 2023 and 2022, respectively.

5. Segment Information

Operating Segments

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

The coal mining companies, which were acquired in 2010 and in the preparatory stages of mining activities when these were sold in December 2022 and, hence, no longer an operating segment (Notes 11 and 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, and other noncurrent assets. Segment liabilities include all operating liabilities and consist primarily of loans payable, accounts payable and accrued expenses, lease liabilities, and other noncurrent liabilities. Segment assets and liabilities do not include deferred taxes. Capital expenditures consist of additions to property, plant and equipment of each reportable segment.

Inter-segment Transactions

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

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

Major Customers

The Group sells, retails and distributes power, through power supply agreements (PSA), retail supply contracts (RSC) and other power-related service agreements (Note 6), either directly to customers (other generators, distribution utilities [DU], electric cooperatives and industrial customers) or through the Philippine Wholesale Electricity Spot Market (WESM). Sale of power to WESM amounting to P24,054,007 in 2023, and to Manila Electric Company (Meralco) amounting to P70,420,268, P82,050,576 and P53,313,150 in 2023, 2022 and 2021, respectively, represents more than 10% of the Group's total revenues (Note 22).

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			Others			Eliminations			Consolidated		
	2023	2022	2021	2023	2022	2021	2023	2022	2021	2023	2022	2021	2023	2022	2021
Revenues															
External	P145,190,801	P180,027,616	P109,947,984	P23,973,021	P41,153,496	P23,582,766	P426,415	P207,676	P179,421	P -	P -	P -	P169,590,237	P221,388,788	P133,710,171
Inter-segment	38,012,203	24,465,528	19,582,558	-	8,747	10,212	1,783,533	1,414,466	1,010,105	(39,795,736)	(25,888,741)	(20,602,875)	-	-	-
	183,203,004	204,493,144	129,530,542	23,973,021	41,162,243	23,592,978	2,209,948	1,622,142	1,189,526	(39,795,736)	(25,888,741)	(20,602,875)	169,590,237	221,388,788	133,710,171
Costs and Expenses															
Cost of power sold	149,771,305	187,119,903	92,060,573	18,853,044	35,403,455	19,461,375	1,268,522	952,386	756,120	(38,901,179)	(25,104,764)	(20,116,727)	130,991,692	198,370,980	92,161,341
Selling and administrative expenses	4,839,721	4,212,469	4,264,893	1,124,866	1,069,744	728,020	2,793,406	2,581,129	1,638,467	(2,591,538)	(2,123,460)	(1,716,109)	6,166,455	5,739,882	4,915,271
	154,611,026	191,332,372	96,325,466	19,977,910	36,473,199	20,189,395	4,061,928	3,533,515	2,394,587	(41,492,717)	(27,228,224)	(21,832,836)	137,158,147	204,110,862	97,076,612
Other operating income (loss) - net	64,095	56,465	59,551	(48,160)	32,814	97,569	1,125,091	12,078,791	759,323	(1,047,003)	(560,382)	(709,425)	94,023	11,607,688	207,018
Segment Result	P28,656,073	P13,217,237	P33,264,627	P3,946,951	P4,721,858	P3,501,152	(P726,889)	P10,167,418	(P445,738)	P649,978	P779,101	P520,536	P32,526,113	P28,885,614	P36,840,577
Interest expense and other financing charges													(18,478,128)	(18,287,680)	(18,269,192)
Interest income													749,339	1,211,414	617,100
Equity in net losses of an associate and joint ventures - net													(272,092)	(400,130)	(117,348)
Other income (charges)- net													537,960	(7,240,819)	(1,192,643)
Income tax expense													(5,160,206)	(1,034,751)	(1,900,167)
Consolidated Net Income													P9,902,986	P3,133,648	P15,978,327

	As at and For the Years Ended December 31									
	Power Generation		Retail and Other Power-related Services		Others		Eliminations		Consolidated	
	2023	2022	2023	2022	2023	2022	2023	2022	2023	2022
Other Information										
Segment assets	P631,180,207	P558,444,220	P68,113,141	P54,575,033	P228,770,761	P186,084,090	(P226,767,401)	(P163,488,041)	701,296,708	P635,615,302
Investments and advances - net	6,743,719	6,966,614	238,462	241,714	337,895,026	321,673,220	(333,924,159)	(321,026,957)	10,953,048	7,854,591
Goodwill and other intangible assets - net									71,712,053	71,764,559
Deferred tax assets									973,481	2,280,281
Consolidated Total Assets									P784,935,290	P717,514,733
Segment liabilities	P396,476,603	P314,934,119	P25,426,582	P25,579,422	P58,415,710	P39,563,339	(P319,133,185)	(P206,721,822)	P161,185,710	P173,355,058
Long-term debt - net									258,769,473	272,152,624
Income tax payable									222,179	326,144
Deferred tax liabilities									21,284,723	19,364,348
Consolidated Total Liabilities									P441,462,085	P465,198,174
Capital expenditures	P30,861,690	P37,289,829	P5,269,949	P7,593,908	P470,959	P4,014,044	(P423,623)	(P421,883)	P36,178,975	P48,475,898
Depreciation and amortization of property, plant and equipment, right-of-use assets and intangible assets	10,013,006	9,790,102	2,085,463	1,936,911	239,660	223,971	(21,453)	(29,293)	12,316,676	11,921,691
Noncash items other than depreciation and amortization	(834,314)	6,750,315	103,221	504,390	(1,774,403)	865,225	-	-	(2,505,496)	8,119,930

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

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
SPI	Sual Coal - Fired Power Station (Sual Power Plant)	Sual, Pangasinan Province
SRHI	San Roque Hydroelectric Multi-purpose Power Plant (San Roque Power Plant)	San Roque, Pangasinan Province

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

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

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

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

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

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

iv. for SPI and previously for SPPC, the right to receive an assignment of NPC’s interest in existing short-term bilateral 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, SPI and SRHI have to pay PSALM monthly payments for 15 years until October 1, 2024 and 18 years until April 26, 2028, respectively, while SPPC had to pay for 12 years until June 26, 2022. Energy fees amounted to P1,640,693, P10,452,088 and P17,762,434 in 2023, 2022 and 2021, respectively (Note 23). SPI and SRHI renewed their performance bonds amounting to US$58,187 and US$20,305, which will expire on November 2, 2024 and January 25, 2025, respectively (Note 10).

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

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

	US Dollar	Philippine Peso
SPI	3.89%	8.16%
SPPC	3.85%	8.05%
SRHI	3.30%	7.90%

The discount determined at inception of the agreement is amortized over the period of the IPPA Agreements and recognized as part of “Interest expense and other financing charges” account in the consolidated statements of income. Interest expense amounted to P2,421,465, P3,462,393 and P4,706,105 in 2023, 2022 and 2021, respectively.

In June 2022, the IPPA Agreement between SPPC and PSALM ended. Accordingly, the Ilijan Power Plant was reclassified from "Right-of-use assets" to “Property, plant and equipment” account pursuant to the terms and conditions of the IPPA Agreement (Notes 12 and 13).

The power plants under the IPPA lease arrangements with PSALM, presented under “Right-of-use assets” account in the consolidated statements of financial position, amounted to P95,544,860 and P99,115,654 as at December 31, 2023 and 2022, respectively (Note 13).

Maturity analysis of lease payments as at December 31, 2023 and 2022 are disclosed in Note 30.

b. Market Participation Agreements (MPA)

SPI, SRHI, SPPC, LPI, MPI, MPCL, SMGP Kabankalan, SMGP BESS and MPGC 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 Department of Energy (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, SPI, SRHI, SPPC, LPI, MPI and MPCL 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 IEMOP to SPI, SRHI, SPPC, LPI, MPI, MPCL, SMGP BESS, SMGP Kabankalan and MPGC, recognized as part of "Plant operations and maintenance, and other fees" under "Cost of power sold" account in the consolidated statements of income, amounted to P372,095, P201,165 and P126,305 in 2023, 2022 and 2021, respectively (Note 23).

LPI and MPCL each has a standby letter of credit, to secure the full and prompt performance of obligations for its transactions as a Direct Member and trading participant in the WESM, which is valid until October 24, 2024 and February 15, 2025, respectively.

c. PSAs and RSCs

SPI, SPPC, SRHI, MPI, LPI and MPCL 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 Suppliers (RES) and other entities.

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

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

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

SPI, SPPC, SRHI, MPI, LPI, MPCL and MPGC can also purchase power from WESM or other power generation companies during periods when power generated from the power plants is not sufficient to meet the customers' power requirements. Power purchases amounted to P25,249,742, P57,089,312 and P20,557,301 in 2023, 2022 and 2021, respectively (Note 23).

On March 2, 2021, EERI and MPCL 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.

On March 17, 2023, EERI and MPCL each submitted a Notice of Termination to Meralco due to the non-occurrence of the acceptance date of ERC's Final Approvals on or before the longstop date prescribed in the respective agreements. The termination of the agreements took effect upon the lapse of 15 days from the receipt of the notice and will not result in any liability on the part of EERI and MPCL.

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

On February 5, 2024, EERI executed a long-term PSA with Meralco for the supply and delivery of 1,200 MW contract capacity commencing not later than November 26, 2024, and MPGC executed a long-term PSA with Meralco for the supply and delivery of 300 MW contract capacity commencing not later than April 26, 2025. Both PSAs have a term of fifteen years.

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

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

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

Revenues from retail sales to contestable customers amounted to P21,047,120, P34,782,416 and P19,262,185 in 2023, 2022 and 2021, respectively, and was recognized as part of "Revenues" account in the consolidated statements of income (Note 22).

d. Ancillary Service Procurement Agreement (ASPA)

   i. On September 8, 2017, MPCL entered into an ASPA with the National Grid Corporation of the Philippines (NGCP) for a period of 5 years effective from May 26, 2018, allocating the entire capacity of its 10 MWh Masinloc Phase I BESS as frequency regulating reserve for the NGCP to maintain power quality, reliability and security of the grid. This ASPA expired on May 25, 2023.

On May 2, 2023, MPCL entered into an ASPA with NGCP for a period of 5 years to allocate the 8 MWh capacity of the Masinloc Phase 1 BESS as contingency reserve. On August 15, 2023, the ERC granted provisional authority to MPCL for the implementation of the ASPA which commenced on September 9, 2023.

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

iii. On May 2, 2023, SMGP BESS entered into several ASPAs with NGCP for its 330 MWh BESS located in various sites nationwide, to provide ancillary services for a period of 5 years, of which 220 MWh and 110 MWh commenced operations in 2023 and March 2024, respectively, following the Provisional Authority granted by the ERC on the relevant ASPA.

Revenue from ancillary services of MPCL, SMGP Kabankalan and SMGP BESS amounted to P2,852,341, P1,015,993 and P346,433 in 2023, 2022 and 2021, respectively, and was recognized as part of "Revenues" account in the consolidated statements of income (Notes 5 and 22).

e. Coal Supply Agreements

SPI, MPI, LPI, MPCL and MPGC have supply agreements with various coal suppliers for the coal requirements of the power plants.

f. LNG Supply Agreements

SPPC have supply agreements with various LNG suppliers for the natural gas requirements of the Ilijan Power Plant.

g. Distribution Wheeling Service (DWS) Agreements

As RES, LPI and MPCL 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.

h. Agreement for the use of LNG Terminal

On May 26, 2023, SPPC entered into a Novation Agreement with SMCGP Transpower. This agreement involved the transfer and assignment to SPPC of all the rights and obligations held by SMCGP Transpower under its Terminal Use Agreement with Linseed Field Corporation (LFC) dated April 11, 2022.

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. Land Lease Agreements with PSALM

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

Subsequently, upon the request of SPPC, PSALM issued an Additional Leased Premises Certification for the parcels of land with an aggregate area of 24,116 square meters where the Ilijan switchyard is located.

In 2022, SPPC paid in advance the total lease charges amounting to P1,822,903 covering the entire leased premises and duration of the lease term.

On April 17, 2023, SPPC paid a consent fee amounting to P104,197 to PSALM for the planned sublease of 7,586 square meters of land to NGCP.

On December 5, 2023, SPPC paid an option price of P182,909 signifying its intention to purchase a portion of the leased land totaling to 258,701 square meters.

MPCL
MPCL has an existing lease agreement with PSALM for the lease of a 199,600 square meters of 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 MPCL from PSALM for a total consideration of P15,653.

ii. In November 2015, LPI 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, Lumiere Energy Technologies Inc. (LETI), a wholly-owned subsidiary, 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 LPI pursuant to the sale of the Phase II Limay Greenfield Power Plant on June 22, 2017.

In 2016, MPI 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 (Note 26).

iv. On December 13, 2017, LPI 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.

v. On March 7, 2017, LPI 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.

vi. On May 5, 2023, February 8, 2023 and October 3, 2018, MPI leased a foreshore area with approximate total area of 81,025 square meters, 18,784 square meters and 68,779 square meters, respectively, 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.

vii. On December 5, 2019, MPGC leased a total of 1,654,400 square meters of land from E-Fare Investment Holdings Inc. (E-Fare), an entity under common control, for a period of 24 years and 6 months from the effective date with an option to renew this lease for another 25 years. The agreement contains a clause to increase annual rental by 5% starting from the first anniversary of the effective date.

viii. On January 6, 2020, MPGC leased a total of 115,996 square meters of land from E-Fare for a period of 24 years and 5 months from the effective date with an option to renew for another 25 years. The rent shall be increased annually by 5.0% starting from the third anniversary of the effective date.

ix. On February 3, 2020, SMGP BESS 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.

x. In 2021, EERI leased a total of 390,829 square meters of land for its Batangas Combined Cycle Power Plant (BCCPP) from IPIEC, for a period of 25 years from the effective date with an option to renew further for 25 years. Beginning the fourth anniversary of the effective date, the rental shall be increased by 5% per annum.

In April 2023, the Parent Company acquired 100% ownership interest in IPIEC (Note 11).

xi. In 2022, 2021 and 2020, SMGP BESS leased parcels of land, with approximate total area of 17,145 square meters, 43,594 square meters and 133,259 square meters, respectively, from various third parties for the construction of its BESS facilities. The initial terms of the leases range for a period of 10 to 25 years with the option to renew further for 10 to 25 years, as may be applicable. For lease agreements with escalation clause, the rental shall be increased by 5% or 10% per annum, until the end of the term.

    On October 1, 2022, SMGP BESS assigned its existing lease agreement to a third party, for the 9,448 square meters property located in Navotas City, Metro Manila, thereby resulting to a gain on lease modification amounting to P15,819 recognized under "Other income (charges)" account in the consolidated statements of income (Note 26).

xii. In 2021, MPGC leased a total of 47,772 square meters of land from the Authority of Freeport Area of Bataan (AFAB) for the construction and development of a transmission line for a period of 25 years with an option to renew and extend. The terms of agreement include an option for MPGC to pay the total rental in full for the entire period.

xiii. On March 14, 2022, SGLPC leased a total of 10,000,000 square meters of land for the construction, development, maintenance, and operation of its solar power plant project and related facilities from San Miguel Foods, Inc. for a period of 25 years from the effective date with an option to renew further for 25 years. The rental shall be increased by 5% per annum on each anniversary after the 24-month lease free period and one year thereafter.

xiv. On January 19, 2022, SGLPC executed a Land Lease Agreement with Ruzena Estates Development Corporation (REDC), an entity under common control, as amended on February 5, 2024, for the lease of a total area of 1,579,969.41 square meters of land for the construction, development, maintenance, and operation of its solar power project plan and related facilities from REDC for a period of 25 years commencing upon receipt by REDC of the AFAB approval on January 13, 2023, with SGLPC's option to renew for further 25 years The rental shall be increased by 5% per annum on each anniversary.

xv. In 2021, the Parent Company entered into a lease agreement with Mabini Properties, Inc., an entity under common control, for the use of office and parking spaces for a term of 5 years, with an option to renew upon mutual agreement of both parties. The agreement contains a clause to increase annual rental by 3% starting from the first anniversary of the effective date.

The Group's land and office space under lease arrangements, presented under "Right-of-use assets" account in the consolidated statements of financial position, amounted to P9,430,460 and P7,494,190 as at December 31, 2023 and 2022, respectively (Note 13).

The Group also entered into various lease agreements that did not qualify under PFRS 16 for the recognition of right-of-use assets and lease liabilities due to the lease being short-term in nature.

SPI and MPCL had short-term lease agreements with Challenger Aero Air Corporation, an entity under common control, for the lease of aircrafts, which will expire on December 31, 2024. Both leases did not qualify under PFRS 16 as these were short-term in nature.

Relative to the lease agreements, the Group was required to pay advance rental and security deposits which are included under “Trade and other receivables - net” or “Prepaid expenses and other current assets” accounts in the consolidated statements of financial position (Notes 8 and 10).

Maturity analysis of lease payments as at December 31, 2023 and 2022 are disclosed in Note 30.

Interest expense recognized in the consolidated statements of income amounted to P126,698, P123,301 and P121,537 in 2023, 2022 and 2021, respectively.

Rent expense recognized in the consolidated statements of income amounted to P365,651, P401,386 and P370,341 in 2023, 2022 and 2021, respectively (Notes 4, 23 and 24).

Total cash outflows amounted to P21,526,735, P28,132,444 and P29,603,394 in 2023, 2022 and 2021, respectively.

Group as Lessor

Information about significant leases for which the Group is a lessor that qualifies under PFRS 16 are as follows:

i. In May 2011, Grand Planters International, Inc. (GPII), a wholly-owned subsidiary, 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 (Petron), an entity under common control. On October 25, 2021, GPII and Petron agreed to adjust the existing lease rates and further extend the lease term for another 10 years. This was further amended reducing the leased area to 115,233 square meters effective February 12, 2024.

ii. On August 1, 2022, SPPC executed a contract LFC, as approved by PSALM, for the sublease of 7,586 square meters property located in Ilijan, Batangas. This property is covered by a long-term lease agreement between SPPC with PSALM dated April 4, 2022.

iii. On April 5, 2021, the IPIEC leased a parcel of land with a total area of 160,079 square meters to LFC, for a period of 25 years from April 5, 2021 to April 1, 2046. On September 22, 2021, both parties executed a supplementary agreement to increase the leased area from 160,079 square meters to 162,915 square meters. On April 5, 2022, both parties executed another supplementary agreement to increase the leased area from 162,915 square meters to 170,977 square meters.

There are no restrictions imposed on these lease agreements such as those concerning dividends, additional debt and further leasing.

Rent income recognized under “Other operating income” account in the consolidated statements of income amounted to P83,640, P29,299 and P11,717 in 2023, 2022 and 2021, respectively (Notes 4 and 25).

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); and

ii. 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.

APEC formally assumed operations as concessionaire on February 26, 2014. As concessionaire, APEC provided services within the franchise area and was allowed to collect fees and charges, as approved by the ERC.

The Group recognized as power concession asset, included under “Goodwill and other intangible assets” accounts in the consolidated statements of financial position, all costs directly related to the Concession Agreement. The power concession asset, consists of: (i) concession rights, which includes fixed concession fees and separation pay of ALECO employees, (ii) infrastructure, which includes costs of the structures and improvements, distribution system and equipment. Fixed concession fees are recognized at present value using the discount rate at the inception date with a corresponding concession payable recognized.

On September 27, 2022, APEC received from ALECO its notification to terminate the Concession Agreement. APEC refuted the claims made by ALECO in a letter dated November 4, 2022.

On November 18, 2022, APEC served its Notice of Termination to ALECO based on ALECO’s default of its obligations under the Concession Agreement.

Effective November 21, 2022, the Concession Agreement was terminated. Notwithstanding the pending dispute, APEC agreed to turn-over the operations of the distribution business to ALECO and agreed to provide assistance and cooperation to ALECO during the transition period beginning on November 21, 2022 and ending on December 21, 2022, without prejudice to APEC’s remedies against ALECO under the terms of the Concession Agreement.

Accordingly, the total carrying amount of concession assets and related accounts amounting to P1,640,668 was reclassified to “Trade and other receivables” account in the consolidated statement of financial position as at December 31, 2022 (Note 8).

Interest expense on concession payable, included as part of “Interest expense and other financing charges” account in the consolidated statements of income, amounted to P5,193 and P5,372 in 2022 and 2021, respectively. Amortization of concession assets recognized in the “Depreciation and amortization” account in the consolidated statements of income amounted to P66,579 and P60,409 in 2022 and 2021, respectively (Note 23).

7. Cash and Cash Equivalents

Cash and cash equivalents consist of:

	Note	**2023**	2022
Cash in banks and on hand		**P17,995,138**	P11,497,773
Short-term investments		**13,664,304**	11,228,463
	4, 30, 31	**P31,659,442**	P22,726,236

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 P522,931, P885,798, and P580,849 in 2023, 2022 and 2021, respectively.

8. Trade and Other Receivables

Trade and other receivables consist of:

	Note	**2023**	2022
Trade		**P99,030,192**	P87,921,106
Non-trade	*11, 15*	**10,864,186**	10,604,518
Amounts owed by related parties	*11, 15, 19*	**9,747,252**	10,104,701
	6	**119,641,630**	108,630,325
Less allowance for impairment losses	*4*	**2,665,606**	2,690,984
	4, 30, 31	**P116,976,024**	P105,939,341

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	**2023**	2022
Balance at beginning of year		**P2,690,984**	P2,672,082
Impairment losses during the year	*4, 24*	**60,714**	52,855
Reversal during the year and others	*24, 26*	**(86,092)**	(33,953)
Balance at end of year	*4*	**P2,665,606**	P2,690,984

Impairment losses recognized in the consolidated statements of income under “Selling and administrative expenses” account amounted to P60,714, P52,855 and P44,006 in 2023, 2022 and 2021, respectively (Note 24). In 2023 and 2022, certain trade and other receivables were collected and the related allowance for impairment losses recognized in prior years were reversed accordingly.

Non-trade receivables include the following:

a. Due from PSALM amounting to US$60,000 which pertains to SPPC's performance bond pursuant to the Ilijan IPPA Agreement that was drawn by PSALM on September 4, 2015. The validity of PSALM's action is the subject of an ongoing case filed by SPPC with the Regional Trial Court (RTC) of Mandaluyong City (Note 33).

b. Receivables recognized by APEC from ALECO amounting to P1,641,132 and P1,640,668 as at December 31, 2023 and 2022, respectively, following the termination of the Concession Agreement on November 21, 2022 (Note 6).

c. SPI's receivables recognized for WESM transactions as well as the cost of fuel, market fees and other charges related to the dispatch of the excess capacity of the Sual Power Plant.

   On March 5, 2022, SPI entered into a Settlement Agreement with Team (Philippines) Energy Corporation (TPEC) and Team Sual Corporation (TSC) that aims to resolve all pending disputes on the dispatch of the excess capacity of the Sual Power Plant, including the claims of TPEC and SPI on historic imbalances arising from WESM transactions, cost of fuel, market fees and other charges. Pursuant to said agreement, SPI, TPEC and TSC have agreed to cause the dismissal of all ongoing cases and settle the historic imbalances and the corresponding amounts claimed relative to the excess capacity of the Sual Power Plant (Note 33).

   In accordance with the Settlement Agreement, SPI recognized a receivable net of collections from TPEC which amounted to P1,618,196 and P2,110,714 as at December 31, 2023 and 2022, respectively. The noncurrent portion of the receivable amounting to P1,074,028 and P1,575,769 as at December 31, 2023 and 2022, respectively, is included under "Other noncurrent assets" account in the consolidated statements of financial position (Note 15). In addition, SPI recognized the cost of its full dispatch rights on the capacity of the Sual Power Plant, amounting to P1,628,854, under "Goodwill and other intangible assets" account in 2022 (Note 14).

d. On June 16, 2011, SPI 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. SPI 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 SPI to decide not to pursue its investment in HCML, which will result in the return of the Deposit to SPI plus interest. In a letter dated July 15, 2011, SPI 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, SPI, HCML and Caason agreed to a schedule of payment of the outstanding Amount Due to SPI. In January 2020, the same parties entered into a Deed of Arrangement. SPI reversed a total of nil and P22,924, and recognized a foreign exchange gain (loss) of (P21,272) and P11,029, from the allowance for the amounts recovered from HCML in 2023 and 2022, respectively (Note 26).

   As at December 31, 2023 and 2022, total outstanding receivable from HCML amounting to P283,100 and P261,827, respectively, has been fully provided with allowance.

e. Receivables from third parties amounting to P240,000 and P2,057,849 as of December 31, 2023 and 2022, respectively, for the sale of Strategic Energy Development Inc. (SEDI), DAMI, SEPC and BERI in 2022.

f. LPI made advances for the construction of transmission assets on behalf of NGCP. The reimbursement shall take place after full payment and proper turnover of the transmission assets to NGCP.

g. The remaining balance mainly pertains to billings for demurrage charges, refundable security deposit for bid purposes, reimbursable charges from third parties, and receivables from customers which will be remitted to the Government upon collection.

9. Inventories

Inventories at cost consist of:

	Note	2023	2022
Coal	*6*	**P6,872,276**	P12,258,020
Materials and supplies		**5,748,754**	3,203,182
LNG	*6*	**3,016,660**	-
Fuel oil	*19*	**1,036,198**	1,259,249
Other consumables		**167,496**	101,708
	4	**P16,841,384**	P16,822,159

There were no inventory write-downs to net realizable value in 2023, 2022 and 2021 (Note 4). Inventories charged to cost of power sold amounted to P86,906,429, P114,857,765 and P39,108,912 in 2023, 2022 and 2021, respectively (Note 23).

10. Prepaid Expenses and Other Current Assets

Prepaid expenses and other current assets consist of:

	Note	2023	2022
Input VAT		**P27,467,097**	P21,313,420
Prepaid tax		**13,072,678**	11,472,838
Advances to suppliers		**4,109,567**	2,564,056
Restricted cash	*15, 30, 31*	**2,420,279**	6,408,269
PSALM monthly fee outage credits	*6*	**1,142,305**	850,195
Derivative assets not designated as cash flow hedge	*19, 30, 31*	**-**	178,285
Derivative assets designated as cash flow hedge	*30, 31*	**-**	143,545
Other prepaid expenses	*19*	**309,638**	362,244
		P48,521,564	P43,292,852

Input VAT consists of VAT on purchases of goods and services which can be offset against the output VAT payable (Note 17).

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.

Advances to suppliers mainly pertains to advance payments for inventories of the Group.

Restricted cash pertains to funds maintained in various financial institutions: (a) as cash flow waterfall accounts required under the respective credit facilities of LPI, MPI, MPCL and SMGP BESS, (b) as environmental guarantee fund for remittance to the DENR, and (c) as financial benefits to host communities, as required by law (Notes 15 and 18).

PSALM monthly fee outage credits pertain to the approved reduction in SPI's future monthly fees payable to PSALM resulting from the outages of the Sual Power Plant in 2023 and 2022.

The methods and assumptions used to estimate the fair values of restricted cash and derivative assets are discussed in Note 31.

Other prepaid expenses mainly pertain to the following:

a. Prepaid insurance of the Group for power plants amounted to P176,667 and P178,528 as at December 31, 2023 and 2022, respectively.

b. Prepaid rent of the Group from various short-term lease agreements amounted to P25,183 and P38,213 as at December 31, 2023 and 2022, respectively (Note 6).

c. Prepaid legal and financial advisory fees relating to the Group's financing activities and prepayments of various operating expenses.

11. Investments and Advances

Investments and advances consist of:

	2023	2022
Investments in Shares of Stock of an Associate and Joint Ventures		
Cost		
Balance at beginning of year	**P8,122,208**	P7,618,892
Additions	**-**	503,316
Balance at end of year	**8,122,208**	8,122,208
Accumulated Equity in Net Losses		
Balance at beginning of year	**2,769,671**	2,367,472
Equity in net losses during the year	**272,631**	392,606
Share in other comprehensive loss during the year	**3,830**	2,069
Adjustment to equity in net losses in prior year	**(539)**	7,524
Adjustment to share in other comprehensive loss in prior year	**(35)**	-
Balance at end of year	**3,045,558**	2,769,671
	5,076,650	5,352,537
Advances	**5,876,398**	2,502,054
	P10,953,048	P7,854,591

Advances pertain to deposits made to certain companies which will be applied against future stock subscriptions. In 2023 and 2022, the Parent Company bought ownership interests in certain landholding companies. As a result, these landholding companies were consolidated and deposits amounting to P807,693 and P2,987,234 were eliminated in the consolidated statements of financial position as at December 31, 2023 and 2022, respectively.

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

a. Investment in shares of stock of an associate

OEDC

In April 2013, SPGC and San Miguel Equity Investments, Inc. (SMEII), an entity under common control, entered into a Deed of Assignment of Subscription Rights, whereby, SMEII agreed to assign its 35% of ownership interests in OEDC to SPGC for a consideration of P8,750.

Subscriptions payable amounted to P28,101 as at December 31, 2023 and 2022 (Note 19).

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

	2023 (Unaudited)	2022 (Audited)
Country of Incorporation	**Philippines**	Philippines
Current assets	**P453,617**	P459,055
Noncurrent assets	**1,888,459**	1,824,941
Current liabilities	**(1,386,522)**	(1,239,344)
Noncurrent liabilities	**(313,409)**	(405,750)
Net assets	**P642,145**	P638,902
Revenue	**P2,488,788**	P3,040,926
Net income	**P14,184**	P12,888
Other comprehensive income (loss)	**(10,942)**	2,263
Total comprehensive income	**P3,242**	P15,151
Share in net income	**P4,965**	P4,511
Share in other comprehensive income (loss)	**(P3,830)**	P792
Carrying amount of investment	**P238,462**	P237,327

b. Investments in shares of stock of joint ventures

i. AHC and KWPP

The Parent Company, through PVEI, and Korea Water Resources Corporation (K-water) entered into a joint venture for the acquisition, rehabilitation, operation and maintenance of the 218 MW Angat Hydroelectric Power Plant (Angat Power Plant) awarded by PSALM to K-water.

On November 18, 2014, PVEI acquired from the individual stockholders and K-water, 2,817,270 shares or 60% of the outstanding capital stock of AHC and from the individual stockholders, 75 shares representing 60% of KWPP's outstanding capital stock.

Subsequently, AHC and KWPP each issued shares in favor of nominee directors of PVEI and K-water to complete their respective shareholding interest.

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, 2023 (Audited)

	AHC	**KWPP**
Country of Incorporation	**Philippines**	**Philippines**
Current assets	**P1,527,461**	**P3,799**
Noncurrent assets	**16,805,637**	**17,014**
Current liabilities	**(1,749,658)**	**(6,959)**
Noncurrent liabilities	**(11,554,427)**	**(13,250)**
Net assets	**P5,029,013**	**P604**
Revenue	**P1,751,763**	**P -**
Net loss/total comprehensive loss	**(P481,030)**	**(P194)**
Share in net loss/total comprehensive loss	**(P288,618)**	**(P117)**
Carrying amount of investment	**P4,318,584**	**P588**

December 31, 2022 (Audited)

	AHC	KWPP
Country of Incorporation	Philippines	Philippines
Current assets	P1,982,288	P3,444
Noncurrent assets	16,784,160	17,652
Current liabilities	(1,422,164)	(6,518)
Noncurrent liabilities	(11,834,241)	(13,779)
Net assets	P5,510,043	P799
Revenue	P1,571,312	P -
Net loss	(P668,338)	(P169)
Other comprehensive loss	(4,768)	-
Total comprehensive loss	(P673,106)	(P169)
Share in net loss	(P401,003)	(P101)
Share in other comprehensive loss	(P2,861)	P -
Carrying amount of investment	P4,607,202	P705

ii. IASCO and Isabel AS

On June 2, 2022, the Parent Company, through PEGC and PVGC, acquired 50% effective ownership interests in IASCO, which operates the 70 MW modular power plant located in Isabel, Leyte, for a total consideration of P503,316. PEGC acquired 50% of the outstanding capital stock of Isabel AS, which is the general partner of IASCO.

IASCO is a limited partnership created for the primary purpose of developing, operating, and maintaining a modular power plant and any other assets including transmission and sub-transmission lines. IASCO is managed by its general partner, Isabel AS.

IASCO and Isabel AS are following a fiscal reporting period ending March 31 and continue to use the same reporting period after acquisition.

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, 2023 (Unaudited)

	Isabel AS	**IASCO**
Country of Incorporation	**Philippines**	**Philippines**
Current assets	**P47**	**1,233,487**
Noncurrent assets	**9,841**	**323,672**
Current liabilities	**(148)**	**(859,418)**
Noncurrent liabilities	**-**	**(66,499)**
Net assets	**P9,740**	**P631,242**
Revenue	**P -**	**P1,723,383**
Net income (loss)/total comprehensive income (loss)	**(P176)**	**P22,454**
Share in net income (loss)/total comprehensive income (loss)	**(P88)**	**P11,227**
Carrying amount of investment	**P67,811**	**P451,205**

December 31, 2022 (Unaudited)

	Isabel AS	IASCO
Country of Incorporation	Philippines	Philippines
Current assets	P75	P883,808
Noncurrent assets	9,841	409,295
Current liabilities	-	(648,149)
Noncurrent liabilities	-	(36,165)
Net assets	P9,916	P608,789
Revenue	P -	P789,136
Net income (loss)/total comprehensive income (loss)*	(P83)	P9,205
Share in net income (loss)/total comprehensive income (loss)	(P42)	P4,603
Carrying amount of investment	P67,899	P439,978

**Net income (loss)/total comprehensive income (loss) for the period from June 2, 2022 up to December 31, 2022*

c. Investment in shares of stock of subsidiaries

The following are the developments relating to the subsidiaries:

i. PVEI

In January 2017, PVEI granted shareholder advances amounting to US$31,800 (equivalent to P1,578,870) to its joint venture company, AHC. The advances bear an annual interest rate of 4.50% and are due on April 30, 2017. The due date of the advances may be extended as agreed amongst the parties.

As at December 31, 2023 and 2022, the remaining balance of the shareholder advances amounted to US$2,281 (equivalent to P126,310 and P127,189, respectively), classified as part of "Trade and other receivables" account in the consolidated statements of financial position, and due date was extended to December 31, 2024 (Notes 8 and 19). Interest income amounted to P5,673 in 2023 and 2022 and P5,138 in 2021, respectively (Note 19).

In February 2023 and June and October 2021, PVEI granted shareholder loans to AHC amounting to P344,097, P600,000 and P408,540, respectively. The loans bear interest rates of 6.125%, 4.6% and 6.125%, respectively, and are due on January 5, 2032. Outstanding balance amounted to P1,352,637 and P1,008,540, classified as part of "Other noncurrent assets" account in the consolidated statements of financial position, as at December 31, 2023 and 2022, respectively (Notes 15 and 19). Interest income amounted to P71,378, P53,354 and P18,840 in 2023, 2022 and 2021, respectively (Note 19).

ii. MPGC

MPGC is the owner of the 4 x 150 MW Mariveles Greenfield Power Plant that is being constructed in Mariveles, Bataan.

On December 16, 2021, the BOD and stockholders of MPGC approved the increase in its authorized capital stock from P12,600,000 to P18,600,000, divided into 186,000,000 shares with par value of P100, and the Parent Company subscribed to an additional 58,844,092 shares at a subscription price of P100 per share, or a total subscription amount of P5,884,409, which was fully paid in 2022. The increase in authorized capital stock was approved by the Philippine SEC on December 27, 2022.

Following the subscription, the Parent Company's ownership interests in MPGC increased from 91.98% as at December 31, 2021 to 94.55% as at December 31, 2022. Consequently, the non-controlling interests in MPGC held by MGen and Zygnet were reduced to 5.24% and 0.21%, respectively, as at December 31, 2022.

The additional capital infusion financed in part the power plant project of MPGC.

As at December 31, 2023, Units 1 and 2 of the Mariveles Greenfield Power Plant are undergoing testing and commissioning.

iii. Acquisition of subsidiaries

Blue Eagle and IPIEC

On April 3 and December 19, 2023, the Parent Company acquired the 100% outstanding capital stock of IPIEC and Blue Eagle, respectively, for a total consideration amount of P75,000. IPIEC and Blue Eagle own and manage various properties located in the provinces of Batangas and Cavite, respectively (Note 15).

The following summarized the recognized net assets acquired from Blue Eagle and IPIEC at acquisition date:

	IPIEC	**Blue Eagle**
Current assets	**P287,011**	**P22,128**
Noncurrent assets	**1,541,208**	**132,736**
Current liabilities	**(1,129,312)**	**(4,022)**
Noncurrent liabilities	**(648,907)**	**(125,842)**
Net assets	**P50,000**	**P25,000**

MVIHI and Bluelight
On August 25, 2022, the Parent Company acquired the 100% outstanding capital stock of MVIHI and Bluelight for a total consideration amount of P15,500. MVIHI and Bluelight own and manage various properties located in the provinces of Cavite and Quezon, respectively (Note 12).

The following summarized the recognized net assets acquired from MVIHI and Bluelight at acquisition date:

	MVIHI	Bluelight
Current assets	P51,019	P2,877
Noncurrent assets	3,278,332	284,724
Current liabilities	(529,713)	(282,101)
Noncurrent liabilities	(2,789,638)	-
Net assets	P10,000	P5,500

These transactions are accounted for as asset acquisitions since the assets and activities do not constitute a business as defined in PFRS 3.

iv. Sale of subsidiaries

Soracil Prime Inc. (Soracil), Ondarre Holding Corporation (OHC) and SEDI
On August 26, 2022, the Parent Company sold its 100% shareholdings in Soracil and OHC, to an entity under common control and in SEDI, to a third party, for P5,064,700. The amount of consideration, which will be collected on installment basis up to 2026 and subject to interest as agreed by the relevant parties, is presented as part of amounts owed by related parties, non-trade receivables and noncurrent receivables under “Trade and other receivables - net” and “Other noncurrent assets” accounts in the consolidated statements of financial position as at December 31, 2023 and 2022 (Notes 8, 15, 19 and 25).

Soracil and OHC own certain parcels of land located in Barangay Wack-wack, Mandaluyong City (Note 12). SEDI owns real properties, including land with a 15 MW heavy fuel oil power plant facility located in Tagum City, Davao del Norte (Note 12).

DAMI, BERI, SEPC
On December 21, 2022, SPI sold its 100% shareholdings in DAMI, BERI and SEPC to a third party for P1,817,849. The amount of consideration, presented as part of non-trade receivables under “Trade and other receivables - net” account in the 2022 consolidated statement of financial position, was collected in 3 tranches up to September 30, 2023 (Notes 8 and 25).

Also on the same date, SPI entered into an agreement with the same third party for the assignment of its deposit for future stock subscription amounting to P1,551,647. This amount, presented as part of “Other noncurrent assets” account in the consolidated statements of financial position as at December 31, 2023 and 2022, is payable over a period of 5 years, subject to interest to be agreed by both parties.

DAMI and SEPC have coal mining properties, covered by Coal Operating Contracts issued by the Philippine DOE, located in the provinces of Sarangani, South Cotabato and Sultan Kudarat.

The foregoing sale transactions resulted to loss of ownership and control over these entities and the derecognition and deconsolidation of the assets and liabilities of these entities effective on the date of sale (Notes 8, 12 and 25).

The Group recognized a gain on the sale amounting to P2,870,015, presented as gain on sale of subsidiaries under “Other operating income” account in the 2022 consolidated statement of income (Note 25).

12. Property, Plant and Equipment

Property, plant and equipment consist of:

	Note	Power Plants	Land and Leasehold Improvements	Other Equipment	Building	CPIP	Total
Cost							
January 1, 2022		P135,947,812	P14,245,698	P5,957,418	P4,057,910	P72,492,589	P232,701,427
Additions		1,008,559	321,728	544,917	5,724	46,594,970	48,475,898
Acquisition of a subsidiary	*11*	-	3,260,025	-	-	-	3,260,025
Reclassifications	*6, 13, 15*	48,689,175	440,385	770,310	561,200	3,462,755	53,923,825
Disposals	*11, 19, 25*	(465,260)	(4,665,023)	(518,510)	(48,713)	(286,618)	(5,984,124)
Currency translation adjustments		-	185	1,379	-	-	1,564
December 31, 2022		185,180,286	13,602,998	6,755,514	4,576,121	122,263,696	332,378,615
Additions		943,217	158,463	659,427	17,850	34,400,018	36,178,975
Acquisition of a subsidiary	*11*	-	448,499	-	-	-	448,499
Reclassifications	*15*	11,053,316	1,081,919	1,030,657	353,602	(6,735,945)	6,783,549
Retirement/disposal	*26*	(76,428)	-	(1,386)	-	-	(77,814)
Currency translation adjustments		-	(16)	(111)	-	-	(127)
December 31, 2023		**197,100,391**	**15,291,863**	**8,444,101**	**4,947,573**	**149,927,769**	**375,711,697**
Accumulated Depreciation and Amortization							
January 1, 2022		18,488,760	642,217	1,214,097	322,847	-	20,667,921
Depreciation and amortization		6,581,518	217,409	405,891	131,108	-	7,335,926
Disposals	*11, 19, 25*	(133,171)	-	(86,612)	(29,456)	-	(249,239)
Currency translation adjustments		-	139	1,378	-	-	1,517
December 31, 2022		24,937,107	859,765	1,534,754	424,499	-	27,756,125
Depreciation and amortization		7,473,007	280,656	538,847	132,069	-	8,424,579
Reclassifications		-	-	75,335	-	-	75,335
Retirement/disposal	*26*	(12,993)	-	(1,155)	-	-	(14,148)
Currency translation adjustments		-	(12)	(112)	-	-	(124)
December 31, 2023		**32,397,121**	**1,140,409**	**2,147,669**	**556,568**	**-**	**36,241,767**
Accumulated Impairment Losses							
January 1, 2022		-	-	174,974	-	-	174,974
Impairment	*26*	-	-	34,991	-	-	34,991
December 31, 2022		-	-	209,965	-	-	209,965
Impairment	*26*	-	-	34,991	-	-	34,991
December 31, 2023		**-**	**-**	**244,956**	**-**	**-**	**244,956**
Carrying Amount							
December 31, 2022		P160,243,179	P12,743,233	P5,010,795	P4,151,622	P122,263,696	P304,412,525
December 31, 2023		**P164,703,270**	**P14,151,454**	**P6,051,476**	**P4,391,005**	**P149,927,769**	**P339,224,974**

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

b. CPIP pertains to the following:

   i. Expenditures of MPGC related to the construction of the Mariveles Greenfield Power Plant.

      As at December 31, 2023, Units 1 and 2 of the Mariveles Greenfield Power Plant are undergoing testing and commissioning.

   ii. Expenditures of EERI related to the construction of its 1,320 MW BCCPP.

   iii. Projects of SMGP BESS for the construction of BESS facilities and gas turbine generators situated in various locations in the Philippines.

      Following the start of commercial operations in 2023 of 3 BESS facilities in Luzon (San Manuel, Pangasinan, and Lamao and Limay, Bataan), 2 BESS facilities in Visayas (Toledo, Cebu and Ubay, Bohol) and 2 BESS facilities in Mindanao (Maco, Davao de Oro and Malita, Davao Occidental), the CPIP costs related to these facilities were reclassified to the appropriate property, plant and equipment account.

   iv. Projects of MPCL for the construction of the Masinloc Power Plant Units 4 and 5, and other related facilities, 20 MW BESS and retrofitting works for Unit 1. The Unit 1 retrofit was completed and all related CPIP costs were reclassified to the appropriate property, plant and equipment account in 2023.

   v. Projects of SMGP Kabankalan for the construction of its 10 MW BESS Phase 2 facility in Kabankalan, Negros Occidental.

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

   vi. Various construction works relating to the respective power plant facilities of LPI and MPI.

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

c. Reclassifications in 2023 include transfers from CPIP account to specific property, plant and equipment accounts and application of advances to contractors against progress billings for ongoing capital projects.

   Reclassifications in 2022 mainly pertain to the Ilijan Power Plant, which was reclassified from the “Right-of-use assets” account following the expiration of its IPPA Agreement with PSALM and its turnover to SPPC, and application of advances to contractors against progress billings for ongoing capital projects (Notes 6, 13 and 15).

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

	Note	2023	2022	2021
Cost of power sold	*23*	**P7,959,780**	P6,828,880	P5,484,187
Selling and administrative expenses	*24*	**464,799**	507,046	476,147
		P8,424,579	P7,335,926	P5,960,334

Total depreciation and amortization, recognized in the consolidated statements of income, include amortization of capitalized interest and decommissioning and dismantling costs amounting to P267,365, P267,010 and P251,398 in 2023, 2022 and 2021, respectively. The Group recognized impairment losses amounting to P34,991 in 2023, 2022 and 2021, and presented as part of "Other income (charges)" account in the consolidated statements of income (Note 26).

The Group has borrowing costs amounting to P1,759,105, P2,156,087 and P1,059,256 which were capitalized in 2023, 2022 and 2021, respectively. The capitalization rates used to determine the amount of interest eligible for capitalization range from 7.47% to 8.59% in 2023 and 7.47% in 2022 and 2021. The unamortized capitalized borrowing costs amounted to P11,324,445 and P9,832,705 as at December 31, 2023 and 2022, respectively (Note 18).

As at December 31, 2023 and 2022, certain property, plant and equipment amounting to P164,918,759 and P125,728,120, respectively, are pledged as security for syndicated project finance loans (Note 18).

Certain fully depreciated property, plant and equipment with aggregate costs amounting to P6,030,538 and P4,725,837 as at December 31, 2023 and 2022, respectively, are still being used in the Group's operations.

13. Right-of-Use Assets

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

	Note	Land	Buildings and Improvements	Power Plants	Total
Cost					
January 1, 2022		P5,591,469	P409,882	P167,387,089	P173,388,440
Additions		2,723,373	40,837	-	2,764,210
Reclassification	*6, 12*	-	-	(53,988,259)	(53,988,259)
Remeasurement and others		(232,899)	(6,939)	-	(239,838)
December 31, 2022		8,081,943	443,780	113,398,830	121,924,553
Additions	*6*	2,509,352	-	-	2,509,352
Reclassification and others		(54,697)	(131,017)	-	(185,714)
December 31, 2023		**10,536,598**	**312,763**	**113,398,830**	**124,248,191**
Accumulated Depreciation and Amortization					
January 1, 2022		525,487	144,083	15,559,209	16,228,779
Depreciation and amortization		108,380	73,593	4,243,964	4,425,937
Reclassification	*6, 12*	-	-	(5,519,997)	(5,519,997)
Remeasurement and others		186,756	(6,766)	-	179,990
December 31, 2022		820,623	210,910	14,283,176	15,314,709
Depreciation and amortization		146,592	65,234	3,570,794	3,782,620
Reclassification and others		277,060	(101,518)	-	175,542
December 31, 2023		**1,244,275**	**174,626**	**17,853,970**	**19,272,871**
Carrying Amount					
December 31, 2022		P7,261,320	P232,870	P99,115,654	P106,609,844
December 31, 2023		**P9,292,323**	**P138,137**	**P95,544,860**	**P104,975,320**

The carrying amount of the power plants of the IPPAs under lease arrangements amounted to P95,544,860 and P99,115,654 as at December 31, 2023 and 2022, respectively (Note 6).

The carrying amount of the land under lease arrangements of MPCL and SPPC with PSALM amounted to P2,078,566 and P1,868,903 as at December 31, 2023 and 2022 respectively (Note 6).

The combined asset retirement costs of the Group amounted to P451,940 and P521,022 as at December 31, 2023 and 2022, respectively.

The reclassification in 2022 pertains to the Ilijan Power Plant that was reclassified to "Property, plant and equipment" account following the expiration of the IPPA Agreement between SPPC and PSALM and its turnover to SPPC in June 2022 (Notes 6 and 12).

Reclassification and others in 2023 mainly pertain to the termination of certain lease agreements.

Remeasurements and others in 2023 and 2022 pertain mainly on the change in the estimated dismantling costs of ARO during the year.

14. Goodwill and Other Intangible Assets

Goodwill and other intangible assets consist of:

	Note	**2023**	2022
Goodwill	*4*	**P69,953,222**	P69,953,222
Computer software and licenses - net	*4*	**233,631**	226,906
Others	*4, 8*	**1,525,200**	1,584,431
		P71,712,053	P71,764,559

Impairment of Goodwill from Masinloc Group

Goodwill arising from the acquisition of Masinloc Group in 2018, amounting to P69,944,356 which accounts for almost 100% of the total goodwill in the consolidated statements of financial position as at December 31, 2023 and 2022, 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 2028 in 2023 and 2027 in 2022 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 10.5% and 11.0% in 2023 and 2022, respectively, 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 3.0% and 5.0% in 2023 and 2022, 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 10.0% and 11.0% in 2023, and 10.5% and 11.5% in 2022 were applied on the discounted cash flows analysis. Management believes that any reasonably possible change in the discount rate on which the recoverable amount is based would not cause its carrying amount to exceed its recoverable amount.

Based on management's assessment, goodwill is not impaired since the recoverable amount of the related net assets for which the goodwill was attributed still exceeds its carrying amount as at December 31, 2023 and 2022.

Computer Software and Licenses

The movements in computer software and licenses are as follows:

	Note	2023	2022
Cost			
Balance at beginning of year		**P593,844**	P468,332
Additions		**56,971**	125,512
Balance at end of year		**650,815**	593,844
Accumulated Amortization			
Balance at beginning of year		**366,938**	318,112
Amortization	*24*	**50,246**	48,826
Balance at end of year	*4*	**417,184**	366,938
		P233,631	P226,906

Others

In 2022, SPI obtained full dispatch rights on the capacity of Sual Power Plant, following its agreement with TPEC. As a result, SPI recognized this right under "Goodwill and other intangible assets" account amounting to P1,628,854 in 2022 (Notes 6, 8 and 33). Amortization expense recognized in the consolidated statements of income amounted to P59,231 and P44,423 in 2023 and 2022, respectively (Notes 4 and 24).

15. Other Noncurrent Assets

Other noncurrent assets consist of:

	Note	2023	2022
Advances to suppliers and contractors		**P25,165,794**	P20,219,121
Amounts owed by related parties	*11, 19*	**6,499,990**	9,638,442
Noncurrent receivables	*11, 30, 31*	**4,205,585**	4,357,754
Restricted cash - net of current portion	*30, 31*	**3,851,016**	1,290,189
Investment property	*11*	**3,218,782**	-
Deferred input VAT - net of current portion		**51,279**	132,763
Others		**105,554**	174,076
		P43,098,000	P35,812,345

Advances to suppliers and contractors pertain to advance payments to contractors for the construction of the Group 's power plants and BESS projects (Note 12).

Noncurrent receivables mainly pertain to (a) SPI's receivables from TPEC, and from a third party for the assignment of its deposits to DAMI, BERI and SEPC, and (b) Parent Company's receivable from a third party for the sale of SEDI (Notes 8 and 11).

Restricted cash mainly comprises of: (a) MPCL's cash flow waterfall accounts and environmental guarantee fund, amounting to P2,645,131 and P129,851 as at December 31, 2023 and 2022, respectively; and (b) LPI's cash flow waterfall accounts, amounting to P1,203,746 and P1,160,283 as at December 31, 2023 and 2022, respectively (Notes 10 and 18).

As at December 31, 2023 and 2022, the deferred input VAT mainly pertains to the input VAT relating to the construction of power plants and BESS projects of the Group (Note 12).

Investment property mainly pertains to the parcels of land owned by IPIEC, MVIHI and Blue Eagle (Note 11).

On December 20, 2023, MVIHI and Blue Eagle entered into an agreement with third parties for the sale of certain parcels of land located in Naic and Maragondon, Cavite, which is subject to certain conditions prior to closing targeted in January 2025.

The fair value of investment property, amounting to P12,468,752 as at December 31, 2023, has been categorized as Level 3 in the fair value hierarchy based on the inputs used in the valuation techniques (Note 4).

The fair value of investment property was mainly determined by external, independent property appraisers having appropriate recognized professional qualifications and recent experience in the location and category of the property being valued. The independent appraisers provide the fair value of the Group's investment property on a regular basis.

Total income recognized from the lease of these real estate properties amounted to P60,079 in 2023 (Notes 6 and 25). There are no direct selling and administrative expenses arising from investment property that generated income in 2023, other than the real property taxes paid by the lessee pursuant to the terms of the relevant lease agreements. Direct operating expenses arising from investment properties that did not generate rental income, mainly consist of real property taxes and property maintenance fees amounting to P9,682 in 2023, presented as part of "Selling and administrative expenses" account in the consolidated statement of income (Note 24).

Valuation Technique

The valuation of investment property applied the *Sales Comparison Approach.* The market value was determined using the Sales Comparison Approach. The comparative approach considers the sale of similar or substitute property, registered within the vicinity, and the related market data. The estimated value is established by process involving comparison. The property being valued is then compared with sales of similar property that have been transacted in the market. Listings and offerings may also be considered. The observable inputs to determine the market value of the property are the following: location characteristics, size, time element, quality and prospective use, bargaining allowance and marketability.

Others mainly pertain to retention asset and costs incurred in relation to long-term customer contracts.

The methods and assumptions used to estimate the fair values of restricted cash, noncurrent receivables and derivative assets are discussed in Note 31.

16. Loans Payable

Loans payable account consist of unsecured short-term loans of the Parent Company amounting to P13,736,000 and P21,000,000 as at December 31, 2023 and 2022, respectively (Notes 30 and 31). The interest rates applied ranged from 5.00% to 7.50% and from 5.00% to 5.50% as at December 31, 2023 and 2022, respectively. These loans were obtained from various local financial institutions to partially refinance maturing obligations, for working capital and for general corporate purposes.

Interest expense on loans payable amounted to P1,098,603, P606,725 and P62,964 in 2023, 2022 and 2021, respectively.

17. Accounts Payable and Accrued Expenses

Accounts payable and accrued expenses consist of:

	Note	**2023**	2022
Trade	*6*	**P23,453,007**	P20,429,358
Non-trade	*6*	**45,629,445**	42,326,144
Output VAT		**19,194,811**	13,983,971
Amounts owed to related parties	*19*	**5,411,198**	2,980,384
Withholding and other accrued taxes		**2,066,108**	2,887,746
Accrued interest	*6, 16, 18*	**1,864,411**	1,757,317
Derivative liabilities not designated as cash flow hedge		**13,925**	75,455
Premium on option liabilities		**-**	6,799
	30, 31	**P97,632,905**	P84,447,174

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

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

Output VAT consists of current and deferred output VAT payable. Deferred output VAT represents the VAT on sale of power which will be remitted to the Government only upon collection from the customers (Note 8).

The methods and assumptions used to estimate the fair values of financial liabilities are discussed in Note 31.

18. Long-term Debt

Long-term debt consists of:

	Note	2023	2022
Bonds			
Parent Company			
Philippine Peso-denominated:			
Fixed interest rate of 5.9077%, 7.1051% and 8.0288% maturing in 2025, 2028 and 2032, respectively (a)		**P39,559,871**	P39,475,629
Fixed interest rate of 7.1783% and 7.6000% maturing in 2024 and 2026, respectively (b)		**16,110,820**	16,070,346
Fixed interest rate of 6.7500% matured in 2023 (c)		**-**	14,971,990
Fixed interest rate of 6.2500% and 6.6250% maturing in 2024 and 2027, respectively (d)		**10,056,168**	10,040,725
Fixed interest rate of 4.7575% and 5.1792% matured in 2023 and maturing in 2026, respectively (e)		**4,740,043**	8,820,612
		70,466,902	89,379,302
Term Loans			
Parent Company			
Philippine Peso-denominated:			
Fixed interest rate with maturities up to 2024 (f)		**14,091,381**	14,215,532
Fixed interest rate with maturities up to 2025 (g)		**4,853,652**	4,889,250
Fixed interest rate with maturities up to 2028 (h)		**7,439,465**	-
Foreign currency-denominated:			
Floating interest rate based on London Interbank Offered Rate (LIBOR) plus margin, matured in 2023 (i)		**-**	27,858,560
Floating interest rate based on Secured Overnight Financing Rate (SOFR) plus margin, maturing in 2026 (j)		**16,421,201**	16,454,788
Floating interest rate based on LIBOR plus margin, matured in 2023 (k)		**-**	2,767,364
Floating interest rate based on SOFR plus margin, maturing in 2024 (l)		**10,992,509**	10,955,092
Floating interest rate based on SOFR plus margin, maturing in 2025 (m)		**5,483,778**	5,485,079
Floating interest rate based on SOFR plus margin, maturing in 2027 (n)		**16,249,226**	16,281,792
Floating interest rate based on SOFR plus margin, maturing in 2024 (o)		**5,487,277**	-
Floating interest rate based on SOFR plus margin, maturing in 2025 (p)		**2,718,947**	-

Forward

	Note	**2023**	2022
Subsidiaries			
Philippine Peso-denominated:			
Fixed interest rate with maturities up to 2029 (q)		**P32,497,049**	P35,177,787
Fixed interest rate with maturities up to 2030 (r)		**14,643,247**	15,893,917
Fixed interest rate with maturities up to 2033 (s)		**27,537,755**	-
Floating rate based on Bloomberg Valuation (BVAL) plus margin, maturing in 2030 (t)		**7,187,581**	-
Foreign currency-denominated:			
Fixed interest rate with maturities up to 2023 and 2030 (t) (u)		**17,078,674**	24,653,982
Floating interest rate based on SOFR plus margin, with maturities up to 2023 and 2030 (t) (u)		**5,620,829**	8,140,179
		188,302,571	182,773,322
	30, 31	**258,769,473**	272,152,624
Less current maturities		**54,124,645**	63,721,744
		P204,644,828	P208,430,880

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

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

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

   Interest on the Bonds shall be payable quarterly in arrears every April 26, July 26, October 26 and January 26 of each year starting October 26, 2022, as the first interest payment date.

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

b. 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 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 (partly used for Masinloc Group acquisition in 2018), investments in power-related assets and for payment of transaction-related fees, costs and expenses.

On April 25, 2022, the Parent Company redeemed the Series H Bonds, amounting to P13,844,860 upon its maturity pursuant to the terms and conditions of the bonds. The Parent Company used the proceeds of the P10,000,000 short-term loan availed in April 2022 and cash generated from operations for the redemption of the Series H Bonds.

c. The amount represents the 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.

   On August 17, 2023, the Parent Company redeemed the Series G Bonds upon its maturity pursuant to the terms and conditions of the bonds. The Parent Company used the proceeds from the additional capital stock subscription of SMC completed in August 2023 and cash generated from operations for the redemption of the Series G Bonds (Note 21).

d. 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.

On December 22, 2022, the Parent Company redeemed the Series D Bonds, amounting to P9,912,960, upon its maturity pursuant to the terms and conditions of the bonds. The Parent Company used the proceeds of the P6,000,000 short-term loan availed in December 2022 and cash generated from operations for the redemption of the Series D Bonds.

e. The amount represents the balance of 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.

Proceeds from the issuance were used to refinance the US$300,000 short-term loan that matured on July 25, 2016, which were used for the redemption of the US$300,000 bond in January 2016.

On July 11, 2023, the Parent Company redeemed the Series B Bonds amounting to P4,090,440, upon its maturity pursuant to the terms and conditions of the bonds. The Parent Company used in part the proceeds of the P5,000,000 RPS issued in July 2023 and cash generated from operations for the redemption of the Series B Bonds (Note 21).

f. The amount represents the balance of the P15,000,000, fixed rate 7-year Term Loan Facility availed by the Parent Company on April 26, 2017 from a local bank. Interest is payable quarterly in arrears on the last day of the agreed interest period. Principal repayment shall be in 14 semi-annual installments starting at the end of the first year from drawdown date. The proceeds were used for debt refinancing.

g. The amount represents the P5,000,000, fixed rate 4-year Term Loan Facility drawn by the Parent Company on May 28, 2021 from a local bank. Interest is payable quarterly in arrears and principal repayment is in semi-annual installments up to May 2025. The proceeds were used for general corporate purposes.

h. On June 15 and August 8, 2023, the Parent Company drew P5,000,000 and P2,500,000, respectively, from a P10,000,000 Corporate Notes Facility Agreement executed on June 9, 2023. The loan is subject to a fixed interest rate and will mature in June 2028.

The proceeds of the loan were used to (a) partially refinance maturing debt obligations, (b) fund general corporate purposes, including investments in LNG and BESS, and (c) cover transaction-related costs, fees and expenses.

i. 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 which matured on March 12, 2021 and Facility B Loan amounting to US$500,000 which matured on March 13, 2023. The proceeds were used to partially finance the acquisition of the Masinloc Group.

   The Facility A Loan was fully paid by the Parent Company on March 12, 2021, using the proceeds from the US$200,000 term loan availed by the Parent Company on the same date.

   The Facility B Loan was paid on March 13, 2023 using in part the proceeds from the RPS issued by the Parent Company to SMC in March 2023 (Note 21). The rest was paid from the Parent Company's cash flows from operations.

j. The amount represents the balance of the US$300,000 5-year term loan availed in tranches by the Parent Company on March 12, 2021 and June 7, 2021. These were drawn from a Syndication Agreement executed on May 21, 2021 which amended the Facility Agreement dated March 9, 2021, increasing the loan facility from US$200,000 to US$300,000. The loan is subject to floating interest rate based on SOFR plus margin and will mature in March 2026.

   The proceeds were used as repayment of Facility A Loan that matured on March 12, 2021 and the redemption of Series A Bonds in July 2021.

k. The amount represents the US$50,000 3-year term loan drawn by the Parent Company on April 12, 2021, from a facility agreement with a foreign bank executed on October 12, 2020. The loan was subject to floating interest rate based on LIBOR plus margin and matured in October 2023.

   The proceeds were used for the payment of capital expenditures in connection with the Ilijan Natural Gas-fired Power Plant (including expansion projects related thereto); funding of liquid natural gas import, storage and distribution facilities; pre-operating and operating working capital requirements for BESS projects, and transaction-related fees, costs and expenses of the facility.

l. The amount represents the US$200,000 3-year term loan drawn by the Parent Company on January 21, 2022, from a facility agreement with a foreign bank executed on September 8, 2021. The initial loan amount under the facility agreement was increased from US$100,000 to US$200,000 on December 16, 2021. The loan is subject to a floating interest rate based on SOFR plus margin and will mature in September 2024.

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

m. The amount represents the US$100,000 3-year term loan drawn by the Parent Company on May 24, 2022, from a facility agreement with a group of foreign banks executed on May 18, 2022. The loan is subject to a floating interest rate based on SOFR plus margin and will mature in May 2025.
   The proceeds were used for working capital requirements relating to expansion projects, for general corporate purposes, and payment of other transaction related fees, costs and expenses of the facility.

n. The amount represents the US$300,000 5-year term loan drawn by the Parent Company on August 26, 2022, from a facility agreement with a group of foreign banks executed on August 18, 2022. The loan is subject to a floating interest rate based on SOFR plus margin and will mature in August 2027.

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

o. The amount represents the US$100,000 term loan availed on March 16, 2023, from a facility agreement executed on March 10, 2023, with a foreign bank. The loan is subject to a floating interest rate based on SOFR plus margin and will mature in September 2024.

   The proceeds of the loan, net of transaction-related fees and costs of such facility, were used for general corporate purposes, as well as for various capital expenditures and debt refinancing.

p. The amount represents the US$50,000 term loan availed on October 31, 2023 from a facility agreement executed on October 24, 2023, with a foreign bank. The loan is subject to a floating interest rate based on SOFR plus margin and will mature in April 2025.

   The proceeds were used for (a) loan refinancing and (b) payment of transaction related fees, cost and expenses in relation to the facility agreement.

q. The amount represents the balance of the P42,000,000 and P2,000,000 drawn by LPI on June 28, 2017 and January 31, 2018, respectively, from the P44,000,000, 12-year Omnibus Loan and Security Agreement (OLSA) with a syndicate of local banks dated June 22, 2017. The loan is payable quarterly up to June 2029. The proceeds were used mainly by LPI for the following purposes:

   i. the settlement of the US$360,000 short-term loan availed on May 8, 2017 from a local bank;

   ii. the funding of the acquisition from LETI of the Phase II of Limay Greenfield Power Plant which was then under construction;

   iii. the repayment of advances from the Parent Company; and

   iv. the payment of transaction-related fees and expenses.

r. The amount represents the balance of the P20,322,000 and P978,000 drawn by MPI in tranches on August 17, 2018 and July 31, 2019, respectively, from the P21,300,000, 12-year OLSA with a syndicate of local banks, signed on August 9, 2018. The loan is payable in 47 quarterly installments up to August 2030. The proceeds were used mainly by MPI for the following purposes:

   i. the repayment in full of the P5,930,000 short-term loan used to fund the design, construction and operation of the Davao Greenfield Power Plant;

   ii. the partial financing of the remaining works for the Davao Greenfield Power Plant;

   iii. the repayment of advances from the Parent Company; and

   iv. the payment of transaction-related fees and expenses.

The loan includes amount payable to Bank of Commerce (BOC), an associate of entities under common control, amounting to P2,226,304 and P2,421,120 as at December 31, 2023 and 2022, respectively (Note 19).

On August 17, 2023, the applicable fixed interest rate on the outstanding balance of the loan facility was repriced to 8.2443%, pursuant to the terms of the OLSA.

s. The amount represents the balance of the first tranche, amounting to P28,000,000, drawn on October 27, 2023 from the P40,000,000 fixed rate 10-year OLSA executed by SMGP BESS on October 23, 2023, with various local banks. The loan is payable quarterly up to October 2033.

   The proceeds from the first tranche were used (i) for the purchase of outstanding perpetual securities issued to SMC and reimbursement or repayment of reimbursable advances from the Parent Company, (ii) for payment of interest during construction, (iii) to fund the costs and expenses in relation to the design, construction and the operation of its BESS projects, and (iv) for transaction costs.

   The loan includes the P4,060,000 amount payable to BOC as at December 31, 2023 (Note 19).

t. On January 17, 2023, MPCL agreed with local bank lenders to amend its Omnibus Refinancing Agreement (the “Amended ORA”), with an outstanding obligation amounting to US$148,550 as at the agreement date, into a Philippine Peso-denominated loan pegged at P8,155,000, subject to floating interest rate with maturities up to January 2030. MPCL holds a one-time right to convert the loan into a fixed interest rate borrowing on the second anniversary, as allowed under the terms of the agreement.

   The loan includes the P4,389,181 amount payable to BOC as at December 31, 2023 (Note 19).

   On January 30, 2024, MPPCL made principal repayments amounting to P291,134 pursuant to the terms and conditions of its Amended ORA.

u. The amount represents the US$414,120 outstanding balance of the loan drawn in tranches by MPCL from its Omnibus Expansion Financing Agreement (OEFA) dated December 1, 2015, with local banks, to finance the construction of the additional 335 MW (gross) coal-fired plant within MPCL existing facilities. The loan is divided into fixed interest tranche and floating interest tranche based on a 6-month SOFR plus margin with maturities up to December 15, 2030.

   On December 16, 2023, the applicable fixed interest rate on the outstanding balance of the loan facility was repriced to 8.3310%, pursuant to the terms of the OEFA.

   Unamortized debt issue costs amounted to P2,684,515 and P2,713,968 as at December 31, 2023 and 2022, respectively. Accrued interest amounted to P1,397,801 and P1,554,353 as at December 31, 2023 and 2022, respectively. Interest expense amounted to P14,435,118, P13,344,725 and P12,668,478 (including P1,756,826, P1,859,297 and P79,744, capitalized as part of CPIP, respectively) in 2023, 2022 and 2021, respectively (Note 12).

Valuation Technique for Philippine 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 P73,529,065 and P91,771,717 as at December 31, 2023 and 2022, respectively, has been categorized as Level 1 in the fair value hierarchy based on the inputs used in the valuation techniques (Note 31).

The debt agreements of the Parent Company, LPI, MPI, MPCL and SMGP BESS impose a number of covenants including, but not limited to, maintenance of certain financial ratios throughout the duration of the term of the debt agreements. The terms and conditions of the debt agreements also contain negative pledge provision with certain limitations on the ability of the Parent Company and its material subsidiaries, LPI, MPI, MPCL and SMGP BESS to create or have 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, LPI, MPI, MPCL and SMGP BESS to secure any indebtedness, subject to certain exceptions.

The loans of LPI, MPI and SMGP BESS are secured by real estate and chattel mortgages, on all present and future assets, amounting to P44,100,000, P21,325,000 and P28,000,000, respectively, and reserves of LPI, MPI, SMGP BESS as well as a pledge by the Parent Company of all its outstanding shares of stock in LPI, MPI and SMGP BESS.

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

As at December 31, 2023 and 2022, 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	**2023**	2022
Balance at beginning of year		**P2,713,968**	P2,062,866
Additions		**822,522**	1,742,024
Capitalized amount	*12*	**(2,279)**	(296,790)
Amortization		**(849,696)**	(794,132)
Balance at end of year		**P2,684,515**	P2,713,968

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

	Gross Amount				
Year	US Dollar	Peso Equivalent of US Dollar	Peso	Debt Issue Costs	Net
2024	US$331,920	P18,378,410	P36,174,338	P428,103	P 54,124,645
2025	183,390	10,154,305	17,069,278	360,698	26,862,885
2026	334,912	18,544,105	19,153,688	412,476	37,285,317
2027	336,488	18,631,314	11,434,631	535,208	29,530,737
2028	38,168	2,113,335	40,708,945	473,299	42,348,981
2029 and thereafter	239,242	13,246,856	55,844,783	474,731	68,616,908
	US$1,464,120	**P81,068,325**	**P180,385,663**	**P2,684,515**	**P258,769,473**

Contractual terms of the Group's interest bearing loans and borrowings and exposure to interest rate, foreign currency and liquidity risks are discussed in Note 30.

19. 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	*22, 24*	**2023**	**P614,221**	**P1,638,795**	**P135,791**	**P2,152,547**	On demand or 30 days;	Unsecured;
		2022	734,407	704,694	115,068	459,603	non-interest bearing	no impairment
	10	**2023**	**-**	**-**	**-**	**-**	1 year;	Unsecured;
		2022	-	-	44,456	-	non-interest bearing	no impairment
Entities under Common Control	*6, 8, 9, 11, 12, 17, 22, 23, 24*	**2023**	**9,261,195**	**3,848,749**	**1,620,198**	**10,737,315**	On demand or 30 days;	Unsecured;
		2022	8,008,622	4,506,372	2,215,440	7,799,276	non-interest bearing	no impairment
	8, 11, 12, 15, 25	**2023**	**-**	**-**	**12,010,491**	**-**	Installment basis up to	Unsecured;
		2022	10,694,445	-	15,442,060	-	2026; interest bearing	no impairment
Associate	*8, 11, 17, 22*	**2023**	**1,944,182**	**-**	**889,255**	**28,101**	On demand or 30 days;	Unsecured;
		2022	1,372,626	10,653	742,687	28,101	non-interest bearing	no impairment
	8, 15	**2023**	**4,208**	**-**	**51,053**	**-**	9 years;	Unsecured;
		2022	6,104	-	96,632	-	interest bearing	no impairment
Joint Venture	*8, 25*	**2023**	**32,707**	**-**	**13,126**	**-**	30 days;	Unsecured;
		2022	32,191	214,455	4,916	-	non-interest bearing	no impairment
	8, 11	**2023**	**5,673**	**-**	**167,404**	**-**	92 days;	Unsecured;
		2022	5,673	-	162,692	-	interest bearing	no impairment
	11, 15	**2023**	**71,378**	**-**	**1,491,796**	**-**	10.5 years	Unsecured;
		2022	53,354	-	1,078,578	-	interest bearing	No impairment
Associate and Joint Venture of Entities under Common Control	*6, 8, 22*	**2023**	**9,828**	**-**	**481**	**1,157**	30 days;	Unsecured;
		2022	112,889	-	12,016	1,155	non-interest bearing	no impairment
	18	**2023**	**-**	**590,527**	**-**	**10,805,681**	7 to 12 years;	Secured
		2022	-	196,543	-	2,421,120	interest bearing	
Others	*6, 8, 17, 22*	**2023**	**-**	**-**	**-**	**-**	On demand or 30 days;	Unsecured;
		2022	5,096,988	-	-	-	non-interest bearing	no impairment
		2023	**P11,943,392**	**P6,078,071**	**P16,379,595**	**P23,724,801**		
		2022	P26,117,299	P5,632,717	P19,914,545	P10,709,255		

a. Amounts owed by related parties consist of trade and non-trade receivables, receivables pertaining to the sale of certain parcels of land and investments, included as part of “Trade and other receivables” and “Other noncurrent assets” accounts in the consolidated statements of financial position, prepayments for rent and insurance, and security deposits (Notes 8, 10 and 15).

   Sale of various properties by Dewsweeper Industrial Park, Inc. (DIPI), Bluelight, MVIHI and GPII
   In 2022, the Group, through its wholly-owned subsidiaries, DIPI, Bluelight, MVIHI and GPII, sold certain parcels of raw land located in the provinces of Quezon, Cavite, and Negros Occidental to certain entities under common control, for a total consideration of P11,868,879. The amount of consideration is payable on installment basis up to 2026 and subject to interest as agreed by the relevant parties (Notes 8, 12, 15 and 25).

   Sale of Shares of OHC and Soracil
   On August 26, 2022, the Parent Company executed agreements with an entity under common control for the sale of its 100% shareholdings in OHC and Soracil, owners of certain parcels of land in Barangay Wack-Wack, Mandaluyong City, for a total consideration of P3,864,700, payable on installment basis up to 2026 and subject to interest as agreed by the relevant parties (Notes 8, 11, 12, 15 and 25).

b. Amounts owed to related parties consist of trade and non-trade payables including management fees, purchases of fuel, reimbursement of expenses, rent, insurance, services rendered, customers’ deposits and subscriptions payable to OEDC (Notes 11 and 17). As at December 31, 2023 and 2022, amounts owed to related parties for the lease of office space and parcels of land presented as part of “Lease liabilities - current portion” and “Lease liabilities - net of current portion” amounted to P7,401,488 and P5,202,472, respectively (Notes 6, 30 and 31).

c. Amounts owed by an associate mainly consist of interest bearing loan granted to OEDC included as part of “Trade and other receivables” and “Other noncurrent assets” accounts in the consolidated statements of financial position (Notes 8 and 15).

d. Amounts owed by a joint venture consists of interest bearing loans granted and management fees charged to AHC by PVEI included as part of “Trade and other receivables” and “Other noncurrent assets” accounts in the consolidated statements of financial position (Notes 8, 11, 15 and 25).

e. Amounts owed to an associate and joint venture of entities under common control pertains to an interest-bearing long-term loan of MPI, MPCL and SMGP BESS to BOC, included as part of “Long-term debt” account in the consolidated statements of financial position (Note 18). The loan is secured by certain property, plant and equipment as at December 31, 2023 and 2022 (Note 12).

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

	Note	**2023**	2022	2021
Short-term employee benefits	*24*	**P129,041**	P139,090	P134,074
Retirement cost	*20*	**17,523**	10,181	15,520
		P146,564	P149,271	P149,594

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

20. Retirement Plans

The Parent Company and its subsidiaries, SPI, LPI, MPI, VisMin Power Dynamics Services Inc. (formerly Safetech Power Services Corp.) and Luzon Power Dynamics Services Inc. (formerly Mantech Power Dynamics Services Inc.), have funded, noncontributory, defined benefit retirement plans (collectively, the "Retirement Plans") covering all of their permanent employees. Contributions and costs are determined in accordance with the actuarial studies made for the Retirement Plans. Annual cost is determined using the projected unit credit method. The Group's latest actuarial valuation date is December 31, 2023. Valuations are obtained on a periodic basis.

The Retirement Plans are registered with the Bureau of Internal Revenue (BIR) as tax-qualified plans under RA No. 4917, as amended. The control and administration of the Retirement Plans are vested in the Board of Trustees (BOT), as appointed by the BOD of the Parent Company. The BOT of the Retirement Plans, who exercises voting rights over the shares and approves material transactions, are also officers of the Parent Company and of SMC. The Retirement Plan's accounting and administrative functions are undertaken by SMC's Retirement Funds Office of SMC.

The following table shows a reconciliation of the net defined benefit retirement liability and its components:

	Fair Value of Plan Assets		Present Value of Defined Benefit Retirement Obligation		Net Defined Benefit Retirement Liability	
	2023	2022	**2023**	2022	**2023**	2022
Balance at Beginning of Year	**P19,441**	P -	**(P487,046)**	(P157,588)	**(P467,605)**	(P157,588)
Recognized in Profit or Loss						
Service costs	**-**	-	**(87,134)**	(138,191)	**(87,134)**	(138,191)
Interest expense	**-**	-	**(35,152)**	(23,560)	**(35,152)**	(23,560)
Interest income	**3,194**	-	**-**	-	**3,194**	-
	3,194	-	**(122,286)**	(161,751)	**(119,092)**	(161,751)
Recognized in Other Comprehensive Income						
Remeasurements						
Actuarial gains (losses) arising from:						
Experience adjustments	**-**	-	**24,847**	(68,096)	**24,847**	(68,096)
Changes in financial assumptions	**-**	-	**(72,694)**	52,976	**(72,694)**	52,976
Return on plan assets excluding interest income	**(1,901)**	(267)	**-**	-	**(1,901)**	(267)
	(1,901)	(267)	**(47,847)**	(15,120)	**(49,748)**	(15,387)
Others						
Contributions	**66,380**	34,450	**-**	-	**66,380**	34,450
Benefits paid	**(16,736)**	(14,742)	**16,736**	14,742	**-**	-
Other adjustments	**-**	-	**-**	(167,329)	**-**	(167,329)
	49,644	19,708	**16,736**	(152,587)	**66,380**	(132,879)
Balance at End of Year	**P70,378**	P19,441	**(P640,443)**	(P487,046)	**(P570,065)**	(P467,605)

The Group's annual contribution to the Retirement Plans consists of payments covering the current service cost plus amortization of unfunded past service liability.

Retirement costs recognized in the consolidated statements of income by the Parent Company amounted to P37,960 and P66,802 and P23,385 in 2023, 2022 and 2021, respectively (Notes 24).

Retirement costs recognized in the consolidated statements of income by the subsidiaries amounted to P84,326, P94,949 and P371 in 2023, 2022 and 2021, respectively (Notes 23 and 24).

The net interest expense on the defined benefit retirement liability recognized as part of "Interest expense and other financing charges" account in the consolidated statements of income by the Parent Company amounted to P15,892 in 2023.

The net interest expense on the defined benefit retirement liability recognized as part of "Interest expense and other financing charges" account in the consolidated statement of income by the subsidiaries amounted to P16,066 in 2023.

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 P107,000 and P67,266 as at December 31, 2023 and 2022, respectively.

Net defined benefit retirement liability included as part of "Other noncurrent liabilities" account in the consolidated statements of financial position, amounted to P570,065 and P467,605 as at December 31, 2023 and 2022, respectively.

The carrying amounts of the Group's retirement fund approximate fair values as at December 31, 2023 and 2022.

The Group's plan assets consist of the following:

	In Percentages	
	2023	2022
Cash and cash equivalents	**84.71%**	99.97%
Investments in marketable securities	**15.13%**	-
Others	**0.16%**	0.03%

As at December 31, 2023, the plan assets include investments in marketable securities pertaining to common and preferred shares of SMC and entities under common control, with a total fair market value of P11,479.

The fair market value of the above marketable securities was determined based on quoted market prices in active markets as at the reporting date (Note 4).

The Group's Retirement Plans recognized a gain on the investment in marketable securities amounting to P136 in 2023.

Dividend income from the investments in marketable securities of the plan assets amounted to P156 in 2023.

The BOT reviews the level of funding required for the retirement fund. Such a review includes the asset-liability matching (ALM) strategy and investment risk management policy. The Group's ALM objective is to match maturities of the plan assets to the defined benefit retirement obligation as they fall due. The Group monitors how the duration and expected yield of the investments are matching the expected cash outflows arising from the retirement benefit obligation. The Group is expected to contribute P148,341 to the Retirement Plans in 2024.

The Retirement Plans expose the Group to actuarial risks such as investment risk, interest rate risk, longevity risk and salary risk as follows:

Investment and Interest Rate Risks. The present value of the defined benefit retirement obligation is calculated using a discount rate determined by reference to market yields to government bonds. Generally, a decrease in the interest rate of a reference government bond will increase the defined benefit retirement obligation. However, this will be partially offset by an increase in the return on the Retirement Plans' investments and if the return on plan asset falls below this rate, it will create a deficit in the Retirement Plans. Due to the long-term nature of the defined benefit retirement obligation, a level of continuing equity investments is an appropriate element of the long-term strategy of the Group to manage the Retirement Plans efficiently.

Longevity and Salary Risks. The present value of the defined benefit retirement obligation is calculated by reference to the best estimates of: (1) the mortality of the plan participants, and (2) the future salaries of the plan participants. Consequently, increases in the life expectancy and salary of the plan participants will result in an increase in the defined benefit retirement obligation.

The overall expected rate of return is determined based on historical performance of the investments.

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

	2023	2022
Discount rate	**5.98% to 6.12%**	6.81% to 7.22%
Salary increase rate	**5.00%**	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 4.10 to 19.00 years and from 4.50 to 18.20 years as at December 31, 2023 and 2022, respectively.

Sensitivity Analysis

As at December 31, 2023 and 2022, 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			
	2023		2022	
	1% Increase	**1% Decrease**	1% Increase	1% Decrease
Discount rate	**(P66,506)**	**P80,820**	(P44,348)	P50,889
Salary increase rate	**80,918**	**(67,733)**	51,545	(45,570)

21. Equity

Capital Stock

The details of the Parent Company's authorized, subscribed, issued and outstanding capital stock as at December 31 are as follows:

	2023		2022	
	Number of Shares	**Amount**	Number of Shares	Amount
Authorized - par value of P1.00	**3,774,400,000**	**P3,774,400**	2,000,000,000	P2,000,000
Subscribed capital stock:				
Balance at beginning of year	**1,250,004,000**	**P1,250,004**	1,250,004,000	P1,250,004
Subscription	**1,573,600,000**	**1,573,600**	-	-
Balance at end of year	**2,823,604,000**	**2,823,604**	1,250,004,000	1,250,004
Less subscription receivable:				
Balance at beginning of year	**-**	**-**	187,500,000	187,500
Collection	**-**	**-**	(187,500,000)	(187,500)
Balance at end of year	**-**	**-**	-	-
Issued and outstanding	**2,823,604,000**	**P2,823,604**	1,250,004,000	P1,250,004

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

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

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

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

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

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

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

Equity Reserves
In September 2010, the Parent Company acquired the remaining 40% non-controlling ownership interest of SMC in SPI and SRHI. 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%. The Parent Company's equity ownership was further increased to 94.55% as a result of additional subscriptions to the increase in the authorized capital stock of MPGC made from 2019 to 2022 (Note 11). The difference between the price paid and carrying amount of net assets transferred was recognized in equity.

Retained Earnings
The Parent Company's retained earnings available for dividend declaration, calculated based on the regulatory requirements of the Philippine SEC, amounted to P6,811,328 and P2,017,604 as at December 31, 2023 and 2022, respectively. The difference between the consolidated retained earnings and the Parent Company's retained earnings available for dividend declaration primarily consist of undistributed earnings of subsidiaries and equity method investees. Stand-alone earnings of the subsidiaries and share in net earnings of equity method investees are not available for dividend declaration by the Parent Company until declared by the subsidiaries and equity investees as dividends.

There were no cash dividend declarations to stockholders in 2023, 2022 and 2021.

Appropriated Retained Earnings
Parent Company
There were no appropriations of retained earnings of the Parent Company in 2023, 2022 and 2021.

SPI, SPPC and SRHI
In 2023, 2022 and 2021, the total appropriations utilized by SPPC and SRHI amounted to P2,440,000, P2,685,700 and P3,514,050, respectively.

The BOD of SRHI approved the appropriation of retained earnings amounting to P4,700,000 for the fixed monthly payments due to PSALM under its IPPA Agreement in 2023.

MVIHI
The BOD of MVIHI approved the appropriation of retained earnings amounting to P3,325,000 for its power-related expansion projects in the next 5 years in 2022 and the partial reversal of appropriation amounting to P1,940,000 in 2023.

Total combined appropriated retained earnings of SPI, SRHI and MVIHI amounted to P8,670,000 and P8,350,000 as at December 31, 2023 and 2022, respectively.

SPCS
The Parent Company issued and listed on the Singapore Exchange Securities Trading Limited (SGX-ST) the following SPCS:

Date of Issuance	Initial Rate of Distribution Per Annum	Step-Up Date	Amount of SPCS Issued	Amount in Philippine Peso*
June 9 and September 15, 2021	5.45%	December 9, 2026	US$750,000	P35,567,632
October 21 and December 15, 2020	7.00%	October 21, 2025	750,000	36,141,570
January 21, 2020	5.70%	January 21, 2026	600,000	30,170,603
November 5, 2019	5.95%	May 5, 2025	500,000	24,836,690
April 25 and July 3, 2019	6.50%	April 25, 2024	800,000	41,050,869
			US$3,400,000	P167,767,364

**Amount in Philippine Peso pertains to proceeds, net of directly attributable transaction costs amounting to P2,565,380.*

The 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 SRC 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 June and September 2021 shall be used primarily for investments in the 1,320 MW BCCPP and related assets or for general corporate purposes.

On October 26, 2022, the BOD of the Parent Company authorized the conduct of tender offer to the holders of its US Dollar-denominated SPCS listed with the SGX-ST to purchase for cash said SPCS up to a total aggregate principal amount of US$400,000. The conduct of the tender offer commenced on October 26, 2022 and expired on November 4, 2022 (the "Expiration Deadline"). All valid tender offers from security holders, representing an aggregate of US$123,934 in principal amount of SPCS were accepted by the Parent Company. Security holders that validly tendered their securities at or prior to the Expiration Deadline and which the Parent Company accepted for purchase from such security holder were paid the applicable purchase price amounting to US$80,666 (equivalent to P4,702,640, inclusive of transaction costs of P24,808) and the relevant accrued distribution amounting to US$1,762 (equivalent to P102,182) on November 9, 2022.

The outstanding SPCS of the Parent Company as at December 31, 2023 and 2022 are as follows:

Title of Security	Amount of SPCS Issued	Amount of SPCS Repurchased	Amount of Outstanding SPCS Issued	Amount in Philippine Peso
5.45% SPCS issued on June 9 and September 15, 2021	US$750,000	US$66,452	US$683,548	P32,416,245
7.00% SPCS issued on October 21 and December 15, 2020	750,000	26,096	723,904	34,884,036
5.70% SPCS issued on January 21, 2020	600,000	6,663	593,337	29,835,558
5.95% SPCS issued on 5 November 2019	500,000	7,887	492,113	24,444,916
6.50% SPCS issued on April 25 and July 3, 2019	800,000	16,836	783,164	40,186,954
	US$3,400,000	**US$123,934**	**US$3,276,066**	**P161,767,709**

The difference between the price paid and the net carrying value of the securities repurchased amounted to P1,297,015, net of transaction costs, was recognized as part of the "Retained earnings" account in the consolidated statements of financial position.

The payment for the repurchased SPCS was funded by the RPS issued to SMC on November 8, 2022.

On March 11, 2024, the Parent Company issued a Notice of Redemption to the security holders of the US$783,164 remaining securities out of the US$800,000 SPCS issued on April 25 and July 3, 2019, for the redemption of the outstanding securities in April 2024 (the "Step-Up Date"). The redemption price will comprise the principal amount plus any accrued but unpaid distributions up to (but excluding), the Step-Up Date. The securities will be cancelled as of the Step-Up Date and distributions will cease to accrue on and after the Step-Up Date.

Distributions to SPCS Holders

The Parent Company paid P15,035,073, P15,362,068 and P12,191,210 to the SPCS holders in 2023, 2022 and 2021, respectively, as distributions in accordance with the terms and conditions of their respective subscription agreements.

On January 19, 2024, the Parent Company paid distributions to holders of the SPCS issued in January 2020, amounting to US$16,910.

On March 11, 2024, the Parent Company's BOD approved the payment of distributions amounting to (i) US$25,337 on April 21, 2024 to the holders of SPCS issued in October 2020, (ii) US$25,453 on April 25, 2024 to the holders of SPCS issued in April 2019, (iii) US$14,640 on May 5, 2024 to the holders of SPCS issued in November 2019.

RPS

In 2023, 2022 and 2018, the Parent Company and SMGP BESS issued US Dollar-denominated and Philippine Peso-denominated RPS to SMC (the "RPS Holder"):

Date of Issuance	Initial Rate of Distribution	Amount of RPS Issued	Amount in Philippine Peso*
Parent Company			
US Dollar-denominated:			
May 2, 2023	6.25%	US$145,000	P7,964,118
March 10, 2023	6.25%	500,000	27,378,112
November 8, 2022	6.25%	85,000	4,916,225
March 16, 2018	6.25%	650,000	32,751,570
Philippine Peso-denominated:			
July 10, 2023	6.25%	P5,000,000	4,962,500
June 13, 2023	6.25%	6,760,000	6,709,300
June 5, 2023	6.25%	5,000,000	4,962,500
June 1, 2023	6.25%	7,000,000	6,947,500
May 30, 2023	6.25%	6,000,000	5,955,000
			P102,546,825
SMGP BESS			
US Dollar-denominated:			
April 5, 2023	8.00%	US$58,800	P3,174,730
December 1, 2022	6.25%	76,000	4,240,674
October 28, 2022	6.25%	88,000	5,063,100
Philippine Peso-denominated:			
April 24, 2023	7.50%	P1,300,000	1,290,250
April 20, 2023	7.50%	1,500,000	1,488,750
November 23, 2022	7.50%	5,000,000	4,962,500
			P20,220,004

**Amount in Philippine Peso pertains to proceeds net of directly attributable transaction costs.*

These RPS are direct, unconditional, unsecured and subordinated capital securities with no fixed redemption date. The RPS Holder shall have the right to receive distribution on a quarterly basis at the prescribed rates per annum for US Dollar-denominated and Philippine Peso-denominated RPS. The Parent Company and SMGP BESS have a right to defer distribution under certain conditions.

The proceeds from the issuances in 2022 and 2023 were used for general corporate purposes, including capital expenditures and repayment by SMGP BESS of its advances from the Parent Company, and refinancing of maturing obligations.

On October 27, 2023, SMGP BESS purchased its outstanding RPS issued to SMC, for a total consideration of P21,668,695, pursuant to the terms of the RPS. The purchase was financed using in part the proceeds of the P28,000,000 OLSA drawn by SMGP BESS (Note 18).

The difference between the price paid and the net carrying value of the securities purchased amounted to P1,448,691 and was recognized as part of the "Equity reserves" account in the consolidated statements of financial position.

As at December 31, 2023 and 2022, the outstanding balance of RPS amounted to P102,546,825 and P51,934,069, respectively.

Distributions to RPS Holder

The Parent Company paid P1,616,926 and P1,996,495 to the RPS Holder in 2022 and 2021, respectively, as distributions in accordance with the terms and conditions of the subscription agreement. There were no distributions paid to the RPS holder in 2023.

USCS
On August 26, 2015, the Parent Company issued and listed on the SGX-ST US$300,000 USCS (equivalent to P13,823,499, net of directly attributable transaction costs) at an issue price of 100%.

The holders of the USCS have conferred a right to receive distributions on a semi-annual basis from their issuance dates at the rate of 6.75% per annum, 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 February 26, 2021, the Parent Company completed the redemption of the US$300,000 USCS, equivalent to P14,581,500 on redemption date, pursuant to the terms and conditions of the securities. The redemption was made after the issuance of a notice to the holders dated January 25, 2021. The redemption price 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 securities redeemed amounted to P758,001 and was recognized as part of the "Equity reserves" account in the consolidated statements of financial position.

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

Distributions to USCS Holders
In 2021, the Parent Company paid distributions to USCS holders amounting to P656,168.

22. Revenues

Revenues consist of:

	Note	**2023**	2022	2021
Sale of power:				
Power generation and trading	*6*	**P145,190,801**	P180,027,616	P109,947,984
Retail and other power-related services	*6*	**23,973,021**	41,153,496	23,582,766
Other services		**426,415**	207,676	179,421
	5, 19	**P169,590,237**	P221,388,788	P133,710,171

Revenues from other services mainly pertain to operations and maintenance services provided to various customers, including entities under common control (Note 19).

23. Cost of Power Sold

Cost of power sold consists of:

	Note	2023	2022	2021
Coal, fuel oil and other consumables	*9, 19*	**P86,906,429**	P114,857,765	P39,108,912
Power purchases	*6*	**25,249,742**	57,089,312	20,557,301
Depreciation and amortization	*6, 12, 13, 14*	**11,664,266**	11,241,841	10,794,984
Plant operations and maintenance, and other fees	*6, 19, 20*	**5,530,562**	4,729,974	3,937,710
Energy fees	*6*	**1,640,693**	10,452,088	17,762,434
	5	**P130,991,692**	P198,370,980	P92,161,341

24. Selling and Administrative Expenses

Selling and administrative expenses consist of:

	Note	2023	2022	2021
Taxes and licenses		**P1,876,156**	P1,613,908	P1,194,088
Salaries, wages and benefits	*19, 20*	**1,012,493**	1,034,757	857,508
Management fees	*19*	**737,864**	693,395	689,458
Depreciation and amortization	*6, 12, 13, 14*	**652,409**	679,850	579,216
Outside services		**523,675**	331,336	245,486
Rent	*4, 6, 19*	**362,503**	368,402	367,110
Professional fees		**267,922**	220,119	180,261
Corporate special program		**248,836**	301,328	429,973
Supplies		**133,855**	89,515	165,212
Repairs and maintenance		**108,731**	90,142	57,121
Travel and transportation		**88,665**	77,478	52,733
Advertising and promotions		**88,261**	75,870	169,587
Donations		**21,309**	10,261	162,046
Impairment losses on trade receivables (reversals) - net	*4, 8*	**(46,650)**	52,855	(343,502)
Miscellaneous		**90,426**	100,666	108,974
	5	**P6,166,455**	P5,739,882	P4,915,271

Corporate special program pertains to the Group’s corporate social responsibility projects. Donations represent contributions to registered donee institutions for their programs on education, environment and disaster-related projects, and Corona Virus Disease 2019 (COVID-19) response initiatives.

25. Other Operating Income

Other operating income consists of:

	Note	2023	2022	2021
Rental income	*4, 6*	**P83,640**	P29,299	P11,717
Gain on sale of property, plant and equipment	*12*	**-**	8,561,292	-
Gain on sale of subsidiaries	*11, 12*	**-**	2,870,015	-
Miscellaneous income		**10,383**	147,082	195,301
	5, 19	**P94,023**	P11,607,688	P207,018

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

26. Other Income (Charges) - Net

Other income (charges) consists of:

	Note	2023	2022	2021
Foreign exchange gains (losses) - net	*30*	**P1,258,912**	(P9,006,865)	(P1,495,366)
Insurance claims		**104,487**	-	-
Reversal of impairment losses on other receivables	*8*	**-**	22,924	22,925
Marked-to-market gains (losses) on derivatives - net	*31*	**(875,946)**	1,583,553	278,397
Miscellaneous income - net	*4, 6, 12*	**50,507**	159,569	1,401
	5	**P537,960**	(P7,240,819)	(P1,192,643)

Miscellaneous income mostly pertains to terminal fee, sale of scrap, and impairment losses on property, plant and equipment.

27. Income Taxes

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

	Note	2023	2022	2021
Current	*28*	**P1,924,391**	P2,689,434	P1,130,275
Deferred		**3,235,815**	(1,654,683)	3,921,236
Adjustments due to Corporate Recovery and Tax Incentives for Enterprises (CREATE) Act		**-**	-	(3,151,344)
		P5,160,206	P1,034,751	P1,900,167

The movements of deferred tax assets and liabilities are as follows:

2023	Balance at January 1	**Recognized in Profit or Loss**	**Recognized in Other Comprehensive Income**	**Others**	**Balance at December 31**
Allowance for impairment losses on trade receivables	**P530,440**	**(P6,344)**	**P -**	**P -**	**P524,096**
Defined benefit retirement obligation	**111,579**	**(26,388)**	**-**	**-**	**85,191**
Difference of amortization of borrowing costs over payment and others	**1,697,964**	**(769,863)**	**-**	**(15)**	**928,086**
Difference of depreciation and other related expenses over monthly lease payments	**(24,099,941)**	**(3,477,663)**	**-**	**(5,154)**	**(27,582,758)**
Equity reserve for retirement plan	**(4,232)**	**-**	**13,809**	**-**	**9,577**
NOLCO and MCIT	**6,597,550**	**1,860,430**	**-**	**-**	**8,457,980**
Gain on sale of ordinary assets and investments	**(1,917,427)**	**(815,987)**	**-**	**-**	**(2,733,414)**
	(P17,084,067)	**(P3,235,815)**	**P13,809**	**(P5,169)**	**(P20,311,242)**

2022	Balance at January 1	Recognized in Profit or Loss	Recognized in Other Comprehensive Income	Others	Balance at December 31
Allowance for impairment losses on trade receivables	P525,715	P4,725	P -	P -	P530,440
Defined benefit retirement obligation	63,396	48,183	-	-	111,579
Difference of amortization of borrowing costs over payment and others	508,448	1,189,427	-	89	1,697,964
Difference of depreciation and other related expenses over monthly lease payments	(19,832,166)	(4,267,775)	-	-	(24,099,941)
Equity reserve for retirement plan	(617)	-	(3,615)	-	(4,232)
NOLCO and MCIT	-	6,597,550	-	-	6,597,550
Gain on sale of ordinary assets and investments	-	(1,917,427)	-	-	(1,917,427)
	(P18,735,224)	P1,654,683	(P3,615)	P89	(P17,084,067)

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

	2023	2022
Deferred tax assets	**P973,481**	P2,280,281
Deferred tax liabilities	**(21,284,723)**	(19,364,348)
	(P20,311,242)	(P17,084,067)

Deferred tax asset on NOLCO and MCIT of the Group amounting to P10,257,919 and P6,112,878 as at December 31, 2023 and 2022, respectively, has not been recognized because it is not probable that future taxable income will be available against which the Group can utilize the benefits therefrom.

As at December 31, 2023, the NOLCO and MCIT of the Group that can be claimed as deduction from future taxable income and deduction from corporate income tax due, respectively, are as follows:

Year Incurred/ Paid	**Carryforward Benefits Up To**	**NOLCO**	**MCIT**
2023	December 31, 2026	P22,440,658	P96,140
2022	December 31, 2025	33,225,334	54,686
2021	December 31, 2026/2024	9,049,119	14,849
2020	December 31, 2025/2023	5,402,409	-
		P70,117,520	**P165,675**

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:

	2023	2022	2021
Statutory income tax rate	**25.00%**	25.00%	25.00%
Increase (decrease) in income tax rate resulting from:			
Unrecognized deferred tax assets	**28.09%**	63.63%	15.28%
Availment of income tax holiday and others	**(18.83%)**	(63.81%)	(29.65%)
Effective income tax rate	**34.26%**	24.82%	10.63%

RA No. 11534, Otherwise Known as the CREATE Act
The CREATE Act, which seeks to reduce the corporate income tax rates and to rationalize the current fiscal incentives by making it time-bound, targeted and performance-based, was passed into law on March 26, 2021 and took effect 15 days after its complete publication in the Official Gazette or in a newspaper of general circulation or on April 11, 2021.

Key provisions of the CREATE Act which have an impact on the Group are: (i) reduction of Regular Corporate Income Tax (RCIT) rate from 30% to 25% or 20% effective July 1, 2020; (ii) reduction of MCIT rate from 2% to 1% of gross income effective July 1, 2020 to June 30, 2023; then back to 2% effective July 1, 2023; and (iii) repeal of the imposition of improperly accumulated earnings tax. Accordingly, current and deferred taxes as at and for the year ended December 31, 2023 and 2022 were computed and measured using the applicable income tax rates. MCIT was computed using 1.5% and 1% tax rates in 2023 and 2022, respectively.

28. Registrations and License

Registrations with the Board of Investments (BOI)

i. In 2013, MPI and LPI 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 LPI'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 MPI 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. MPI'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 LPI 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. The ITH incentives of MPI expired on September 26, 2023.

ii. On September 20, 2016, LETI was registered with the BOI under EO No. 226 as expanding operator of 2 x 150 MW CFB Coal-fired Power Plant (Phase II Limay Greenfield Power Plant) on a non-pioneer status. The BOI categorized LETI as an "Expansion" based on the 2014 to 2016 IPP's Specific Guidelines for "Energy" in relation to LPI'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. LETI's ITH for Phase II expired in May 25, 2023.

    In June 2017, the BOI approved the transfer of ownership and registration of Phase II Limay Greenfield Power Plant from LETI to LPI. On July 13, 2018, BOI granted the request of LPI to move the start of its commercial operation and ITH reckoning date from January 2018 to March 2018 or actual start of commercial operations, whichever is earlier. The ITH period for Unit 3 and Unit 4 commenced on March 26, 2018 and expired in 2021.

iii. On October 12, 2012, MPCL received the BOI approval for the application as expanding operator of 600 MW Coal-Fired Thermal Power Plant. As a registered entity, MPCL 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 MPCL'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 MPCL's requests to downgrade the registered capacity from 600 MW to 300 MW.

    On December 21, 2015, MPCL 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, MPCL 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 MPCL's BOI registration. The ITH period for the 10 MW BESS of MPCL commenced on December 1, 2018. On October 1, 2020, MPCL likewise received the BOI approval on the additional 20 MW BESS Phase 2 Project of MPCL.

On February 23, 2021, MPCL received the BOI approval for the applications as new operator of 315 MW Super Critical Pulverized Coal Thermal Power Plant Unit 4, and as new operator of 315 MW Super Critical Pulverized Coal Thermal Power Plant Unit 5. Each registered activity is entitled to a 4-year ITH reckoned from the start of commercial operations in September 2024 and November 2024, respectively.

iv. On August 24, 2016, SMGP Kabankalan received the BOI approval for the application as new operator of 2 x 20 MW Kabankalan *Advancion* Energy Storage Array on a pioneer status. SMGP Kabankalan, 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, SMGP Kabankalan filed a request with the BOI to move the reckoning date of the ITH entitlement from July 2019 to July 2021. Due to the delays brought about by the pandemic, a subsequent request was filed to move the reckoning date to January 2022. On December 17, 2021, the BOI granted the request of SMGP Kabankalan Storage for the movement of start of commercial operations and ITH reckoning to January 2022. The incentives shall be limited to the specific terms and conditions of SMGP Kabankalan's BOI registration.

v. On November 29, 2019, the BOI has approved the application of SMGP BESS as new operator of BESS Component of Integrated Renewable Power Facility ("R-Hub") covering various sites across the Philippines. The BOI has also approved SMGP BESS's subsequent applications covering additional sites. Each registered site was granted with certain incentives including ITH, among others.

vi. On February 23, 2021, EERI received the BOI approval for the applications as new operator of 850 MW BCCPP Phase 1, and 850 MW BCCPP Phase 2 located in Barangay Dela Paz Proper, Batangas City, Batangas. Each registered activity is entitled to a 4-year ITH reckoned from April 2023 and October 2026, for Phase 1 and Phase 2, respectively, or date of actual start of commercial operations, whichever is earlier, but in no case earlier than the date of registration.

On December 19, 2023, the BOI approved EERI's request to move the start of commercial operations from April 2023 to August 2024 for Phase 1. The BOI further granted EERI's request to amend the registered capacity from 850 MW to 1,320 MW for Phase 1 and 850MW to 440 MW for Phase 2.

vii. On November 29, 2022, the BOI has approved the application of SGLPC as a Renewable Energy Developer of Solar Energy Resources located at Lucanin Industrial Estate, Mariveles, Bataan. SGLPC was granted with certain incentives including a 7-year ITH reckoned from the start of commercial operation in October 2023, among others. SGLPC requested BOI to move the start of commercial operation due to events that are beyond its control.

Registration with the AFAB
On April 24, 2019, MPGC was registered with the AFAB, subject to annual renewal, as engaged in business of producing and generating electricity, and processing fuels alternative for power generation, among others, at the Freeport Area of Bataan (FAB). As a FAB enterprise, MPGC will operate a 4 x 150 MW power plant located in Mariveles, Bataan. FAB granted MPGC certain incentives that include, among others, an ITH for 4 years for the original project effective on the committed date or the actual date of start of commercial operations, whichever is earlier. On

December 13, 2021, MPGC has been granted a renewed certificate of registration with AFAB which now remains valid and in effect as long as MPGC remains in good standing or until revoked or cancelled.

License Granted by the ERC
On August 4, 2008, August 22, 2011 and August 24, 2016, MPCL, SMELC and LPI, respectively, were granted a RES License by the ERC pursuant to Section 29 of the EPIRA, which requires all suppliers of electricity to the contestable market to secure a license from the ERC. The term of the RES License is for a period of 5 years from the time it was granted and renewable thereafter.

On August 19, 2016, the ERC approved the renewal of SMELC's RES License for another 5 years from August 22, 2016 up to August 21, 2021. On August 18, 2021, the ERC has granted the extension of the validity of the RES License for 15 days from August 21, 2021 until September 5, 2021 to allow SMELC to complete transfer of its remaining contestable customer to LPI.

On December 13, 2023, the ERC granted the renewal of the RES License of MPCL and LPI for another 5 years valid from September 30, 2023 until September 29, 2028.

29. Basic and Diluted Earnings (Loss) Per Share

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

	2023	2022	2021
Net income attributable to equity holders of the Parent Company	**P9,905,416**	P3,162,545	P16,058,084
Distributions for the year to:			
USCS holders	**-**	-	(218,723)
RPS holder	**(6,088,171)**	(2,344,642)	(2,000,759)
SPCS holders	**(15,034,200)**	(15,482,007)	(12,737,330)
Net income (loss) attributable to common shareholders of the Parent Company (a)	**(11,216,955)**	(14,664,104)	1,101,272
Weighted average number of common shares outstanding (in thousands) (b)	**1,588,937**	1,250,004	1,250,004
Basic/Diluted Earnings (Loss) Per Share (a/b)	**(P7.06)**	(P11.73)	P0.88

As at December 31, 2023, 2022 and 2021, the Parent Company has no dilutive debt or equity instruments.

The basic/diluted loss per common share resulted mainly from the impact of foreign exchange losses in 2022 and interest costs and other financing charges in 2023 and 2022 (including distributions to perpetual capital securities) for the Group's various financing activities. These were undertaken to fund the ongoing construction of several power plant expansion projects intended to significantly increase the capacities and modernize the existing power generation portfolio of the Group. These expansion projects, including, among others, the ~1,000 MW BESS facilities, 4 x 150 MW Mariveles Greenfield Power Plant, 2 x 350 MW Masinloc Power Generation Units 4 and 5, and the 1,320 MW BCCPP, are expected to go into commercial operations in 2024 up to 2026 (Note 12). These projects are expected to be contracted to creditworthy offtakers such as Meralco and the NGCP, and should contribute significantly to the profitability of the Group following their commercial operations in the coming years (Note 6).

30. Financial Risk and Capital Management Objectives and Policies

Objectives and Policies

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

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

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

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

The outstanding derivative instruments of the Group, such as forwards, are intended mainly for risk management purposes. The Group uses derivatives to manage its exposures to foreign currency and commodity price risks arising from the operating and financing activities. The accounting policies in relation to derivatives are set out in Note 3 to the consolidated financial statements.

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

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

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

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

Liquidity Risk

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

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

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

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

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

**Excluding statutory receivables and payables.*

December 31, 2022	Carrying Amount	Contractual Cash Flow	1 Year or Less	>1 Year - 2 Years	>2 Years - 5 Years	Over 5 Years
Financial Assets						
Cash and cash equivalents	P22,726,236	P22,726,236	P22,726,236	P -	P -	P -
Trade and other receivables - net*	98,245,102	98,245,102	98,245,102	-	-	-
Derivative assets not designated as cash flow hedge (included under "Prepaid expenses and other current assets" account)	178,285	178,285	178,285	-	-	-
Derivative asset designated as cash flow hedge (included under "Prepaid expenses and other current assets" account)	143,545	143,545	143,545	-	-	-
Noncurrent receivables (included under "Other noncurrent assets" account; including current portion)	21,687,453	22,682,062	8,273,291	4,968,764	7,671,172	1,768,835
Restricted cash (included under "Prepaid expenses and other current assets" and "Other noncurrent assets" accounts)	7,698,458	7,698,458	6,408,269	129,861	25	1,160,303
Financial Liabilities						
Loans payable	21,000,000	21,153,979	21,153,979	-	-	-
Accounts payable and accrued expenses*	67,215,148	67,216,545	67,216,545	-	-	-
Derivative liabilities not designated as cash flow hedge (included under "Accounts payable and accrued expenses" account)	75,455	75,455	75,455	-	-	-
Long-term debt - net (including current maturities)	272,152,624	337,524,261	79,467,801	59,780,446	109,842,716	88,433,298
Lease liabilities (including current portion)	59,958,110	71,563,247	21,893,279	19,368,808	17,480,818	12,820,342
Other noncurrent liabilities	5,780,913	5,780,913	-	766,793	4,832,169	181,951

**Excluding statutory receivables and payables.*

<u>Credit Risk</u>

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

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

Trade and Other Receivables

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

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

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

	Note	**2023**	2022
Cash and cash equivalents (excluding cash on hand)	*7*	**P31,657,566**	P22,724,545
Trade and other receivables - net*	*8*	**110,097,787**	98,245,102
Derivative assets not designated as cash flow hedge	*10*	**-**	178,285
Derivative asset designated as cash flow hedge	*10, 15*	**-**	143,545
Noncurrent receivables	*8, 15*	**17,579,941**	21,687,453
Restricted cash	*10, 15*	**6,271,296**	7,698,458
		P165,606,590	P150,677,388

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

December 31, 2022	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)	P22,724,545	P -	P -	P -	P -	P22,724,545
Trade and other receivables		98,245,102	2,690,984	-	-	100,936,086
Derivative assets not designated as cash flow hedge	-	-	-	178,285	-	178,285
Derivative asset designated as cash flow hedge	-	-	-	-	143,545	143,545
Noncurrent receivables	-	21,687,453	-	-	-	21,687,453
Restricted cash	7,698,458	-	-	-	-	7,698,458
	P30,423,003	P119,932,555	P2,690,984	P178,285	P143,545	P153,368,372

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, 2023				December 31, 2022			
	Trade	**Non-trade**	**Amounts Owed by Related Parties**	**Total**	Trade	Non-trade	Amounts Owed by Related Parties	Total
Current	**P53,461,204**	**P191,806**	**P2,578,385**	**P56,231,395**	P49,363,466	P4,532,746	P2,280,113	P56,176,325
Past due:								
1 - 30 days	**9,651,743**	**1,917,500**	**373,966**	**11,943,209**	8,294,858	133,963	204,581	8,633,402
31 - 60 days	**2,450,433**	**116,941**	**46,397**	**2,613,771**	4,253,940	27,576	130,209	4,411,725
61 - 90 days	**2,367,521**	**585,819**	**11,407**	**2,964,747**	4,729,728	77,366	5,901	4,812,995
Over 90 days	**31,098,973**	**7,264,399**	**646,899**	**39,010,271**	21,279,104	5,047,045	575,490	26,901,639
	P99,029,874	**P10,076,465**	**P3,657,054**	**P112,763,393**	P87,921,096	P9,818,696	P3,196,294	P100,936,086

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

The Group computes impairment loss on receivables based on past collection experience, current circumstances and the impact of future economic conditions, if any, available at the reporting period (Note 4). There are no significant changes in the credit quality of the counterparties during the year.

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

The Group has significant concentration of credit risk. Sale of power to Meralco accounts for 42%, 37% and 40% of the Group's total revenues in 2023, 2022 and 2021, respectively.

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

Interest Rate Risk

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

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

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

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

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

Interest Rate Risk Table

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

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

December 31, 2022	< 1 Year	1-2 Years	>2-3 Years	>3-4 Years	>4-5 Years	>5 Years	Total
Fixed Rate							
Philippine Peso-denominated	P23,342,184	P34,309,804	P14,504,744	P16,589,154	P8,870,097	P63,333,527	P160,949,510
Interest rate	4.7575% to 7.7521%	5.0000% to 7.7521%	5.0000% to 7.7521%	5.1792% to 7.7521%	6.2836% to 7.7521%	6.2836% to 8.0288%	
Foreign currency-denominated (expressed in Philippine Peso)	7,491,353	1,339,013	1,400,676	1,464,544	1,530,614	11,637,072	24,863,272
Interest rate	4.7776% to 5.5959%	5.5959%	5.5959%	5.5959%	5.5959%	5.5959%	
Floating Rate							
Foreign currency-denominated (expressed in Philippine Peso)	33,156,968	11,591,688	6,036,483	17,208,502	17,230,246	3,829,923	89,053,810
Interest rate	LIBOR + Margin	LIBOR + Margin	LIBOR/ SOFR + Margin	LIBOR + Margin	LIBOR/ SOFR + Margin	LIBOR + Margin	
	P63,990,505	P47,240,505	P21,941,903	P35,262,200	P27,630,957	P78,800,522	P274,866,592

The sensitivity to a reasonably possible 1% increase in the interest rates, with all other variables held constant, would have decreased the Group's net income before tax (through the impact on floating rate borrowings) by P710,947, P792,967 and P515,182 in 2023, 2022 and 2021, respectively. A 1% decrease in the interest rate would have had the equal but opposite effect. These changes are considered to be reasonably possible given the observation of prevailing market conditions in those periods. There is no impact on the Group's other comprehensive income.

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

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

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

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

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

- changes in the timing of the hedged transactions.

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

		December 31, 2023		December 31, 2022	
	Note	**US Dollar**	**Peso Equivalent**	US Dollar	Peso Equivalent
Assets					
Cash and cash equivalents	*7*	**US$69,461**	**P3,846,070**	US$66,775	P3,723,059
Trade and other receivables	*8*	**163,818**	**9,070,599**	77,954	4,346,322
Prepaid expenses	*10*	**-**	**-**	76,478	4,264,049
Noncurrent receivables	*15*	**31,181**	**1,726,513**	2,135	119,042
		264,460	**14,643,182**	223,342	12,452,472
Liabilities					
Accounts payable and accrued expenses	*17*	**930,718**	**51,533,841**	822,119	45,837,240
Long-term debt (including current maturities)	*18*	**1,464,120**	**81,068,325**	2,043,173	113,917,082
Lease liabilities (including current portion)	*6*	**341,414**	**18,904,090**	532,936	29,713,851
Other noncurrent liabilities		**-**	**-**	96,327	5,370,714
		2,736,252	**151,506,256**	3,494,555	194,838,887
Net Foreign Currency-denominated Monetary Liabilities		**US$2,471,792**	**P136,863,074**	US$3,271,213	P182,386,415

The Group reported net gains (losses) on foreign exchange amounting to P1,258,912, (P9,006,865) and (P1,495,366) in 2023, 2022 and 2021, respectively, with the translation of its foreign currency-denominated assets and liabilities (Note 26).

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

	US Dollar to Philippine Peso
December 31, 2023	**55.370**
December 31, 2022	55.755
December 31, 2021	50.999

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

	P1 Decrease in the US Dollar Exchange Rate		P1 Increase in the US Dollar Exchange Rate	
December 31, 2022	Effect on Income before Income Tax	Effect on Equity	Effect on Income before Income Tax	Effect on Equity
Cash and cash equivalents	(P63,394)	(P60,052)	P63,394	P60,052
Trade and other receivables	(77,944)	(59,898)	77,944	59,898
Prepaid expenses	(76,478)	(57,359)	76,478	57,359
Noncurrent receivables	(2,135)	(1,601)	2,135	1,601
	(219,951)	(178,910)	219,951	178,910
Accounts payable and accrued expenses	820,930	621,688	(820,930)	(621,688)
Long-term debt (including current maturities)	2,043,173	1,880,379	(2,043,173)	(1,880,379)
Lease liabilities (including current portion)	532,936	399,702	(532,936)	(399,702)
Other noncurrent liabilities	96,327	74,563	(96,327)	(74,563)
	3,493,366	2,976,332	(3,493,366)	(2,976,332)
	P3,273,415	P2,797,422	(P3,273,415)	(P2,797,422)

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

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

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

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

Other Market Price Risk

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

Capital Management

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

The Group manages its capital structure and makes adjustments in the light of changes in economic conditions. To maintain or adjust the capital structure, the Group may adjust the dividend payment to shareholders, distribution payment, pay-off existing debts, return capital to shareholders or issue new shares, subject to compliance with certain covenants of its long-term debts, SPCS, RPS and USCS (Notes 18 and 21).

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

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

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

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

31. Financial Assets and Financial Liabilities

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

	December 31, 2023		December 31, 2022	
	Carrying Amount	**Fair Value**	Carrying Amount	Fair Value
Financial Assets				
Cash and cash equivalents	**P31,659,442**	**P31,659,442**	P22,726,236	P22,726,236
Trade and other receivables - net*	**110,097,787**	**110,097,787**	98,245,102	98,245,102
Derivative assets not designated as cash flow hedge (included under "Prepaid expenses and other current assets" account)	**-**	**-**	178,285	178,285
Derivative asset designated as cash flow hedge (included under "Prepaid expenses and other current assets" and "Other noncurrent assets" accounts)	**-**	**-**	143,545	143,545
Noncurrent receivables (included under "Other noncurrent assets" account; including current portion)	**17,579,941**	**17,579,941**	21,687,453	21,687,453
Restricted cash (included under "Prepaid expenses and other current assets" and "Other noncurrent assets" accounts)	**6,271,296**	**6,271,296**	7,698,458	7,698,458
	P165,608,466	**P165,608,466**	P150,679,079	P150,679,079
Financial Liabilities				
Loans payable	**P13,736,000**	**P13,736,000**	P21,000,000	P21,000,000
Accounts payable and accrued expenses*	**76,073,208**	**76,073,208**	67,215,148	67,215,148
Derivative liabilities not designated as cash flow hedge (included under "Accounts payable and accrued expenses" account)	**13,925**	**13,925**	75,455	75,455
Long-term debt - net (including current maturities)	**258,769,473**	**272,270,702**	272,152,624	276,750,515
Lease liabilities (including current portion)	**42,787,300**	**42,787,300**	59,958,110	59,958,110
Other noncurrent liabilities (including current portions of Concession liability and Premium on option liabilities)	**3,959,302**	**3,959,302**	5,780,913	5,780,913
	P395,339,208	**P408,840,437**	P426,182,250	P430,780,141

**Excluding statutory receivables and payables*

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

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

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

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

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

Long-term Debt and Other Noncurrent Liabilities. The fair value of interest-bearing fixed-rate loans is based on the discounted value of expected future cash flows using the applicable market rates for similar types of instruments as at reporting date. Discount rates used for Philippine Peso-denominated loans range from 5.08% to 6.00% and from 3.82% to 6.95% as at December 31, 2023 and 2022, respectively. Discount rates used for foreign currency-denominated loans range from 3.85% to 5.27% and 3.05% to 5.37% as at December 31, 2023 and 2022, respectively. The carrying amounts of floating rate loans with quarterly interest rate repricing approximate their fair values.

The fair value of Philippine 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, 2022, the Group has outstanding call spread swaps designated as cash flow hedges with an aggregate notional amount of US$60,000 and with an average strike rate range of P52.95 to P56.15. The call spread swaps were designated to hedge foreign currency exposure on US dollar-denominated loans and matured on March 13, 2023. As at December 31, 2022, the positive fair value of the call spread swaps, included under "Prepaid expenses and other current assets" account amounted to P143,545 (Note 10).

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:

	2023	2022
Balance at beginning of year	**(P31,229)**	P8,809
Changes in fair value of derivatives	**(7,238)**	101,372
Amount reclassified to profit or loss due to:		
Interest expense and other financing charges	**6,474**	26,890
Foreign exchange loss (gain) - net (included under "Other income (charges)" account)	**31,993**	(168,300)
Balance at end of year	**P -**	(P31,229)

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, 2023 and 2022.

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$65,000 as at December 31, 2023 and 2022. As at December 31, 2023 and 2022, the negative fair value of these currency forwards, included under "Accounts payable and accrued expenses" amounted to P13,925 and P75,455, respectively. (Note 17).

Commodity Swaps

The Group's fixed swap agreements covering the coal requirements of a subsidiary matured in 2023. Under the agreements, payment is made either by the Group or its counterparty for the difference between the hedged fixed price and the relevant monthly average index price. The notional quantity covered by the commodity swaps was 117,000 metric tons as at December 31, 2022. As at December 31, 2022, the positive fair value of these commodity swaps, included under "Prepaid expenses and other current assets" account amounted to P178,285 (Note 10).

The Group recognized marked-to-market gains (losses) from freestanding derivatives amounting to (P875,946), P1,583,553 and P278,397 in 2023, 2022 and 2021, respectively (Note 26).

Fair Value Changes on Derivatives

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

	2023	2022
Balance at beginning of year	**P246,375**	P154,105
Net change in fair value of derivatives:		
Designated as accounting hedge	**(7,238)**	101,372
Not designated as accounting hedge	**(875,946)**	1,583,553
	(636,809)	1,839,030
Less fair value of settled instruments	**(622,884)**	1,592,655
Balance at end of year	**(P13,925)**	P246,375

32. Supplemental Cash Flows Information

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

	Loans Payable	Long-term Debt	Lease Liabilities	Capital Stock	Additional Paid-in Capital	RPS	Total
Balance as at January 1, 2023	**P21,000,000**	**P272,152,624**	**P59,958,110**	**P1,250,004**	**P2,490,000**	**P51,934,069**	**P408,784,807**
Changes from Financing Activities							
Proceeds from borrowings	**95,322,000**	**51,977,500**	**-**	**-**	**-**	**-**	**147,299,500**
Proceeds from issuance of RPS	**-**	**-**	**-**	**-**	**-**	**70,832,760**	**70,832,760**
Proceeds from issuance of capital stock	**-**	**-**	**-**	**1,573,600**	**45,591,781**	**-**	**47,165,381**
Payments of lease liabilities	**-**	**-**	**(19,314,572)**	**-**	**-**	**-**	**(19,314,572)**
Payments for the purchase of RPS	**-**	**-**	**-**	**-**		**(21,668,695)**	**(21,668,695)**
Payments of borrowings	**(102,586,000)**	**(64,362,371)**	**-**	**-**	**-**	**-**	**(166,948,371)**
Total Changes from Financing Activities	**(7,264,000)**	**(12,384,871)**	**(19,314,572)**	**1,573,600**	**45,591,781**	**49,164,065**	**57,366,003**
Effect of Changes in Foreign Exchange Rates	**-**	**(1,027,734)**	**(166,210)**	**-**	**-**	**-**	**(1,193,944)**
Other Changes	**-**	**29,454**	**2,309,972**	**-**	**-**	**1,448,691**	**3,788,117**
Balance as at December 31, 2023	**P13,736,000**	**P258,769,473**	**42,787,300**	**P2,823,604**	**P48,081,781**	**P102,546,825**	**P468,744,983**

	Loans Payable	Long-term Debt	Lease Liabilities	SPCS	RPS	Total
Balance as at January 1, 2022	P1,529,970	P222,921,443	P78,213,359	P167,767,364	P32,751,570	P503,183,706
Changes from Financing Activities						
Proceeds from borrowings	51,181,875	72,312,000	-	-	-	123,493,875
Proceeds from issuance of RPS	-	-	-	-	19,182,499	19,182,499
Payments of borrowings	(32,373,125)	(30,581,714)	-	-	-	(62,954,839)
Payments of lease liabilities	-	-	(24,220,192)	-	-	(24,220,192)
Repurchase of SPCS	-	-	-	(4,702,640)	-	(4,702,640)
Total Changes from Financing Activities	18,808,750	41,730,286	(24,220,192)	(4,702,640)	19,182,499	50,798,703
Effect of Changes in Foreign Exchange Rates	661,280	8,151,998	3,185,883	-	-	11,999,161
Other Changes	-	(651,103)	2,779,060	(1,297,015)	-	830,942
Balance as at December 31, 2022	P21,000,000	P272,152,624	P59,958,110	P161,767,709	P51,934,069	P566,812,512

Other changes pertain to additions for new lease agreements, amortization of lease liabilities and debt-issue costs on long-term debts, and the net effect of capital securities purchases completed in 2023 and 2022.

33. Other Matters

a. EPIRA

The EPIRA sets forth the following: (i) Section 49 created PSALM to take ownership and manage the orderly sale, disposition and privatization of all existing NPC generation assets, liabilities, IPP contracts, real estate and all other disposable assets; (ii) Section 31(c) requires the transfer of the management and control of at least 70% of the total energy output of power plants under contract with NPC to the IPP Administrators as one of the conditions for retail competition and open access; and (iii) Pursuant to Section 51(c), PSALM has the power to take title to and possession of the IPP contracts and to appoint, after a competitive, transparent and public bidding, qualified independent entities who shall act as the IPP Administrators in accordance with the EPIRA. In accordance with the bidding procedures and supplemented bid bulletins thereto to appoint an IPP Administrator relative to the capacity of the IPP contracts, PSALM has conducted a competitive, transparent and open public bidding process following which the Group was selected winning bidder of the IPPA Agreements (Note 6).

The EPIRA requires generation and DU companies to undergo public offering within 5 years from the effective date, and provides cross ownership restrictions between transmission and generation companies. If the holding company of generation and DU companies is already listed with the PSE, the generation company or the DU need not comply with the requirement since such listing of the holding company is deemed already as compliance with the EPIRA.

A DU is allowed to source from an associated company engaged in generation up to 50% of its demand except for contracts entered into prior to the effective date of the EPIRA. Generation companies are restricted from owning more than 30% of the installed generating capacity of a grid and/or 25% of the national installed generating capacity. The Group is in compliance with the restrictions as at December 31, 2023 and 2022.

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

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

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

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

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

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

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

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

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

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

With this, the relevant subsidiaries namely, SPPC, MPCL and SPI intend to discuss with Meralco the implementation of the SC Decision. SPPC, MPCL and SPI have aggregate outstanding receivables from Meralco estimated at P1,275,985 included under "Trade and other receivables" account in the consolidated statements of financial position as at December 31, 2023 and 2022.

ii. *ERC Order Voiding WESM Prices*

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

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

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

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

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

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

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

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

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

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

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

iii. *Generation Payments to PSALM*

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

After moving for an extension of time, on November 26, 2022, PSALM filed a Petition for Review on Certiorari with the SC, appealing the May 30, 2022 CA Decision and October 3, 2022 CA Resolution. The petition for review has been docketed as G. R. No. 263774. On January 25, 2023, the SC denied the petition for failure to show any reversible error in the May 30, 2022 CA Decision and October 3, 2022 CA Resolution as to warrant the exercise of the SC of its discretionary appellate jurisdiction. PSALM has filed a Motion for Reconsideration. SPPC has not yet received a directive to file a Comment.

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

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

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

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

SPPC presented its first witness on July 29, 2022, and its second witness on November 11, 2022. Comparison and pre-marking of documents were conducted on January 20, 2023. Trial resumed on January 26, 2024 and March 15, 2024 where SPPC presented its second witness. for the cross-examination of SPPC's second witness. No additional trial dates have been scheduled because the presiding judge will retire in June 2024.

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

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

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

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

iv. Criminal Cases

SPPC

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

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

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

SPI

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

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

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

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

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

v. *Civil Cases*

SPI

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

On June 6, 2022, SPI, TPEC and TSC filed a Joint Motion to Dismiss the ERC complaint. SPI received the Order from the ERC on June 22, 2022, asking the parties to submit a copy of the settlement agreement within 5 days from receipt of such order. TPEC, TSC and SPI filed with the ERC a Compliance and Submission attaching the settlement agreement on June 28, 2022.

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

vi. Claim for Price Adjustment on the Meralco Power Supply Agreements

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

SPI CA Petition

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

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

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

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

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

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

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

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

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

SPI's Motion for Partial Reconsideration (on the issuance of a writ of preliminary injunction) and the SPI CA Petition remain pending resolution with the CA 13th Division.

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

The CA likewise noted SPI's Motion for Partial Reconsideration (for the CA to partially reverse and set aside the Resolution dated January 13, 2023 and issue a writ of preliminary injunction) filed on February 10, 2023. Respondents were directed to file their comment on SPI's Motion for Partial Reconsideration within an unextendible period of 10 days from notice. The case (together with the SPPC Petition) will be submitted for decision after Respondents file their respective comment on SPI's Motion for Partial Reconsideration or after the expiration of the given period if no comment is filed.

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

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

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

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

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

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

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

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

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

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

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

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

d. Event After the Reporting Date

On March 1, 2024, MGen and Therma NatGas Power, Inc. (TNGP, a subsidiary of Aboitiz Power Corporation), through their joint venture entity, Chromite Gas Holdings Inc. (CGHI), have entered into binding agreements with the Parent Company and its relevant subsidiaries, for MGen and TNGP to jointly invest in and acquire a 67% stake in the Parent Company's gas-fired power plants, namely (i) the brownfield 1,200 MW Ilijan Power Plant owned by SPPC, (ii) the greenfield 1,320 MW BCCPP owned by EERI and (iii) land owned by IPIEC where the aforesaid gas-fired power plants and related facilities are located.

The transaction also involves the acquisition by CGHI and the Parent Company of the LNG import and regasification terminal owned by Linseed Field Corporation, which processes LNG for SPPC and EERI, and has the capacity to service additional third-party customers.

The transaction is subject to several standard closing conditions and regulatory approvals, including the review and approval of the Philippine Competition Commission.

e. Commitments

The outstanding purchase commitments of the Group amounted to P104,803,997 and P138,586,592 as at December 31, 2023 and 2022, respectively.

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

f. Fuel Commodity Price Volatility
In January 2022, the Government of Indonesia implemented a month-long ban on the exportation of its coal which reduced the overall availability of coal fuel in the commodities market. Consequently, international price indices for coal such as the GC Newcastle Index surged beyond the expected trajectory of historical prices based on long-term fundamental factors pertinent to the coal commodity market. Barely a few weeks after the partial lifting of the foregoing coal export ban, Russia commenced its invasion of Ukraine on February 24, 2022. This worsened the short-term outlook on coal prices as reflected in the further spikes in coal prices, with GC Newcastle Index reaching levels beyond US$400/MT from May 2022 onwards. With Russia-Ukraine conflict continuing to this day, coal prices remain at elevated levels, averaging at US$172.79/MT and at US$360.19/MT in 2023 and 2022, respectively, but continue to show a “backwardated” forward curve which strongly suggests a more bearish outlook on coal prices in the medium term and in the long term.

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

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

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

With LNG prices fundamentally dropping to coal price-parity levels, SPPC pursued the procurement of commercial LNG as fuel for its Ilijan Power Plant. The scheduled deliveries of the procured LNG shipments are aligned with the imminent completion of the adjacent full-scale LNG terminal currently undergoing commissioning activities and the supply of the contract capacities by the Ilijan Power Plant to the Grid.

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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
San Miguel Global Power Holdings Corp.
(Formerly SMC Global Power Holdings Corp.)
5th Floor, C5 Office Building Complex
#100 E. Rodriguez Jr. Ave., C5 Road
Bo. Ugong, Pasig City 1604, Metro Manila

We have audited in accordance with Philippine Standards on Auditing, the consolidated financial statements of San Miguel Global Power Holdings Corp. (formerly SMC Global Power Holdings Corp.) and Subsidiaries (the "Group") as at December 31, 2023 and 2022 and for each of the three years in the period ended December 31, 2023, included in this Form 17-A, and have issued our report thereon dated April 15, 2024.

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.

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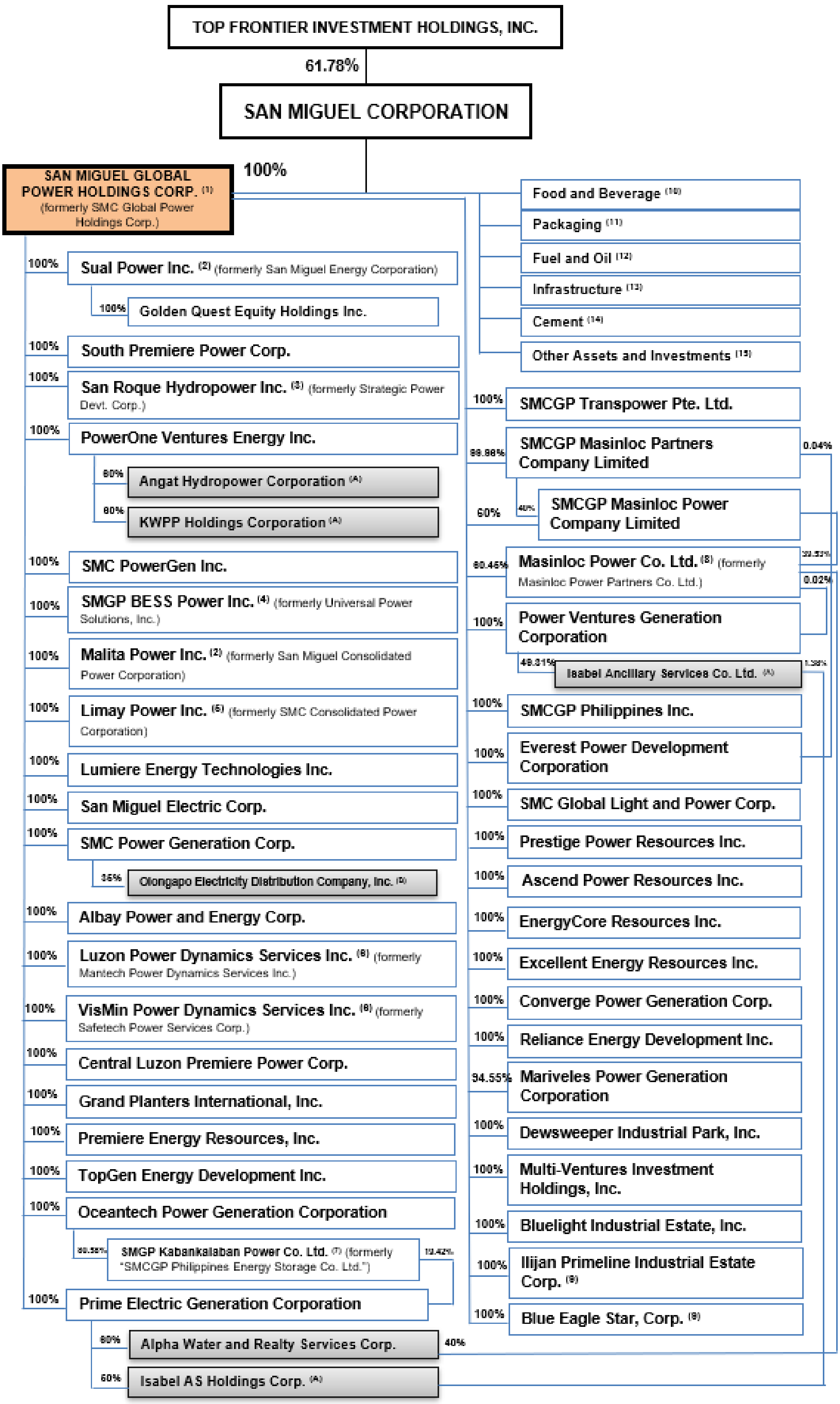
BIR Accreditation No. 08-001987-031-2022
Issued June 27, 2022; valid until June 27, 2025
PTR No. MKT 10075206
Issued January 2, 2024 at Makati City

April 15, 2024
Makati City, Metro Manila

SAN MIGUEL GLOBAL POWER HOLDINGS CORP.
GROUP STRUCTURE*
As of December 31, 2023



(1) The change of the corporate name of “SMC Global Power Holdings Corp.” to “San Miguel Global Power Holdings Corp.” (“San Miguel Global Power”) was approved by the Philippine Securities and Exchange Commission (“SEC”) on March 22, 2023.

(2) The change of the corporate names of “San Miguel Consolidated Power Corporation” to “Malita Power Inc.” and of “San Miguel Energy Corporation” to “Sual Power Inc.” were approved by the Philippine SEC on March 9, 2023.

(3) The change of the corporate name of “Strategic Power Devt. Corp.” to “San Roque Hydropower Inc.” was approved by the Philippine SEC on March 31, 2023.

(4) The change of the corporate name of “SMC Consolidated Power Corporation” to “Limay Power Inc.” was approved by the Philippine SEC on February 7, 2023.

(5) The change of the corporate name of “Universal Power Solutions, Inc.” to “SMGP BESS Power Inc.” was approved by the Philippine SEC on November 3, 2023.

(6) The change of the corporate names of “Mantech Power Dynamics Services Inc.” to “Luzon Power Dynamics Services Inc.” and of “Safetech Power Services Corp.” to “VisMin Power Dynamics Services Inc.” were approved by the Philippine SEC on November 14, 2023.

(7) The change of the corporate name of “SMCGP Power Energy Storage Co. Ltd.” to “SMGP Kabankalan Power Co. Ltd.” was approved by the Philippine SEC on September 21, 2023.

(8) The change of the corporate name of “Masinloc Power Partners Co. Ltd.” to “Masinloc Power Co. Ltd.” and the revised partnership interest of San Miguel Global Power from 49.07% to 60.45% was approved by the Philippine SEC on November 13, 2023.

(9) Acquired in 2023.

(10) Food and Beverage business consist of San Miguel Food and Beverage, Inc. and subsidiaries including San Miguel Foods, Inc. and subsidiaries, San Miguel Mills, Inc. and subsidiaries, Magnolia Inc. and subsidiary, The Purefoods - Hormel Company Inc., Ginebra San Miguel Inc. and subsidiaries, and San Miguel Brewery Inc. and subsidiaries, San Miguel Super Coffeemix Co., Inc., PT San Miguel Foods Indonesia and San Miguel Foods International, Limited and subsidiary, San Miguel Foods Investment (BVI) Limited and subsidiary, San Miguel Pure Foods (VN) Co., Ltd.; 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 San Miguel Brewery Inc. subsidiaries including Iconic Beverages, Inc. and Brewery Properties Inc. and subsidiary and San Miguel Brewing International Limited and subsidiaries including, San Miguel Brewery Hong Kong Limited and subsidiaries, PT. Delta Djakarta Tbk. and subsidiary, San Miguel (Baoding) Brewery Co. Ltd., San Miguel Brewery Vietnam Company Limited, San Miguel Beer (Thailand) Limited and San Miguel Marketing (Thailand) Limited. San Miguel (Baoding) Brewery Co. Ltd. and PT San Miguel Foods Indonesia are in the process of liquidation as at December 31, 2023.

(11) Packaging business include San Miguel Yamamura Packaging Corporation and subsidiaries, San Miguel Yamamura Packaging International Limited and subsidiaries including San Miguel Yamamura Phu Tho Packaging Company Limited, San Miguel Yamamura Glass (Vietnam) Limited, San Miguel Yamamura Haiphong Glass Company Limited, Zhaoqing San Miguel Yamamura Glass Company Limited, Foshan San Miguel Yamamura Packaging Company Limited and subsidiary, San Miguel Yamamura Packaging and Printing Sdn. Bhd., San Miguel Yamamura Woven Products Sdn. Bhd. and subsidiary, Packaging Research Centre Sdn. Bhd., San Miguel Yamamura Plastic Films Sdn. Bhd., San Miguel Yamamura Australasia Pty Ltd and subsidiaries including SMYC Pty Ltd and subsidiary, Foshan Cospak Packaging Co. Ltd., SMYV Pty Ltd, SMYP Pty Ltd, Cospak Limited, SMYBB Pty Ltd, SMYJ Pty Ltd, Wine Brothers Australasia Pty Ltd and Vinocor Ltd., and Mindanao Corrugated Fibreboard, Inc.

(12) Fuel and Oil business include SEA Refinery Corporation and subsidiary, Petron Corporation and subsidiaries including Petron Marketing Corporation, Petron Freeport Corporation, Overseas Ventures Insurance Corporation Ltd., New Ventures Realty Corporation and subsidiaries, Mema Holdings Inc. 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.

(13) Infrastructure business include San Miguel Holdings Corp. and subsidiaries including SMC NAIAX Corporation, Trans Aire Development Holdings Corp., SMC TPLEX Holdings Company Inc. and subsidiary SMC TPLEX Corporation, Universal LRT Corporation (BVI) Limited, Atlantic Autum Investments BV and subsidiaries including SMC Tollways Corporation and subsidiaries including Stage 3 Connector Tollways Holding Corporation and subsidiary, SMC Skyway Stage 3 Corporation, and SMC Skyway Corporation and subsidiary, Skyway O&M Corporation, SMC SLEX Holdings Company Inc. and subsidiaries, Manila Toll Expressway Systems Inc. and SMC SLEX Inc., Wiselink Investment Holdings, Inc., Cypress Tree Capital Investments, Inc. and subsidiaries, San Miguel Aerocity Inc., SMC Mass Rail Transit 7 Inc., Luzon Clean Water Development Corporation and Manila North Harbour Port, Inc. [A].

(14) Cement business include San Miguel Equity Investments Inc. and subsidiaries including Northern Cement Corporation, Eagle Cement Corporation and subsidiaries, and Southern Concrete Industries, Inc.

(15) Other Assets and Investments include San Miguel Properties, Inc. and subsidiaries., Bank of Commerce[A] , SMC Shipping and Lighterage Corporation and subsidiaries, SMC Asia Car Distributors Corp. and subsidiaries, SMC Equivest Corporation, Petrogen Insurance Corp., San Miguel International Limited and its subsidiary San Miguel Holdings Limited and subsidiaries, SMC Stock Transfer Service Corporation, ArchEn Technologies Inc., SMITS, Inc. and subsidiaries, San Miguel Integrated Logistics Services Inc, Anchor Insurance Brokerage Corporation, Davana Heights Development Corporation and subsidiaries, Silvertides Holdings Corporation and subsidiary, Deity Holdings Corporation, Fonterra Verde Holdings Inc., One Verdana Holdings Inc. and Worldsummit Holdings 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 San Miguel Global Power and subsidiaries.**

Note: [A] Joint Venture; [B] Associate

RECONCILIATION OF RETAINED EARNINGS AVAILABLE FOR DIVIDEND DECLARATION FOR THE PERIOD ENDED DECEMBER 31, 2023

SAN MIGUEL GLOBAL POWER HOLDINGS CORP.
(Formerly SMC Global Power Holdings Corp.)
5th Floor, C5 Office Building Complex
#100 E. Rodriguez Jr. Ave., C5 Road, Bo. Ugong, Pasig City, Metro Manila

Unappropriated Retained Earnings, beginning		**P2,017,604**
Less: Item that are directly debited to unappropriated retained earnings		
Distributions to capital securities during the reporting period		**15,035,073**
Deficit, as adjusted		**(13,017,469)**
Net Income for the current year		**18,018,649**
Less: Unrealized income recognized in profit or loss during the reporting period - net of tax		
Unrealized foreign exchange gain	P1,699,001	
Fair value adjustment on currency forwards	60,299	**1,759,300**
Add: Unrealized income recognized in prior reporting periods but realized in the current reporting period - net of tax		
Realized foreign exchange gain	591,340	
Realized fair value adjustment on currency forwards	19,213	**610,553**
Add: Unrealized income recognized in prior reporting periods but reversed in the current reporting period - net of tax		
Reversal of previously recorded foreign exchange gain		**2,958,895**
Adjusted Net Income		**19,828,797**
Total Retained Earnings, end of the reporting period available for dividend		**P6,811,328**

“ANNEX B-2”

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

INDEPENDENT AUDITOR’S REPORT ON COMPONENTS OF FINANCIAL SOUNDNESS INDICATORS

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

We have audited in accordance with Philippine Standards on Auditing, the consolidated financial statements of San Miguel Global Power Holdings Corp. (formerly SMC Global Power Holdings Corp.) and Subsidiaries (the “Group”) as at December 31, 2023 and 2022 and for each of the three years in the period ended December 31, 2023, and have issued our report thereon dated April 15, 2024.

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.

KPMG

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, 2023 and 2022 and for each of the three years in the period ended December 31, 2023 and no material exceptions were noted.

R.G. MANABAT & CO.

DARWIN P. VIROCEL
Partner
CPA License No. 0094495
Tax Identification No. 912-535-864
BIR Accreditation No. 08-001987-031-2022
  Issued June 27, 2022; valid until June 27, 2025
PTR No. MKT 10075206
  Issued January 2, 2024 at Makati City

April 15, 2024
Makati City, Metro Manila

SAN MIGUEL GLOBAL POWER HOLDINGS CORP.
(Formerly SMC Global Power Holdings Corp.)
AND SUBSIDIARIES
DISCUSSION OF THE GROUP'S FINANCIAL SOUNDNESS INDICATORS

LIQUIDITY RATIO

Current Ratio = **Current Assets** / **Current Liabilities**

	Conventional		Adjusted [1]	
(in Millions Peso)	**December 2023**	**December 2022**	**December 2023**	December 2022
(A) Current Assets	**213,998**	188,781	**213,998**	188,781
(B) Current Liabilities	**183,361**	188,680	**165,870**	169,608
Current Ratio (A)/(B)	**1.17**	1.00	**1.29**	1.11

[1] Current portion of lease liabilities, in relation to Independent Power Producer Administration (IPPA) Agreements with Power Sector Assets and Liabilities Management (PSALM) Corporation, are excluded from the total current liabilities as these current obligations on lease are pass-through charges billable to customers. As at December 31, 2023 and 2022, current portion of lease liabilities to PSALM amounted to P17,491 million and P19,072 million, respectively.

SOLVENCY RATIO

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

Per relevant Loan Covenants of San Miguel Global Power Holdings Corp.

(in Millions Peso)	**December 2023**	December 2022
(A) Net Debt [2]	**225,585**	293,872
(B) Total Equity [3]	**343,034**	252,707
Net Debt-to-Equity Ratio (A)/(B)	**0.66**	1.16

**All items are net of amounts attributable to ring-fenced subsidiaries.*
[2] Consolidated net total debt plus total PSALM lease liabilities.
[3] Consolidated total equity.

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

	Conventional		Adjusted [4]	
(in Millions Peso)	**December 2023**	December 2022	**December 2023**	December 2022
(A) Total Assets	**784,935**	717,515	**689,390**	618,399
(B) Total Equity	**343,473**	252,317	**343,473**	252,317
Asset-to-Equity Ratio (A)/(B)	**2.29**	2.84	**2.01**	2.45

[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, 2023 and 2022, the net carrying amount of the IPPA power plant assets amounted to P95,545 million and P99,116 million, respectively.

PROFITABILTY RATIO

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

(in Millions Peso)	**December 2023**	December 2022
(A) Net Income	**9,903**	3,134
(B) Total Equity	**343,473**	252,317
Return on Equity (A)/(B)	**2.9%**	1.2%

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

Per relevant Loan Covenants of San Miguel Global Power Holdings Corp.

(in Millions Peso)	**December 2023**	December 2022
(A) EBITDA [5]	**34,511**	34,494
(B) Interest Expense [6]	**13,575**	13,170
Interest Coverage Ratio (A)/(B)	**2.54**	2.62

[5] Full year consolidated EBITDA (gross of PSALM payments and excluding amounts attributable to ring-fenced subsidiaries).

[6] Full year consolidated interest expense (excluding amounts attributable to ring-fenced subsidiaries).

OPERATING EFFICIENCY

Volume Growth (Decline) = **Current Period Offtake Volume** / **Prior Period Offtake Volume** - **1**

	Years Ended December 31	
(in GWh)	**2023**	2022
(A) Current Period Offtake Volume	**25,205**	27,402
(B) Prior Period Offtake Volume	**27,402**	27,221
Volume Growth (Decline) [(A)/(B) – 1]	**(8.0%)**	0.7%

Revenue Growth (Decline) = **Current Period Revenue** / **Prior Period Revenue** - **1**

	Years Ended December 31	
(in Millions Peso)	**2023**	2022
(A) Current Period Revenue	**169,590**	221,389
(B) Prior Period Revenue	**221,389**	133,710
Revenue Growth (Decline) [(A)/(B) – 1]	**(23.4%)**	65.6%

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

(in Millions Peso)	**Years Ended December 31**	
	2023	2022
(A) Income from Operations	**32,526**	28,886
(B) Revenue	**169,590**	221,389
Operating Margin (A)/(B)	**19.2%**	13.0%

BOARD OF DIRECTORS MEETING ATTENDANCE SUMMARY **Annex "C"**

Directors' Name	June 6, 2023 ASM	June 6, 2023 Org. Mtg.	July 10, 2023 Special Board Mtg.	July 25, 2023 Special Board Mtg.	August 11, 2023 Regular Board Mtg.	August 11, 2023 AROC Mtg.	August 11, 2023 CG Mtg.	Sept. 7, 2023 Special SH Mtg.	Oct. 20, 2023 Special Board Mtg.	Nov. 13, 2023 Regular Board Mtg.	Nov. 13, 2023 AROC Mtg.	Nov. 13, 2023 CG Mtg.	March 11, 2024 Regular Board Meeting	March 11, 2024 AROC Meetin g	March 11, 2024 CG Meeting	March 11, 2024 RPT Meeting	May 13, 2024 Regular Board Meeting	May 13, 2024 AROC Meeting	May 13, 2024 CG Meeting
Ramon S. Ang	✓	✓	✓	✓	✓	N/A	N/A	✓	✓	✓	N/A	N/A	✓	N/A	N/A	N/A	✓	N/A	N/A
John Paul L. Ang	✓	✓	✓	✓	X	X	X	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓
Aurora T. Calderon	✓	✓	✓	✓	✓	✓	N/A	✓	✓	✓	✓	N/A	✓	✓	N/A	✓	✓	✓	N/A
Virgilio S. Jacinto	✓	✓	✓	✓	✓	N/A	✓	✓	✓	✓	N/A	✓	✓	N/A	✓	N/A	✓	N/A	✓
Jack G. Arroyo, Jr.	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓
Consuelo M. Ynares-Santiago	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓
Josefina Guevara-Salonga	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓

LEGEND:

ASM- Annual Stockholders' Meeting

Org. Meeting - Organizational Meeting of the Board of Directors

AROC Meeting - Audit & Risk Oversight Committee Meeting

CG Meeting - Corporate Governance Committee Meeting

RPT Meeting – Related Party Transactions Committee Meeting

ANNEX "D"

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

CONSOLIDATED STATEMENTS OF FINANCIAL POSITION
MARCH 31, 2024 AND DECEMBER 31, 2023
(In Thousands)

	Note	**2024 (Unaudited)**	2023 (Audited)
ASSETS			
Current Assets			
Cash and cash equivalents	*6, 16, 17*	**P35,578,519**	P31,659,442
Trade and other receivables - net	*7, 10, 16, 17*	**117,165,372**	116,976,024
Inventories		**12,316,047**	16,841,384
Prepaid expenses and other current assets	*16, 17*	**50,003,456**	48,521,564
Total Current Assets		**215,063,394**	213,998,414
Noncurrent Assets			
Investments and advances - net		**12,061,553**	10,953,048
Property, plant and equipment - net	*8*	**355,428,141**	339,224,974
Right-of-use assets - net	*5*	**104,113,645**	104,975,320
Goodwill and other intangible assets - net		**71,684,024**	71,712,053
Deferred tax assets		**1,062,808**	973,481
Other noncurrent assets	*16, 17*	**44,643,321**	43,098,000
Total Noncurrent Assets		**588,993,492**	570,936,876
Total Assets		**P804,056,886**	P784,935,290
LIABILITIES AND EQUITY			
Current Liabilities			
Loans payable	*16, 17*	**13,736,000**	P13,736,000
Accounts payable and accrued expenses	*10, 16, 17*	**108,393,341**	97,632,905
Lease liabilities - current portion	*5, 16, 17*	**13,623,794**	17,645,586
Income tax payable		**344,840**	222,179
Current maturities of long-term debt - net of debt issue costs	*9, 16, 17*	**55,345,810**	54,124,645
Total Current Liabilities		**191,443,785**	183,361,315
Noncurrent Liabilities			
Long-term debt - net of current maturities and debt issue costs	*9, 16, 17*	**215,522,261**	204,644,828
Deferred tax liabilities		**21,849,629**	21,284,723
Lease liabilities - net of current portion	*5, 16, 17*	**24,524,535**	25,141,714
Other noncurrent liabilities	*16, 17*	**6,951,420**	7,029,505
Total Noncurrent Liabilities		**268,847,845**	258,100,770
Total Liabilities		**460,291,630**	441,462,085

Forward

	Note	2024 (Unaudited)	2023 (Audited)
Equity			
Equity Attributable to Equity Holders of the Parent Company			
Capital stock	*11*	**P2,823,604**	P2,823,604
Additional paid-in capital	*11*	**48,081,781**	48,081,781
Senior perpetual capital securities		**161,767,709**	161,767,709
Redeemable perpetual securities	*11*	**102,546,825**	102,546,825
Equity reserves		**(3,011,863)**	(3,019,154)
Retained earnings		**30,657,570**	30,367,328
		342,865,626	342,568,093
Non-controlling Interests		**899,630**	905,112
Total Equity		**343,765,256**	343,473,205
		P804,056,886	P784,935,290

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

Certified Correct:

PAUL BERNARD D. CAUSON
Chief Financial Officer / Authorized Signatory

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

CONSOLIDATED STATEMENTS OF INCOME
FOR THE PERIODS ENDED MARCH 31, 2024 AND 2023
(In Thousands, Except Per Share Data)

	Note	**2024 (Unaudited)**	2023 (Unaudited)
REVENUES	*10, 12*	**P44,122,535**	P41,123,900
COST OF POWER SOLD	*10, 13*	**33,540,666**	32,093,981
GROSS PROFIT		**10,581,869**	9,029,919
SELLING AND ADMINISTRATIVE EXPENSES	*7, 8*	**1,741,312**	1,455,386
INCOME FROM OPERATIONS		**8,840,557**	7,574,533
INTEREST EXPENSE AND OTHER FINANCING CHARGES	*5, 9*	**(5,017,019)**	(4,397,810)
INTEREST INCOME	*6*	**221,279**	366,533
EQUITY IN NET EARNINGS (LOSSES) OF AN ASSOCIATE AND JOINT VENTURES		**(22,868)**	164,270
OTHER INCOME (CHARGES) - Net	*14*	**(1,329,936)**	3,315,719
INCOME BEFORE INCOME TAX		**2,692,013**	7,023,245
INCOME TAX EXPENSE		**1,145,308**	1,678,776
NET INCOME		**P1,546,705**	P5,344,469
Attributable to:			
Equity holders of the Parent Company		**P1,552,187**	P5,323,300
Non-controlling interests		**(5,482)**	21,169
		P1,546,705	P5,344,469
Earnings (Loss) Per Common Share Attributable to Equity Holders of the Parent Company			
Basic/diluted	*15*	**(P1.47)**	P0.43

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

Certified Correct:

PAUL BERNARD D. CAUSON
Chief Finance Officer / Authorized Signatory

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

CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME
FOR THE PERIODS ENDED MARCH 31, 2024 AND 2023
(In Thousands)

	Note	**2024 (Unaudited)**	2023 (Unaudited)
NET INCOME		**P1,546,705**	P5,344,469
OTHER COMPREHENSIVE INCOME			
Items that may be reclassified to profit or loss			
Gain (loss) on exchange differences on translation of foreign operations		**7,291**	(10,172)
Net gain on cash flow hedges	*17*	**-**	31,229
OTHER COMPREHENSIVE INCOME - Net of tax		**7,291**	21,057
TOTAL COMPREHENSIVE INCOME - Net of tax		**P1,553,996**	P5,365,526
Attributable to:			
Equity holders of the Parent Company		**P1,559,478**	P5,344,357
Non-controlling interests		**(5,482)**	21,169
		P1,553,996	P5,365,526

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

Certified Correct:

PAUL BERNARD D. CAUSON
Chief Finance Officer / Authorized Signatory

ANNEX "A"

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

CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY
FOR THE PERIODS ENDED MARCH 31, 2024 AND 2023
(In Thousands)

		Equity Attributable to Equity Holders of the Parent Company											
						Equity Reserves							
	Note	Capital Stock	Additional Paid-in Capital	Senior Perpetual Capital Securities	Redeemable Perpetual Securities	Equity Reserves	Translation Reserves	Reserve for Retirement Plan	Hedging Reserve	Retained Earnings	Total	Non-controlling Interests	Total Equity
As at January 1, 2024 (Audited)		**P2,823,604**	**P48,081,781**	**P161,767,709**	**P102,546,825**	**(P3,827,112)**	**P914,958**	**(P107,000)**	**P -**	**P30,367,328**	**P342,568,093**	**P905,112**	**P343,473,205**
Net income (loss)		-	-	-	-	-	-	-	-	1,552,187	1,552,187	(5,482)	1,546,705
Other comprehensive income - net of tax		-	-	-	-	-	7,291	-	-	-	7,291	-	7,291
Total comprehensive income (loss)		-	-	-	-	-	7,291	-	-	1,552,187	1,559,478	(5,482)	1,553,996
Distributions to senior perpetual capital securities	*11*	-	-	-	-	-	-	-	-	(1,261,945)	(1,261,945)	-	(1,261,945)
As at March 31, 2024 (Unaudited)		**P2,823,604**	**P48,081,781**	**P161,767,709**	**P102,546,825**	**(P3,827,112)**	**P922,249**	**(P107,000)**	**P -**	**P30,657,570**	**P342,865,626**	**P899,630**	**P343,765,256**
As at January 1, 2023 (Audited)		P1,250,004	P2,490,000	P161,767,709	P51,934,069	(P2,378,421)	P917,966	(P67,266)	(P31,229)	P35,526,185	P251,409,017	P907,542	P252,316,559
Net income		-	-	-	-	-	-	-	-	5,323,300	5,323,300	21,169	5,344,469
Other comprehensive income (loss) - net of tax		-	-	-	-	-	(10,172)	-	31,229	-	21,057	-	21,057
Total comprehensive income (loss)		-	-	-	-	-	(10,172)	-	31,229	5,323,300	5,344,357	21,169	5,365,526
Issuance of redeemable perpetual securities	*11, 18*	-	-	-	27,378,113	-	-	-	-	-	27,378,113	-	27,378,113
Distributions to senior perpetual capital securities	*11*	-	-	-	-	-	-	-	-	(1,231,732)	(1,231,732)	-	(1,231,732)
Transactions with owners		-	-	-	27,378,113	-	-	-	-	(1,231,732)	26,146,381	-	26,146,381
As at March 31, 2023 (Unaudited)		P1,250,004	2,490,000	P161,767,709	P79,312,182	(P2,378,421)	P907,794	(P67,266)	P -	P39,617,753	P282,899,755	P928,711	P283,828,466

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

Certified Correct:

PAUL BERNARD D. CAUSON
Chief Finance Officer / Authorized Signatory

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

CONSOLIDATED STATEMENTS OF CASH FLOWS
FOR THE PERIODS ENDED MARCH 31, 2024 AND 2023
(In Thousands)

	Note	**2024 (Unaudited)**	2023 (Unaudited)
CASH FLOWS FROM OPERATING ACTIVITIES			
Income before income tax		**P2,692,013**	P7,023,245
Adjustments for:			
Interest expense and other financing charges	*5, 9*	**5,017,019**	4,397,810
Depreciation and amortization	*8, 13*	**3,211,195**	2,986,029
Unrealized foreign exchange losses (gains) - net		**1,507,575**	(5,461,862)
Retirement cost		**37,419**	35,499
Equity in net losses (earnings) of an associate and joint ventures - net		**22,868**	(164,270)
Loss on retirement of fixed assets	*8, 14*	**-**	63,435
Impairment loss on trade receivables	*7*	**-**	15,146
Reversal of allowance on trade receivables	*7*	**(5,081)**	(105,560)
Interest income	*6*	**(221,279)**	(366,533)
Operating income before working capital changes		**12,261,729**	8,422,939
Decrease (increase) in:			
Trade and other receivables - net		**796,044**	(972,042)
Inventories		**4,525,337**	3,957,659
Prepaid expenses and other current assets		**(1,681,892)**	6,365,086
Increase (decrease) in:			
Accounts payable and accrued expenses		**8,553,421**	1,017,917
Other noncurrent liabilities and others		**(151,353)**	(725,825)
Cash generated from operations		**24,303,286**	18,065,734
Interest income received		**169,544**	189,793
Income taxes paid		**(347,003)**	(109,540)
Interest expense and other finance charges paid		**(4,900,486)**	(4,862,472)
Net cash flows provided by operating activities		**19,225,341**	13,283,515
CASH FLOWS FROM INVESTING ACTIVITIES			
Decrease (increase) in other noncurrent assets		**50,188**	(3,662,486)
Additions to intangible assets		**(1,470)**	-
Additions to investments and advances		**(1,131,373)**	(804,413)
Advances paid to suppliers and contractors		**(1,186,164)**	(2,306,030)
Additions to property, plant and equipment	*8*	**(17,356,538)**	(10,028,739)
Net cash flows used in investing activities		**(19,625,357)**	(16,801,668)

Forward

	Note	2024 (Unaudited)	2023 (Unaudited)
CASH FLOWS FROM FINANCING ACTIVITIES			
Proceeds from short-term borrowings	*18*	**P29,172,000**	P28,000,000
Proceeds from long-term debts	*9, 18*	**12,000,000**	13,641,000
Proceeds from the issuance of redeemable perpetual securities	*11, 18*	**-**	27,378,113
Distributions paid to senior perpetual capital securities holders	*11*	**(1,261,945)**	(1,231,732)
Payments of long-term debts	*9, 18*	**(1,374,820)**	(36,576,358)
Payments of lease liabilities	*5, 18*	**(5,070,231)**	(4,652,729)
Payments of short-term borrowings	*18*	**(29,172,000)**	(28,000,000)
Net cash flows provided by (used in) financing activities		**4,293,004**	(1,441,706)
EFFECT OF EXCHANGE RATE CHANGES ON CASH AND CASH EQUIVALENTS		**26,089**	(108,410)
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS		**3,919,077**	(5,068,269)
CASH AND CASH EQUIVALENTS AT BEGINNING OF PERIOD		**31,659,442**	22,726,236
CASH AND CASH EQUIVALENTS AT END OF PERIOD	*6*	**P35,578,519**	P17,657,967

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

Certified Correct:

PAUL BERNARD D. CAUSON
Chief Finance Officer / Authorized Signatory

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

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

1. Reporting Entity

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

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

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

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

2. Summary of Material Accounting Policy Information

The interim consolidated financial statements have been prepared in accordance with Philippine Accounting Standard (PAS) 34, *Interim Financial Reporting,* and do not include all the information required in the annual consolidated financial statements and should be read in conjunction with the Group's audited consolidated financial statements as at December 31, 2023.

The consolidated financial statements were approved and authorized for issue in accordance with a resolution by the BOD on May 13, 2024.

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

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

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

Adoption of Amendments to Standards in 2024

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

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

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

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

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

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

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

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

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

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

New and Amendments to Standards Not Yet Adopted

A number of new and amended standards are effective for annual periods beginning after January 1, 2024 and have not been applied in preparing the interim consolidated financial statements.

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

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

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

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

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

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

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

  Originally, the amendments apply prospectively for annual periods beginning on or after January 1, 2016, with early adoption permitted. However, on January 13, 2016, the FSRSC decided to postpone the effective date 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.

3. Use of Judgments, Estimates and Assumptions

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

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

4. Segment Information

Operating Segments

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

Segment Assets and Liabilities

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

Inter-segment Transactions

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

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

Major Customers

The Group sells, retails and distributes power, through power supply agreements, retail supply contracts 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 WESM amounting to P7,894,317 for the period ended March 31, 2024, and to Manila Electric Company (Meralco) amounting to P18,589,837 and P14,843,962 for the periods ended March 31, 2024 and 2023, 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		Others		Eliminations		Consolidated	
	2024 (Unaudited)	2023 (Unaudited)	**2024 (Unaudited)**	2023 (Unaudited)	**2024 (Unaudited)**	2023 (Unaudited)	**2024 (Unaudited)**	2023 (Unaudited)	**2024 (Unaudited)**	2023 (Unaudited)
Revenues										
External	**P35,711,028**	P34,097,060	**P8,318,589**	P6,950,954	**P92,918**	P75,886	**P -**	P -	**P44,122,535**	P41,123,900
Inter-segment	**3,421,078**	5,625,326	**-**	-	**478,549**	415,041	**(3,899,627)**	(6,040,367)	**-**	-
	39,132,106	39,722,386	**8,318,589**	6,950,954	**571,467**	490,927	**(3,899,627)**	(6,040,367)	**44,122,535**	41,123,900
Costs and Expenses										
Cost of power sold	**31,399,065**	32,233,824	**5,463,435**	5,414,473	**332,991**	280,634	**(3,654,825)**	(5,834,950)	**33,540,666**	32,093,981
Selling and administrative expenses	**1,303,677**	1,152,709	**360,874**	276,368	**471,177**	373,688	**(394,416)**	(347,379)	**1,741,312**	1,455,386
	32,702,742	33,386,533	**5,824,309**	5,690,841	**804,168**	654,322	**(4,049,241)**	(6,182,329)	**35,281,978**	33,549,367
Segment Result	**P6,429,364**	P6,335,853	**P2,494,280**	P1,260,113	**(P232,701)**	(P163,395)	**P149,614**	P141,962	**P8,840,557**	P7,574,533
Interest expense and other financing charges									**(5,017,019)**	(4,397,810)
Interest income									**221,279**	366,533
Equity in net earnings (losses) of an associate and joint ventures - net									**(22,868)**	164,270
Other income (charges) - net									**(1,329,936)**	3,315,719
Income tax expense									**(1,145,308)**	(1,678,776)
Consolidated Net Income									**P1,546,705**	P5,344,469

	As at and For the Periods Ended									
	Power Generation		Retail and Other Power-related Services		Others		Eliminations		Consolidated	
	March 31, 2024 (Unaudited)	December 31, 2023 (Audited)	**March 31, 2024 (Unaudited)**	December 31, 2023 (Audited)	**March 31, 2024 (Unaudited)**	December 31, 2023 (Audited)	**March 31, 2024 (Unaudited)**	December 31, 2023 (Audited)	**March 31, 2024 (Unaudited)**	December 31, 2023 (Audited)
Other Information										
Segment assets	**P634,797,465**	P631,180,207	**P80,530,550**	P68,113,141	**P228,876,142**	P228,770,761	**(P224,955,656)**	(P226,767,401)	**P719,248,501**	P701,296,708
Investments and advances - net	**6,708,667**	6,743,719	**250,646**	238,462	**342,181,239**	337,895,026	**(337,078,999)**	(333,924,159)	**12,061,553**	10,953,048
Goodwill and other intangible assets - net									**71,684,024**	71,712,053
Deferred tax assets									**1,062,808**	973,481
Consolidated Total Assets									**P804,056,886**	P784,935,290
Segment liabilities	**P404,009,909**	P396,476,603	**P25,825,233**	P25,426,582	**P58,714,032**	P58,415,710	**(P321,320,084)**	(P319,133,185)	**P167,229,090**	P161,185,710
Long-term debt - net									**270,868,071**	258,769,473
Income tax payable									**344,840**	222,179
Deferred tax liabilities									**21,849,629**	21,284,723
Consolidated Total Liabilities									**P460,291,630**	P441,462,085
Capital expenditures	**P15,308,233**	P30,861,690	**P2,166,351**	P5,269,949	**P5,848**	P470,959	**(P123,894)**	(P423,623)	**P17,365,538**	P36,178,975
Depreciation and amortization of property, plant and equipment, right-of-use assets and intangible assets	**2,297,942**	10,013,006	**865,694**	2,085,463	**57,550**	239,660	**(9,991)**	(21,453)	**3,211,195**	12,316,676
Noncash items other than depreciation and amortization	**1,415,126**	(834,314)	**8,474**	103,221	**139,181**	(1,774,403)	**-**	-	**1,562,781**	(2,505,496)

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

5. Significant Agreements and Lease Commitments

Independent Power Producer (IPP) Administration (IPPA) Agreements

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

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

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

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

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

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

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

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

iv. for SPI and previously for SPPC, the right to receive an assignment of NPC's interest in existing short-term bilateral 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, SPI and SRHI have to pay PSALM monthly payments for 15 years until October 1, 2024 and 18 years until April 26, 2028, respectively, while SPPC had to pay for 12 years until June 26, 2022. Energy fees amounted to P301,846 and P362,472 for the periods ended March 31, 2024 and 2023, respectively (Note 13). SPI and SRHI renewed their performance bonds amounting to US$58,187 and US$20,305, which will expire on November 2, 2024 and January 25, 2025, 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 18).

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

	US Dollar	Philippine Peso
SPI	3.89%	8.16%
SRHI	3.30%	7.90%

The discount determined at inception of the agreement is amortized over the period of the IPPA Agreements and recognized as part of “Interest expense and other financing charges” account in the interim consolidated statements of income. Interest expense amounted to P439,063 and P701,294 for the periods ended March 31, 2024 and 2023, respectively.

The carrying amount of the power plants under the IPPA lease agreements with PSALM, presented under “Right-of-use assets” account in the interim consolidated statements of financial position, amounted to P94,652,161 and P95,544,860 as at March 31, 2024 and December 31, 2023, respectively.

The total cash outflows amounted to P5,442,451 and P5,302,039 for the periods ended March 31, 2024 and 2023, respectively.

Maturity analysis of lease payments as at March 31, 2024 and December 31, 2023 are disclosed in Note 16.

Power Supply Agreements (PSA)

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

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

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

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

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

6. Cash and Cash Equivalents

Cash and cash equivalents consist of:

	Note	**March 31, 2024 (Unaudited)**	December 31, 2023 (Audited)
Cash in banks and on hand		**P18,667,282**	P17,995,138
Short-term investments		**16,911,237**	13,664,304
	16, 17	**P35,578,519**	P31,659,442

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 P165,391 and P131,553 for the periods ended March 31, 2024 and 2023, respectively.

7. Trade and Other Receivables

Trade and other receivables consist of:

	Note	**March 31, 2024 (Unaudited)**	December 31, 2023 (Audited)
Trade		**P98,779,001**	P99,030,192
Non-trade		**11,282,855**	10,864,186
Amounts owed by related parties	*10*	**9,755,853**	9,747,252
		119,817,709	119,641,630
Less allowance for impairment losses		**2,652,337**	2,665,606
	16, 17	**117,165,372**	P116,976,024

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

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

	March 31, 2024 (Unaudited)	December 31, 2023 (Audited)
Balance at beginning of period	**P2,665,606**	P2,690,984
Impairment losses	**-**	60,714
Reversal	**(5,081)**	(107,363)
Revaluation	**(8,188)**	21,271
Balance at end of period	**P2,652,337**	P2,665,606

Impairment losses recognized in the interim consolidated statements of income under "Selling and administrative expenses" account amounted to nil and P15,146 for the periods ended March 31, 2024 and 2023, respectively.

In 2024 and 2023, certain trade and other receivables were collected and the related allowance for impairment losses recognized in prior years were reversed accordingly. Reversal of impairment losses on trade receivables recognized in the interim consolidated statements of income under "Selling and administrative expenses" account amounted to P5,081 and P105,560 for the periods ended March 31, 2024 and 2023, respectively.

8. Property, Plant and Equipment

Property, plant and equipment consist of:

March 31, 2024 and December 31, 2023

	Note	Power Plants	Land and Leasehold Improvements	Other Equipment	Building	Capital Projects in Progress	Total
Cost							
January 1, 2023 (Audited)		P185,180,286	P13,602,998	P6,755,514	P4,576,121	P122,263,696	P332,378,615
Additions		943,217	158,463	659,427	17,850	34,400,018	36,178,975
Acquisition of a subsidiary		-	448,499	-	-	-	448,499
Reclassifications		11,053,316	1,081,919	1,030,657	353,602	(6,735,945)	6,783,549
Retirement/disposal	*14*	(76,428)	-	(1,386)	-	-	(77,814)
Currency translation adjustments		-	(16)	(111)	-	-	(127)
December 31, 2023 (Audited)		197,100,391	15,291,863	8,444,101	4,947,573	149,927,769	375,711,697
Additions		487,617	26,818	18,859	12,306	16,810,938	17,356,538
Reclassifications		19,334,802	3,396,458	93,280	174,409	(21,876,272)	1,122,677
Currency translation adjustments		-	33	253	-	-	286
March 31, 2024 (Unaudited)		**216,922,810**	**18,715,172**	**8,556,493**	**5,134,288**	**144,862,435**	**394,191,198**
Accumulated Depreciation and Amortization							
January 1, 2023 (Audited)		24,937,107	859,765	1,534,754	424,499	-	27,756,125
Depreciation and amortization		7,473,007	280,656	538,847	132,069	-	8,424,579
Reclassifications		-	-	75,335	-	-	75,335
Retirement/disposal	*14*	(12,993)	-	(1,155)	-	-	(14,148)
Currency translation adjustments		-	(12)	(112)	-	-	(124)
December 31, 2023 (Audited)		32,397,121	1,140,409	2,147,669	556,568	-	36,241,767
Depreciation and amortization		1,994,258	82,502	143,093	36,026	-	2,255,879
Reclassifications		-	-	20,169	-	-	20,169
Currency translation adjustments		-	34	252	-	-	286
March 31, 2024 (Unaudited)		**34,391,379**	**1,222,945**	**2,311,183**	**592,594**	-	**38,518,101**
Accumulated Impairment Losses							
January 1, 2023 (Audited)		-	-	209,965	-	-	209,965
Impairment		-	-	34,991	-	-	34,991
December 31, 2023 (Audited) and March 31, 2024 (Unaudited)		-	-	**244,956**	-	-	**244,956**
Carrying Amount							
December 31, 2023 (Audited)		P164,703,270	P14,151,454	P6,051,476	P4,391,005	P149,927,769	P339,224,974
March 31, 2024 (Unaudited)		**P182,531,431**	**P17,492,227**	**P6,000,354**	**P4,541,694**	**P144,862,435**	**P355,428,141**

March 31, 2023

	Note	Power Plants	Land and Leasehold Improvements	Other Equipment	Building	CPIP	Total
Cost							
January 1, 2023 (Audited)		P185,180,286	P13,602,998	P6,755,514	P4,576,121	P122,263,696	P332,378,615
Additions		61,080	54,587	16,360	-	9,896,712	10,028,739
Reclassifications		969	738,218	318,972	4,774	2,804,048	3,866,981
Retirement/disposal	*14*	(76,428)	-	(1,386)	-	-	(77,814)
Currency translation adjustments		-	(57)	(403)	-	-	(460)
March 31, 2023 (Unaudited)		185,165,907	14,395,746	7,089,057	4,580,895	134,964,456	346,196,061
Accumulated Depreciation and Amortization							
January 1, 2023 (Audited)		24,937,107	859,765	1,534,754	424,499	-	27,756,125
Depreciation and amortization		1,807,460	54,477	122,058	31,707	-	2,015,702
Reclassifications		-	-	16,719	-		16,719
Retirement/disposal	*14*	(12,993)	-	(1,155)	-	-	(14,148)
Currency translation adjustments		-	(49)	(405)	-	-	(454)
March 31, 2023 (Unaudited)		26,731,574	914,193	1,671,971	456,206	-	29,773,944
Accumulated Impairment Losses							
January 1, 2023 (Audited) and March 31, 2023 (Unaudited)		-	-	209,965	-	-	209,965
Carrying Amount							
March 31, 2023 (Unaudited)		P158,434,333	P13,481,553	P5,207,121	P4,124,689	P134,964,456	P316,212,152

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

b. Capital Projects in Progress (CPIP) pertains to the following:

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

      On March 28, 2024, the commercial operations of Mariveles Greenfield Power Plant Unit 1 commenced following the completion of the testing and commissioning phase and the ERC issuance of a Provisional Authority to Operate in favor of MPGC for its Unit 1. Following the commercial operations, all related CPIP costs for Unit 1 were reclassified to the appropriate property, plant and equipment account.

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

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

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

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

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

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

   vi. Various construction works relating to the respective power plant facilities of LPI and Malita Power Inc. (MPI, formerly San Miguel Consolidated Power Corporation).

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

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

		March 31	
	Note	**2024 (Unaudited)**	2023 (Unaudited)
Cost of power sold	*13*	**P2,129,177**	P1,864,273
Selling and administrative expenses		**126,702**	151,429
		P2,255,879	P2,015,702

For the period ended March 31, 2024, reclassifications include transfers from capital projects in progress account to specific property, plant and equipment accounts and application of advances to contractors against progress billings for capital projects in progress.

As at March 31, 2024 and December 31, 2023, certain property, plant and equipment amounting to P175,779,424 and P164,918,759, respectively, are pledged as security for syndicated project finance loans (Note 9).

Certain fully depreciated property, plant and equipment with aggregate costs amounting to P6,052,717 and P6,030,538 as at March 31, 2024 and December 31, 2023, respectively, are still being used in the Group's operations.

9. Long-term Debt

Long-term debt consists of:

	Note	**March 31, 2024 (Unaudited)**	December 31, 2023 (Audited)
Bonds			
Parent Company			
Philippine Peso-denominated:			
Fixed interest rate of 5.9077%, 7.1051% and 8.0288% maturing in 2025, 2028 and 2032, respectively		**P39,581,844**	P39,559,871
Fixed interest rate of 7.1783% and 7.6000% maturing in April 2024 and 2026, respectively		**16,121,400**	16,110,820
Fixed interest rate of 6.2500% and 6.6250% maturing in 2024 and 2027, respectively		**10,060,179**	10,056,168
Fixed interest rate of 4.7575% and 5.1792% matured in 2023 and maturing in 2026, respectively		**4,741,552**	4,740,043
		70,504,975	70,466,902
Term Loans			
Parent Company			
Philippine Peso-denominated:			
Fixed interest rate with maturities up to April 2024		**14,098,077**	14,091,381
Fixed interest rate with maturities up to 2025		**4,857,337**	4,853,652
Fixed interest rate with maturities up to 2028		**7,442,296**	7,439,465
Foreign currency-denominated:			
Floating interest rate based on Secured Overnight Financing Rate (SOFR) plus margin, maturing in 2026		**16,703,049**	16,421,201
Floating interest rate based on SOFR plus margin, maturing in 2024		**11,195,698**	10,992,509
Floating interest rate based on SOFR plus margin, maturing in 2025		**5,580,216**	5,483,778
Floating interest rate based on SOFR plus margin, maturing in 2027		**16,532,844**	16,249,226
Floating interest rate based on SOFR plus margin, maturing in 2024		**5,591,806**	5,487,277
Floating interest rate based on SOFR plus margin, maturing in 2025		**2,771,443**	2,718,947

Forward

	Note	March 31, 2024 (Unaudited)	December 31, 2023 (Audited)
Subsidiaries			
Philippine Peso-denominated:			
Fixed interest rate with maturities up to 2029 (a)		**P31,755,596**	P32,497,049
Fixed interest rate with maturities up to 2030 (b)		**14,334,982**	14,643,247
Fixed interest rate with maturities up to 2033 (c)		**39,524,960**	27,537,755
Floating rate based on Bloomberg Valuation (BVAL) plus margin, maturing in 2030 (d)		**6,903,589**	7,187,581
Foreign currency-denominated:			
Fixed interest rate with maturities up to 2023 and 2030		**17,358,334**	17,078,674
Floating interest rate based on SOFR plus margin, with maturities up to 2023 and 2030		**5,712,869**	5,620,829
		200,363,096	188,302,571
	16, 17	**270,868,071**	258,769,473
Less current maturities		**55,345,810**	54,124,645
		P215,522,261	P204,644,828

a. On March 27, 2024, LPI made partial payments amounting to P759,500 of its P44,000,000, 12-year term loan, pursuant to the terms and conditions of its Omnibus Loan and Security Agreement (OLSA) with a syndicate of local banks.

b. On February 17, 2024, MPI made partial payments amounting to P324,186 of its P21,300,000, 12-year term loan, pursuant to the terms and conditions of its OLSA with a syndicate of local banks.

   The loan includes amount payable to Bank of Commerce (BOC), an associate of entities under common control, amounting to P2,177,600 and P2,226,304 as at March 31, 2024 and December 31, 2023, respectively (Note 10).

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

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

   The loan includes the P5,800,000 and P4,060,000 amount payable to BOC as at March 31, 2024 and December 31, 2023, respectively (Note 10).

d. On January 25, 2024, MPCL made principal repayments amounting to P291,134 pursuant to the terms and conditions of its Amended ORA.

   The loan includes the P4,213,614 and P4,389,181 amount payable to BOC as at March 31, 2024 and December 31, 2023, respectively (Note 10).

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

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

Unamortized debt issue costs amounted to P2,484,882 and P2,684,515 as at March 31, 2024 and December 31, 2023, respectively. Accrued interest amounted to P2,318,437 and P1,397,801 as at March 31, 2024 and December 31, 2023, respectively. Interest expense amounted to P4,001,784 and P3,173,325 for the periods ended March 31, 2024 and 2023, respectively.

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

The fair value of the Bonds, amounting to P72,931,726 and P73,529,065 as at March 31, 2024 and December 31, 2023, respectively, has been categorized as Level 1 in the fair value hierarchy based on the inputs used in the valuation techniques (Note 17).

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

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

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

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

The movements in debt issue costs are as follows:

	March 31, 2024 (Unaudited)	December 31, 2023 (Audited)
Balance at beginning of period	**P2,684,515**	P2,713,968
Additions	**27,808**	822,522
Capitalized amount	**(576)**	(2,279)
Amortization	**(226,865)**	(849,696)
Balance at end of period	**P2,484,882**	P2,684,515

Repayment Schedule

The annual maturities of the long-term debts as at March 31, 2024 are as follows:

	Gross Amount				
Year	**US Dollar**	**Peso Equivalent of US Dollar**	**Peso**	**Debt Issue Costs**	**Net**
April 1, 2024 to March 31, 2025	US$331,920	P18,667,181	P36,910,078	P231,449	P55,345,810
April 1, 2025 to March 31, 2026	483,390	27,185,853	17,605,018	511,470	44,279,401
April 1, 2026 to March 31, 2027	34,912	1,963,480	19,719,761	237,373	21,445,868
April 1, 2027 to March 31, 2028	336,488	18,924,057	11,970,371	531,700	30,362,728
April 1, 2028 to March 31, 2029	38,168	2,146,540	41,821,351	475,933	43,491,958
April 1, 2029 and thereafter	239,242	13,454,998	62,984,265	496,957	75,942,306
	US$1,464,120	**P82,342,109**	**P191,010,844**	**P2,484,882**	**P270,868,071**

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 16.

10. Related Party Disclosures

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

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

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

	Year	Revenues from Related Parties	Purchases from Related Parties	Amounts Owed by Related Parties	Amounts Owed to Related Parties	Terms	Conditions
SMC	**2024**	**P129,670**	**P192,709**	**P89,028**	**P3,305,023**	On demand or 30 days;	Unsecured;
	2023	614,221	1,638,795	135,791	2,152,547	non-interest bearing	no impairment
Entities under Common Control	**2024**	**1,811,613**	**1,251,008**	**2,120,037**	**11,380,484**	On demand or 30 days;	Unsecured;
	2023	9,261,195	3,848,749	1,620,198	10,737,315	non-interest bearing	no impairment
	2024	**-**	**-**	**12,010,491**	**-**	Installment basis up to	Unsecured;
	2023	-	-	12,010,491	-	2026; interest bearing	no impairment
Associate	**2024**	**317,412**	**-**	**749,187**	**28,101**	On demand or 30 days;	Unsecured;
	2023	1,944,182	-	889,255	28,101	non-interest bearing	no impairment
	2024	**701**	**-**	**39,116**	**-**	9 years;	Unsecured;
	2023	4,208	-	51,053	-	interest bearing	no impairment
Joint Venture	**2024**	**8,258**	**-**	**16,904**	**-**	30 days;	Unsecured;
	2023	32,707	-	13,126	-	non-interest bearing	no impairment
	2024	**1,442**	**-**	**164,333**	**-**	92 days;	Unsecured;
	2023	5,673	-	167,404	-	interest bearing	no impairment
	2024	**18,630**	**-**	**1,509,867**	**-**	10.5 years	Unsecured;
	2023	71,378	-	1,491,796	-	interest bearing	no impairment
Associate and Joint Ventures	**2024**	**-**	**-**	**481**	**1,157**	30 days;	Unsecured;
of Entities under Common Control	2023	9,828	-	481	1,157	non-interest bearing	no impairment
	2024	**-**	**217,077**	**-**	**12,321,811**	7 to 12 years;	Secured
	2023	-	590,527	-	10,805,681	interest bearing	
	2024	**P2,287,726**	**P1,660,794**	**P16,699,444**	**P27,036,576**		
	2023	P11,943,392	P6,078,071	P16,379,595	P23,724,801		

a. Amounts owed by related parties consist of trade and non-trade receivables, receivables pertaining to the sale of certain parcels of land and investments in 2022, included as part of "Trade and other receivables" and "Other noncurrent assets" accounts in the interim consolidated statements of financial position, prepayments for rent and insurance, and security deposits (Note 7).

b. Amounts owed to related parties consist of trade and non-trade payables including management fees, purchases of fuel, reimbursement of expenses, rent, insurance, services rendered, customers' deposits and subscriptions payable to Olongapo Electricity Distribution Company, Inc. (OEDC). As at March 31, 2024 and December 31, 2023, amounts owed to related parties for the lease of office space and parcels of land presented as part of "Lease liabilities - current portion" and "Lease liabilities - net of current portion" amounted to P7,485,345 and P7,401,488, respectively.

c. Amounts owed by an associate mainly consist of interest bearing loan granted to OEDC included as part of "Trade and other receivables" and "Other noncurrent assets" accounts in the interim consolidated statements of financial position (Note 7).

d. Amounts owed by a joint venture consists of interest bearing loans granted and management fees charged to Angat Hydropower Corporation by PowerOne Ventures Energy Inc. included as part of "Trade and other receivables" and "Other noncurrent assets" accounts in the interim consolidated statements of financial position (Note 7).

e. Amounts owed to an associate and joint venture of entities under common control pertains to an interest-bearing long-term loan of MPI, MPCL and SMGP BESS to BOC, included as part of "Long-term debt" account in the interim consolidated statements of financial position (Note 9). The loan is secured by certain property, plant and equipment as at March 31, 2024 and December 31, 2023 (Note 8).

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

	March 31, 2024 (Unaudited)	December 31, 2023 (Audited)
Short-term employee benefits	**P50,646**	P129,041
Retirement cost	**3,097**	17,523
	P53,743	P146,564

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

11. Capital Stock, Issuance of Capital Securities and Distributions

Capital Stock

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

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

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

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

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

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

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

Issuances of Redeemable Perpetual Securities (RPS)
On March 10, 2023, the Parent Company issued a US$500,000 RPS at an issue price of 100% (equivalent to P27,378,112, net of directly attributable transaction costs) in favor of SMC.

On April 19, 2024, the Parent Company issued an US$800,000 RPS at an issue price of 100% in favor of a foreign financial institution.

The RPS are direct unconditional, unsecured and subordinated capital securities with no fixed redemption date. The holder shall have the right to receive distributions at a prescribed rate per annum, payable pursuant to the terms of the agreement. The Parent Company has a right to defer this distribution under certain conditions.

The proceeds from the issuances were used for general corporate purposes, including capital expenditures, and refinancing of maturing obligations.

Distributions to Senior Perpetual Capital Securities (SPCS) Holders
The Parent Company paid P1,261,945 and P1,231,732 to the SPCS holders in 2024 and 2023, respectively, as distributions in accordance with the terms and conditions of the relevant subscription agreements.

In April 2024, the Parent Company paid distributions amounting to US$25,337 and US$25,453 to holders of SPCS issued in October and December 2020, and April and July 2019, respectively.

12. Revenues

Revenues consist of:

		March 31	
	Note	**2024 (Unaudited)**	2023 (Unaudited)
Sale of power:			
Power generation and trading		**P35,711,028**	P34,097,060
Retail and other power-related services		**8,318,589**	6,950,954
Other services		**92,918**	75,886
	4, 10	**P44,122,535**	P41,123,900

Revenues from other services mainly pertain to operations and maintenance services provided by a subsidiary to an entity under common control (Note 10).

13. Cost of Power Sold

Cost of power sold consist of:

		March 31	
	Note	**2024 (Unaudited)**	2023 (Unaudited)
Coal, fuel oil and other consumables	*10*	**P22,527,965**	P22,085,916
Power purchases		**6,272,327**	5,472,864
Depreciation and amortization	*8*	**3,036,082**	2,789,353
Plant operations and maintenance, and other fees		**1,402,446**	1,383,376
Energy fees	*5*	**301,846**	362,472
	4	**P33,540,666**	P32,093,981

14. Other Income (Charges) - net

Other income (charges) consist of:

		March 31	
	Note	**2024 (Unaudited)**	2023 (Unaudited)
Marked-to-market gain (loss) on derivatives	*17*	**P97,230**	(P445,495)
Foreign exchange gains (losses) - net	*16*	**(1,435,618)**	3,695,095
Miscellaneous income	*8*	**8,452**	66,119
		(P1,329,936)	P3,315,719

15. Basic and Diluted Loss Per Share

Basic and diluted loss per share is computed as follows:

	March 31	
	2024 (Unaudited)	2023 (Unaudited)
Net income attributable to equity holders of the Parent Company	**P1,552,187**	P5,323,300
Distributions for the period to:		
RPS holder	**(1,929,377)**	(1,038,538)
SPCS holders	**(3,784,561)**	(3,750,049)
Net income (loss) attributable to common shareholders of the Parent Company(a)	**(4,161,751)**	534,713
Weighted average number of common shares outstanding (in thousands) (b)	**2,823,604**	1,250,004
Basic/Diluted Earnings (Loss) Per Share (a/b)	**(P1.47)**	P0.43

As at March 31, 2024 and 2023, the Parent Company has no dilutive debt or equity instruments.

The basic/diluted loss per common share resulted mainly from the impact of foreign exchange losses in 2024 and interest costs and other financing charges in 2024 and 2023 (including distributions to perpetual capital securities) for the Group's various financing activities. These were undertaken to fund the ongoing construction of several power plant expansion projects intended to significantly increase the capacities and modernize the existing power generation portfolio of the Group. These expansion projects, including, among others, the ~1,000 MW BESS facilities, 4 x 150 MW Mariveles Greenfield Power Plant, 2 x 350 MW Masinloc Power Plant Units 4 and 5, and the 1,320 MW BCCPP, are expected to go into commercial operations in 2024 up to 2026 (Note 8). These projects are expected to be contracted to creditworthy offtakers such as Meralco and the National Grid Corporation of the Philippines, and should contribute significantly to the profitability of the Group following their commercial operations in the coming years.

16. Financial Risk and Capital Management Objectives and Policies

Objectives and Policies

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

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

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

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

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

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

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

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

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

Liquidity Risk

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

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

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

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

March 31, 2024 (Unaudited)	**Carrying Amount**	**Contractual Cash Flow**	**1 Year or Less**	**>1 Year - 2 Years**	**>2 Years - 5 Years**	**Over 5 Years**
Financial Assets						
Cash and cash equivalents	**P35,578,519**	**P35,578,519**	**P35,578,519**	**P -**	**P -**	**P -**
Trade and other receivables - net*	**110,040,921**	**110,040,921**	**110,040,921**	**-**	**-**	**-**
Derivative asset not designated as cash flow hedge (included under "Prepaid expenses and other current assets" account)	**59,825**	**59,825**	**59,825**	**-**	**-**	**-**
Noncurrent receivables (included under "Other noncurrent assets" account; including current portion)	**17,596,188**	**18,461,284**	**6,933,590**	**1,559,423**	**7,200,544**	**2,767,727**
Restricted cash (included under "Prepaid expenses and other current assets" and "Other noncurrent assets" accounts)	**6,306,614**	**6,306,614**	**2,311,586**	**2,779,557**	**20**	**1,215,451**
Financial Liabilities						
Loans payable	**13,736,000**	**13,891,604**	**13,891,604**	**-**	**-**	**-**
Accounts payable and accrued expenses*	**87,651,462**	**87,651,462**	**87,651,462**	**-**	**-**	**-**
Long-term debt - net (including current maturities)	**270,868,071**	**347,623,492**	**73,318,753**	**59,851,904**	**125,967,533**	**88,485,302**
Lease liabilities (including current portion)	**38,148,329**	**43,239,931**	**14,840,591**	**5,122,373**	**13,602,203**	**9,674,764**
Other noncurrent liabilities	**3,821,773**	**3,821,773**	**-**	**3,697,190**	**-**	**124,583**

**Excluding statutory receivables and payables*

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

**Excluding statutory receivables and payables.*

Credit Risk

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

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

Trade and Other Receivables

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

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

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

	Note	March 31, 2024 (Unaudited)	December 31, 2023 (Audited)
Cash and cash equivalents (excluding cash on hand)	6	**P35,576,643**	P31,657,566
Trade and other receivables - net*	7	**110,040,921**	110,097,787
Derivative assets not designated as cash flow hedge		**59,825**	-
Noncurrent receivables		**17,596,188**	17,579,941
Restricted cash		**6,306,614**	6,271,296
		P169,580,191	P165,606,590

Excluding statutory receivables

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

	Financial Assets at Amortized Cost				
March 31, 2024 (Unaudited)	**12-month ECL**	**Lifetime ECL - not credit impaired**	**Lifetime ECL - credit impaired**	**Financial Assets at FVPL**	**Total**
Cash and cash equivalents (excluding cash on hand)	**P35,576,643**	**P -**	**P -**	**P -**	**P35,576,643**
Trade and other receivables	**-**	**110,040,921**	**2,652,337**	**-**	**112,693,258**
Derivative assets not designated as cash flow hedge	**-**	**-**	**-**	**59,825**	**59,825**
Noncurrent receivables (including current portion)	**-**	**17,596,188**	**-**	**-**	**17,596,188**
Restricted cash	**6,306,614**	**-**	**-**	**-**	**6,306,614**
	P41,883,257	**P127,637,109**	**P2,652,337**	**P59,825**	**P172,232,528**

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

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

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

	March 31, 2024 (Unaudited)				December 31, 2023 (Audited)			
	Trade	**Non-trade**	**Amounts Owed by Related Parties**	**Total**	Trade	Non-trade	Amounts Owed by Related Parties	Total
Current	**P54,997,879**	**P2,338,985**	**P2,803,143**	**P60,140,007**	P53,461,204	P191,806	P2,578,385	P56,231,395
Past due:								
1 - 30 days	**7,380,407**	**133,643**	**506,048**	**8,020,098**	9,651,743	1,917,500	373,966	11,943,209
31 - 60 days	**1,887,094**	**222,781**	**57,475**	**2,167,350**	2,450,433	116,941	46,397	2,613,771
61 - 90 days	**1,785,997**	**157,105**	**1,573**	**1,944,675**	2,367,521	585,819	11,407	2,964,747
Over 90 days	**32,485,755**	**7,637,957**	**297,416**	**40,421,128**	31,098,973	7,264,399	646,899	39,010,271
	P98,537,132	**P10,490,471**	**P3,665,655**	**P112,693,258**	P99,029,874	P10,076,465	P3,657,054	P112,763,393

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

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

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

The Group has significant concentration of credit risk. Sale of power to Meralco accounts for 42% and 36% of the Group's total revenues for the periods ended March 31, 2024 and 2023, respectively.

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

Interest Rate Risk

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

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

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

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

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

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

March 31, 2024 (Unaudited)	**< 1 Year**	**1-2 Years**	**>2-3 Years**	**>3-4 Years**	**>4-5 Years**	**>5 Years**	**Total**
Fixed Rate							
Philippine Peso-denominated	**P35,745,544**	**P16,440,484**	**P18,555,227**	**P10,805,837**	**P40,656,817**	**P61,819,731**	**P184,023,640**
Interest rate	5.0000% to 8.2443%	5.0000% to 8.2443%	5.1792% to 8.2443%	6.2836% to 8.2443%	6.2836% to 8.5411%	6.2836% to 8.2443%	
Foreign currency-denominated (expressed in Philippine Peso)	**1,350,660**	**1,412,861**	**1,477,284**	**1,543,929**	**1,615,016**	**10,123,284**	**17,523,034**
Interest rate	8.3310%	8.3310%	8.3310%	8.3310%	8.3310%	8.3310%	
Floating Rate							
Philippine Peso-denominated	**1,164,534**	**1,164,534**	**1,164,534**	**1,164,534**	**1,164,534**	**1,164,534**	**6,987,204**
Interest rate	**BVAL + Margin**	**BVAL + Margin**	**BVAL + Margin**	**BVAL + Margin**	**BVAL + Margin**	**BVAL + Margin**	
Foreign currency-denominated (expressed in Philippine Peso)	**17,316,521**	**25,772,992**	**486,196**	**17,380,128**	**531,524**	**3,331,714**	**64,819,075**
Interest rate	**SOFR + Margin**	**SOFR + Margin**	**SOFR + Margin**	**SOFR + Margin**	**SOFR + Margin**	**SOFR + Margin**	
	P55,577,259	**P44,790,871**	**P21,683,241**	**P30,894,428**	**P43,967,891**	**P76,439,263**	**P273,352,953**

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

The sensitivity to a reasonably possible 1% increase in the interest rates, with all other variables held constant, would have decreased the Group's profit before tax (through the impact on floating rate borrowings) by P179,516 and P710,947 for the period ended March 31, 2024 and for the year ended December 31, 2023, respectively. A 1% decrease in the interest rate would have had the equal but opposite effect. These changes are considered to be reasonably possible given the observation of prevailing market conditions in those periods. There is no impact on the Group's other comprehensive income.

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

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

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

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

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

- changes in the timing of the hedged transactions.

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

		March 31, 2024 (Unaudited)		December 31, 2023 (Audited)	
	Note	**US Dollar**	**Peso Equivalent**	US Dollar	Peso Equivalent
Assets					
Cash and cash equivalents	*6*	**US$60,009**	**P3,374,918**	US$69,461	P3,846,070
Trade and other receivables	*7*	**162,735**	**9,152,236**	163,818	9,070,599
Noncurrent receivables		**32,786**	**1,843,902**	31,181	1,726,513
		255,530	**14,371,056**	264,460	14,643,182
Liabilities					
Accounts payable and accrued expenses		**1,088,498**	**61,217,153**	930,718	51,533,841
Long-term debt (including current maturities)	*9*	**1,464,120**	**82,342,109**	1,464,120	81,068,325
Lease liabilities (including current portion)	*5*	**300,245**	**16,885,806**	341,414	18,904,090
		2,852,863	**160,445,068**	2,736,252	151,506,256
Net Foreign Currency-denominated Monetary Liabilities		**US$2,597,333**	**P146,074,012**	US$2,471,792	P136,863,074

The Group reported net gains (losses) on foreign exchange amounting to (P1,435,618) and P3,695,095 for the periods ended March 31, 2024 and 2023, respectively, with the translation of its foreign currency-denominated assets and liabilities (Note 14).

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, 2024	**P56.240**
December 31, 2023	55.370
March 31, 2023	54.360
December 31, 2022	55.755

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

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

	P1 Decrease in the US Dollar Exchange Rate		**P1 Increase in the US Dollar Exchange Rate**	
March 31, 2024 (Unaudited)	**Effect on Income before Income Tax**	**Effect on Equity**	**Effect on Income before Income Tax**	**Effect on Equity**
Cash and cash equivalents	**(P56,592)**	**(P52,961)**	**P56,592**	**P52,961**
Trade and other receivables	**(162,332)**	**(122,583)**	**162,332**	**122,583**
Noncurrent receivables	**(32,786)**	**(24,590)**	**32,786**	**24,590**
	(251,710)	**(200,134)**	**251,710**	**200,134**
Accounts payable and accrued expenses	**1,087,310**	**824,624**	**(1,087,310)**	**(824,624)**
Long-term debt (including current maturities)	**1,464,120**	**1,339,590**	**(1,464,120)**	**(1,339,590)**
Lease liabilities (including current portion)	**300,245**	**225,184**	**(300,245)**	**(225,184)**
	2,851,675	**2,389,398**	**(2,851,675)**	**(2,389,398)**
	P2,599,965	**P2,189,264**	**(P2,599,965)**	**(P2,189,264)**

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

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

Capital Management

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

The Group manages its capital structure and makes adjustments in the light of changes in economic conditions. To maintain or adjust the capital structure, the Group may adjust the dividend payment to shareholders, distribution payment, pay-off existing debts, return capital to shareholders or issue new shares, subject to compliance with certain covenants of its long-term debts, SPCS and RPS (Notes 9 and 11).

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

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

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

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

17. 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, 2024 (Unaudited)		December 31, 2023 (Audited)	
	Carrying Amount	**Fair Value**	Carrying Amount	Fair Value
Financial Assets				
Cash and cash equivalents	**P35,578,519**	**P35,578,519**	P31,659,442	P31,659,442
Trade and other receivables - net*	**110,040,921**	**110,040,921**	110,097,787	110,097,787
Derivative assets not designated as cash flow hedge (included under "Prepaid expenses and other current assets" account)	**59,825**	**59,825**	-	-
Noncurrent receivables (included under "Other noncurrent assets" account; including current portion)	**17,596,188**	**17,596,188**	17,579,941	17,579,941
Restricted cash (included under "Prepaid expenses and other current assets" and "Other noncurrent assets" accounts)	**6,306,614**	**6,306,614**	6,271,296	6,271,296
	P169,582,067	**P169,582,067**	P165,608,466	P165,608,466
Financial Liabilities				
Loans payable	**P13,736,000**	**P13,736,000**	P13,736,000	P13,736,000
Accounts payable and accrued expenses*	**87,651,462**	**87,651,462**	76,073,208	76,073,208
Derivative liabilities not designated as cash flow hedge (included under "Accounts payable and accrued expenses" account)	-	-	13,925	13,925
Long-term debt - net (including current maturities)	**270,868,071**	**296,068,503**	258,769,473	272,270,702
Lease liabilities (including current portion)	**38,148,329**	**38,148,329**	42,787,300	42,787,300
Other noncurrent liabilities (including current portions of Concession liability and Premium on option liabilities)	**3,821,773**	**3,821,773**	3,959,302	3,959,302
	P414,225,635	**P439,426,067**	P395,339,208	P408,840,437

**Excluding statutory receivables and payables*

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

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

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

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

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

Long-term Debt and Other Noncurrent Liabilities. The fair value of interest-bearing fixed-rate loans is based on the discounted value of expected future cash flows using the applicable market rates for similar types of instruments as at reporting date. Discount rates used for Philippine Peso-denominated loans range from 5.66% to 6.24% and 5.08% to 6.00% as at March 31, 2024 and December 31, 2023, respectively. Discount rates used for foreign currency-denominated loans range from 4.20% to 5.33% and 3.85% to 5.27% as at March 31, 2024 and December 31, 2023, respectively. The carrying amounts of floating rate loans with quarterly interest rate repricing approximate their fair values.

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

Derivative Financial Instruments

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

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

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

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

Currency Forwards
The Group entered into short-term foreign currency forward contracts with aggregate notional amount of US$100,000 and US$65,000 as at March 31, 2024 and December 31, 2023, respectively. As at March 31, 2024, the positive fair value of these currency forwards, included under "Prepaid expenses and other current assets" amounted to P59,825. As at December 31, 2023, the negative fair value of these currency forwards included under "Accounts payable and accrued expenses" amounted to P13,925.

The Group recognized marked-to-market gains (losses) from freestanding derivatives amounting to P97,230 and (P445,495) for the periods ended March 31, 2024 and 2023, respectively (Note 14).

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

	March 31, 2024 (Unaudited)	December 31, 2023 (Audited)
Balance at beginning of period	**(P13,925)**	P246,375
Net change in fair value of derivatives:		
Not designated as accounting hedge	**97,230**	(875,946)
Designated as accounting hedge	**-**	(7,238)
	83,305	(636,809)
Less fair value of settled instruments	**23,480**	(622,884)
Balance at end of period	**P59,825**	(P13,925)

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

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

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

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

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

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

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

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

18. 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*

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

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

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

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

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

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

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

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

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

With this, the relevant subsidiaries namely, SPPC, MPCL and SPI intend to discuss with Meralco the implementation of the SC Decision. SPPC, MPCL and SPI have aggregate outstanding receivables from Meralco estimated at P1,275,985 included under “Trade and other receivables” account in the interim consolidated statements of financial position as at March 31, 2024 and December 31, 2023.

ii. *ERC Order Voiding WESM Prices*

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

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

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

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

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

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

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

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

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

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

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

iii. *Generation Payments to PSALM*

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

After moving for an extension of time, on November 26, 2022, PSALM filed a Petition for Review on Certiorari with the SC, appealing the May 30, 2022 CA Decision and October 3, 2022 CA Resolution. The petition for review has been docketed as G. R. No. 263774. On January 25, 2023, the SC denied the petition for failure to show any reversible error in the May 30, 2022 CA Decision and October 3, 2022 CA Resolution as to warrant the exercise of the SC of its discretionary appellate jurisdiction. PSALM has filed a Motion for Reconsideration. SPPC has not yet received a directive to file a Comment.

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

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

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

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

SPPC presented its first witness on July 29, 2022, and its second witness on November 11, 2022. Comparison and pre-marking of documents were conducted on January 20, 2023. Trial resumed on January 26, 2024 and March 15, 2024 where SPPC presented its second witness. for the cross-examination of SPPC's second witness. Pre-marking of SPPC's additional exhibits was held on 5 April 2024. Pre-marking of PSALM's additional exhibits will be held on 17 May 2024. No additional trial dates have been scheduled because the presiding judge will retire in June 2024.

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

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

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

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

iv. Criminal Cases

SPPC

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

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

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

SPI

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

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

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

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

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

v. Civil Cases

SPI

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

On June 6, 2022, SPI, TPEC and TSC filed a Joint Motion to Dismiss the ERC complaint. SPI received the Order from the ERC on June 22, 2022, asking the parties to submit a copy of the settlement agreement within 5 days from receipt of such order. TPEC, TSC and SPI filed with the ERC a Compliance and Submission attaching the settlement agreement on June 28, 2022.

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

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

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

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

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

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

In a Resolution dated November 23, 2022, the 14th Division of the CA granted SPPC's application for a 60-day TRO, conditioned upon the posting of a bond in the amount of P50,000,000.00 (the "TRO Bond"). SPPC's prayer for the issuance of a writ of preliminary injunction was held in abeyance pending receipt of respondents' comments.

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

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

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

Following the hearing on the application for preliminary injunction held on January 11, 2023, the 13th Division of the CA issued on January 25, 2023, a resolution granting SPPC's application for the issuance of a writ of preliminary injunction conditioned upon the posting by SPPC of a bond in the amount of P100,000,000.00 (the "Preliminary Injunction Bond"). The CA likewise directed Respondents ERC, Meralco and NASECORE to file their respective comment on the SPPC CA Petition and allowed SPPC to file a reply within 5 days from receipt of the Respondents' comment. The ERC and Meralco filed motions for reconsideration of the CA's Resolution dated January 25, 2023.

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

The CA likewise noted SPI's Motion for Partial Reconsideration (for the CA to partially reverse and set aside the Resolution dated January 13, 2023 and issue a writ of preliminary injunction) filed on February 10, 2023. Respondents were directed to file their comment on SPI's Motion for Partial Reconsideration within an unextendible period of 10 days from notice. The case (together with the SPPC Petition) will be submitted for decision after Respondents file their respective comment on SPI's Motion for Partial Reconsideration or after the expiration of the given period if no comment is filed.

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

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

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

On July 10, 2023, SPI received the CA's Joint Decision dated June 27, 2023 which granted the consolidated petitions of SPPC and SPI. The CA: (i) annulled and set aside the September 29, 2022 ERC Orders for having been issued with grave abuse of discretion; (ii) granted the Joint Motions for Price Adjustment with Provisional Authority and/or Interim Relief in ERC Case Nos. 2019-081 and 2019-083, without prejudice to any further requests for price adjustments for June 2022 onwards (for SPPC, from June 2022 to January 25, 2023 [date of writ of preliminary injunction] and for SPI, from June 2022 to the date of the finality of the Joint Decision); and (iii) denied SPI's Motion for Partial Reconsideration of the January 13, 2023 CA Resolution and its application for the issuance of a writ of preliminary injunction for being moot and academic.
On July 31, 2023, SPI, through its external counsel, received a copy of the ERC's Consolidated Motion for Reconsideration of the CA's Joint Decision dated June 27, 2023.

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

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

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

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

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

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

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

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

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

The transaction is subject to customary closing conditions and regulatory approvals, including the review and approval of the Philippine Competition Commission. As of date, Top Frontier is currently in the process of preparing filings with the relevant regulatory agencies in relation to the joint investment by the Parent Company and CGHI.

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

	Loans Payable	Long-term Debt	Lease Liabilities	Total
Balances as at January 1, 2024 (Audited)	**P13,736,000**	**P258,769,473**	**P42,787,300**	**P315,292,773**
Changes from Financing Activities				
Proceeds from borrowings	**29,172,000**	**12,000,000**	**-**	**41,172,000**
Payments of borrowings	**(29,172,000)**	**(1,374,820)**		**(30,546,820)**
Payments of lease liabilities	**-**	**-**	**(5,070,231)**	**(5,070,231)**
Total Changes from Financing Activities	**-**	**10,625,180**	**(5,070,231)**	**5,554,949**
Effect of Changes in Foreign Exchange Rates	**-**	**1,273,784**	**281,935**	**1,555,719**
Other Changes	**-**	**199,634**	**149,325**	**348,959**
Balance as at March 31, 2024 (Unaudited)	**P13,736,000**	**P270,868,071**	**P38,148,329**	**P322,752,400**

	Loans Payable	Long-term Debt	Lease Liabilities	SPCS	RPS	Total
Balance as at January 1, 2023 (Audited)	P21,000,000	P272,152,624	P59,958,110	P161,767,709	P51,934,069	P566,812,512
Changes from Financing Activities						
Proceeds from borrowings	28,000,000	13,641,000	-	-	-	41,641,000
Proceeds from issuance of RPS	-	-	-	-	27,378,113	27,378,113
Payments of borrowings	(28,000,000)	(36,576,358)	-	-	-	(64,576,358)
Payments of lease liabilities	-	-	(4,652,729)	-	-	(4,652,729)
Total Changes from Financing Activities	-	(22,935,358)	(4,652,729)	-	27,378,113	(209,974)
Effect of Changes in Foreign Exchange Rates	-	(2,566,494)	(713,650)	-	-	(3,280,144)
Other Changes	-	21,743	2,221,690	-	-	2,243,433
Balance as at March 31, 2023 (Unaudited)	P21,000,000	P246,672,515	P56,813,421	P161,767,709	P79,312,182	P565,565,827

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

d. Commitments
The outstanding purchase commitments of the Group amounted to P95,914,995 and P104,803,997 as at March 31, 2024 and December 31, 2023, respectively.

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

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

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

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

San Miguel Global Power
Giving You the Power to Celebrate Life

San Miguel Global Power Holdings Corp.

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

INTRODUCTION

This discussion summarizes the significant factors affecting the consolidated financial performance, financial position and cash flows of San Miguel Global Power Holdings Corp.[1] ("San Miguel Global Power" or "Parent Company") and its subsidiaries (collectively referred to as the "Group") for the three-year period ended December 31, 2023. The following discussion should be read in conjunction with the attached audited consolidated statements of financial position of the Group as at December 31, 2023 and 2022, 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, 2023. All necessary adjustments to present fairly the Group's consolidated financial position as at December 31, 2023 and the financial performance and cash flows for the year ended December 31, 2023, and for all the other periods presented, have been made.

The financial information appearing in this report is presented in Philippine Peso, which is the functional currency of the Parent Company. All financial information are rounded off to the nearest million (P000,000), except when otherwise indicated.

I. FINANCIAL PERFORMANCE

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

	Years Ended December 31		
(In Millions)	**2023**	2022	2021
Revenues	**P169,590**	P221,389	P133,710
Cost of power sold	**(130,992)**	(198,371)	(92,161)
Selling and administrative expenses	**(6,166)**	(5,740)	(4,915)
Other operating income	**94**	11,608	207
Operating income	**32,526**	28,886	36,841
Interest expense and other financing charges - net	**(18,478)**	(18,288)	(18,269)
Interest income	**749**	1,211	617
Equity in net losses of an associate and joint ventures	**(272)**	(400)	(117)
Other income (charges)	**538**	(7,240)	(1,194)
Income before income tax	**15,063**	4,169	17,878
Income tax expense	**(5,160)**	(1,035)	(1,900)
Net income	**9,903**	3,134	15,978

[1] On March 22, 2023, the Philippine Securities and Exchange Commission (SEC) approved the change in the corporate name of "SMC Global Power Holdings Corp." to "San Miguel Global Power Holdings Corp.".

2023 vs. 2022

	December 31		Horizontal Analysis Increase (Decrease)		Vertical Analysis	
In Millions	**2023**	2022	Amount	%	**2023**	2022
Revenues	**P169,590**	P221,389	(P51,799)	(23%)	**100%**	100%
Cost of power sold	**(130,992)**	(198,371)	(67,379)	(34%)	**(77%)**	(90%)
Gross profit	**38,598**	23,018	15,580	68%	**23%**	10%
Selling and administrative expenses	**(6,166)**	(5,740)	426	7%	**(4%)**	(3%)
Other operating income	**94**	11,608	(11,514)	(99%)	**0%**	5%
Operating income	**32,526**	28,886	3,640	13%	**19%**	12%
Interest expense and other financing charges	**(18,478)**	(18,288)	190	1%	**(11%)**	(8%)
Interest income	**749**	1,211	(462)	(38%)	**1%**	1%
Equity in net losses of an associate and joint ventures	**(272)**	(400)	128	32%	**0%**	0%
Other income (charges) - net	**538**	(7,240)	7,778	107%	**0%**	(3%)
Income before income tax	**15,063**	4,169	10,894	261%	**9%**	2%
Income tax expense	**5,160**	1,035	4,125	399%	**3%**	1%
Net income	**P9,903**	P3,134	6,769	216%	**6%**	1%

Revenues

The Group's consolidated revenues for the year 2023 amounted to P169,590 million, down by 23% from last year's P221,389 million. The decrease was driven by a decline in the fuel tariffs for the Group's bilateral customers as coal prices fell during the year -- averaging only US$172.79 per metric ton (MT) in 2023 compared to US$360.19/MT in 2022, in terms of GC Newcastle indexed prices. Revenues were also adversely affected by lower offtake volumes which declined by 8% during the year to 25,205 gigawatt hours (GWh) following the suspension and eventual termination of the Group's 670MW power supply agreement (PSA) with Manila Electric Company (Meralco) as allowed by a favorable decision from the higher court. The Group, however, has been able to secure several emergency power supply agreements (EPSA) from Meralco and other distribution utilities (DUs) that allowed the contracting of its available capacities, and the resumption of operations of the Ilijan Power Plant using commercial liquefied natural gas (LNG) on a fuel passthrough basis.

The decline in revenues was partially mitigated by additional revenues from ancillary services rendered by the 7 battery energy storage system (BESS) facilities of SMGP BESS Power Inc.[2] (SMGP BESS) for the National Grid Corporation of the Philippines (NGCP), with a combined capacity of 220 megawatt hours (MWh), which commenced commercial operations in the second semester of 2023. An additional 110 MWh started commercial operations during the first quarter of 2024 to render ancillary services for NGCP.

Cost of Power Sold

Cost of power sold decreased to P130,992 million in 2023, which is 34% lower than the P198,371 million incurred in 2022. The decrease was attributable mainly to lower fuel costs as international coal prices went down by an average of 52% in terms of GC Newcastle indexed prices. Moreover, the Group was able to substantially reduce its exposure to power purchases in the Philippine Wholesale Electricity Spot Market (WESM) to supplement its required generation output following the suspension and eventual termination of the obligation to deliver the 670 MW contract capacity with Meralco as allowed by a favorable decision by the higher court. Court of Appeals (CA).

[2] On November 3, 2023, the Philippine SEC approved the change in the corporate name of "Universal Power Solutions, Inc." to "SMGP BESS Power Inc.".

Selling and Administrative Expenses
Selling and administrative expenses increased by 7% or P426 million, from P5,740 million in 2022 to P6,166 million in 2023. The increase was mainly due to: (i) higher taxes and licenses representing documentary stamp taxes from various transactions of, and local business taxes for the account of Sual Power Inc.[3] (SPI), San Miguel Global Power, Limay Power Inc.[4] (LPI), Malita Power Inc. [5] (MPI), San Roque Hydropower Inc.[6] (SRHI) and Masinloc Power Co. Ltd.[7] (MPCL), and (ii) higher personnel-related expenses of the Group driven by its continuing business expansion.

Other Operating Income
In 2022, the Group recognized gains from the sale of real properties, previously acquired as potential project sites for its several power plant expansion projects, in the normal course of business and consistent with its asset optimization strategies.

Income from Operations
Consolidated income from operations of P32,526 million was higher by 13% compared to 2022 owing to improved margins on contracted volumes, as the Group worked out a transition to fuel passthrough arrangements for most of its bilateral customers and following the significant reduction in its exposure to unplanned power purchases from the WESM market with the suspension and eventual termination of its 670 MW PSA with Meralco as allowed by the higher court.

Interest Expense and Other Financing Charges
Interest expense and other financing charges went up slightly to P18,478 million in 2023. This is due to the pervasive increase in global and local interest rates which affected primarily the new debt raised by the Group, but was partly mitigated by the declining principal balances of its finance lease liabilities owed to Power Sector Assets and Liabilities Management Corporation (PSALM) arising from Independent Power Producer Administration (IPPA) arrangements, such as on the Ilijan Power Plant, which was fully settled last June 2022 and on the Sual Power Plant, which is nearing full settlement by October 2024.

Interest Income
Interest income amounted to P749 million in 2023. The lower number compared to last year was due primarily to lower average interest rate and shorter placement periods as funds were utilized to cover capital expenditures for ongoing construction projects.

Equity in Net Losses of an Associate and Joint Ventures
Equity in net losses of an associate and joint ventures registered at P272 million loss in 2023, down from the P400 million loss in 2022, mainly due to the improvement in the financial performance of Angat Hydropower Corporation (AHC) with better hydrological conditions seen in 2023.

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[3] On March 9, 2023, the Philippine SEC approved the change in the corporate name of “San Miguel Energy Corporation” to “Sual Power Inc.”.
[4] On February 7, 2023, the Philippine SEC approved the change in the corporate name of “SMC Consolidated Power Corporation” to “Limay Power Inc.”.
[5] On March 9, 2023, the Philippine SEC approved the change in the corporate name of “San Miguel Consolidated Power Corporation” to “Malita Power Inc.”.
[6] On March 31, 2023, the Philippine SEC approved the change in the corporate name of “Strategic Power Devt. Corp.” to “San Roque Hydropower Inc.”.
[7] On November 13, 2023, the Philippine SEC approved the change in the corporate name of “Masinloc Power Partners Co. Ltd.” to “Masinloc Power Co. Ltd.”.

Other income (charges) - net
Other income amounted to P538 million in 2023, a complete turn-around from the P7,240 million other charges in 2022. This was mainly due to the net foreign exchange gain recognized on the revaluation of the Group's US Dollar-denominated net monetary liabilities, with the appreciation of the Philippine Peso against the US Dollar during the year, which is in stark contrast to the significant depreciation of the Philippine Peso against the US Dollar seen in 2022.

Income Tax Expense
Provision for income tax amounted to P5,160 million in 2023. The higher number compared to last year was due mainly to: (i) higher deferred tax expense recognized by SPI and SRHI on its lease-related temporary tax base differences, and (ii) higher provision for deferred tax benefit on net operating loss carryover recognized by SPPC and SPI in 2022.

Net Income
Consequently, the consolidated net income of the Group surged to P9,903 million from P3,134 million net income reported last year which was burdened with significant net unrealized foreign exchange losses.

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

1. **POWER GENERATION**

   a. **SPI (IPPA of Sual Power Plant)**
   For the year 2023, net generation of 5,957 GWh, at 57% net capacity factor rate, was lower by 7% compared to 2022 due mainly to longer outages during the year. On the other hand, offtake volume was up by 11% as a result of higher replacement power sold to affiliate power plants, primarily Ilijan which was contracted to supply the 810 MW emergency power to Meralco.

   Revenues of P66,238 million decreased by 13% compared to last year's P75,817 million due mainly to lower average realization price resulting from lower fuel tariff as global coal prices fell from an average of US$360.19/MT in 2022 to an average of just US$172.79/MT in 2023. Despite the decrease in revenue, operating income increased by 105% from P5,308 million in 2022 to P10,906 million in 2023 due to improved margins as Sual transitioned most of its pool of bilateral contracts to having fuel passthrough arrangements.

   b. **SRHI (IPPA of San Roque Power Plant)**
   The San Roque Power Plant's net generation of 874 GWh for the year 2023, at 29% net capacity factor rate, increased by 41% due to longer operating hours with higher water inflows resulting from high water reservoir level. Likewise, total offtake volume of 1,920 GWh increased by 109% compared to 2022 due to a new bilateral contract which took effect in March 2022, the supply of which was partly sourced from affiliate generators.

   Revenues of P13,876 million were up by 31% compared to last year's P10,579 million due mainly to higher offtake volume partly offset by lower average realization price.

   However, operating income of P3,842 million in 2023 dropped by 25% compared to last year due to lower margin owing to the aforesaid decline in the average realization price.

c. **SPPC, owner of Ilijan Power Plant**
The net generation of Ilijan Power Plant for the year 2023 decreased by 6% due primarily to the plant's extended outage since its turnover from PSALM in June 2022 up to May 2023 while it underwent retrofitting works to improve its fuel efficiency and reliability, and as it awaited the substantial completion of the adjacent full-scale LNG terminal that has been tolled on a long-term basis to receive, store and re-gasify LNG fuel for the Ilijan Power Plant (the "Batangas LNG Terminal"). The said terminal started supplying LNG fuel to the Ilijan Power Plant in the latter part of May 2023.

Likewise, total offtake volume of 5,822 GWh for the year 2023 decreased by 5% compared to last year due to the suspension and eventual termination of the obligation to supply the 670 MW PSA with Meralco, which was partially offset by the 480 MW and 330 MW EPSAs which took effect in April and September 2023, respectively.

Revenues of P41,596 million for year 2023 improved by 43% compared to the revenues reported in 2022 mainly on account of higher average realization price.

For year 2023, SPPC recognized an operating income of P1,238 million, a complete turnaround from the P13,042 million operating loss in 2022. This was mainly due to higher bilateral contracts revenue and lower cost to supply.

d. **LPI, owner of Limay Greenfield Power Plant**
The net generation of the Limay Greenfield Power Plant of 3,976 GWh for the year 2023, at 85% net capacity factor rate, was slightly lower by 4% than last year at 4,144 GWh. LPI dispatched 1,862 GWh of the plant's net generation to its power generation customers while the rest was dispatched to its Retail Electricity Supply (RES) customers.

Total offtake volume of 2,051 GWh went up from last year by 11% due to the increase in spot and replacement power sales volume. However, revenues decreased by 9% from P14,239 million in 2022 to P13,024 million in 2023 attributable to lower average realization price with the decline in fuel tariff passed-on to customers as a result of lower global coal prices.

Operating income registering at P3,415 million in 2023 was 47% higher than the P2,329 million posted in 2022 on account of higher offtake volume.

e. **MPI, owner of Davao Greenfield Power Plant**
For the year 2023, a total of 1,557 GWh was generated by the plant, at a capacity factor rate of 67%, slightly lower than last year's by 2% due to the decrease in bilateral nominations.

On the other hand, revenues at P11,840 million dropped by 35% compared to last year due to lower bilateral offtake volume, on account of the aforesaid decline in bilateral nominations, as well as lower average realization price resulting from lower fuel tariff as global coal prices fell. As a result, operating income at P3,729 million fell by 45% compared to last year.

f. **MPCL, owner of Masinloc Power Plant**
The Masinloc Power Plant's operating Units 1, 2, and 3 contributed a total net generation of 5,407 GWh for the year 2023 with 5,056 GWh or 94% supplied to power generation customers while the rest was discharged to RES customers. This was 11% lower, compared to the 6,086 GWh generated from last year, as a result of higher outage days attributed to the scheduled preventive maintenance of the 3 units and the turbine retrofit of Unit 1.

Total offtake volume of 5,529 GWh and revenues of P34,300 million fell from last year resulting primarily from lower customer nominations and spot sales volume. Operating income decreased to P5,648 million on account of lower offtake volume coupled with lower average realization price due to the decline in fuel tariff passed on to bilateral customers as global coal prices fell.

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

a. **LPI - RES**
For year 2023, total offtake volume registered at 2,230 GWh. Total offtake volume declined by 11% compared to last year's 2,509 GWh due to contracts that have expired or have been disconnected. Likewise, revenues went down by 36% from P23,045 million last year to P14,749 million in 2023 due to lower offtake volume and lower average realization price with the decline in global coal prices.

Consequently, operating income of P1,180 million for year 2023 was down compared to the P3,490 million posted in 2022.

b. **MPCL, RES and BESS**
Revenues, inclusive of ancillary revenues from the 10 MWh BESS, and operating income decreased to P6,382 million and P1,074 million, respectively, due to lower customer requirements and expiration of contracts in 2023.

c. **SMGP Kabankalan Power Co. Ltd.** [8] **(SMGP Kabankalan, owner of Kabankalan I BESS)**
Revenues of P634 million for 2023 decreased by 26% compared to last year on account of longer forced outages, from April 18 to August 25, 2023, resulting from the equipment breakdown and completion of repair works. Consequently, operating income of P378 million was lower by 14% compared to the P438 million registered last year.

d. **SMGP BESS (owner of various BESS Facilities)**
Beginning July 2023, the Energy Regulatory Commission (ERC) granted provisional authority for the implementation of Ancillary Service Procurement Agreements (ASPA) between NGCP and SMGP BESS with 7 BESS facilities commencing commercial operations on various dates during the second semester of 2023. SMGP BESS reported revenues and operating income of P2,208 million and P1,391 million in 2023, respectively.

[8] On September 21, 2023, the Philippine SEC approved the change in the corporate name of "SMCGP Philippines Energy Storage Co. Ltd." to "SMGP Kabankalan Power Co. Ltd.".

2022 vs. 2021

	December 31		Horizontal Analysis Increase (Decrease)		Vertical Analysis	
In Millions	**2022**	2021	Amount	%	**2022**	2021
Revenues	**P221,389**	P133,710	P87,679	66%	**100%**	100%
Cost of power sold	**(198,371)**	(92,161)	106,210	115%	**(90%)**	(69%)
Gross profit	**23,018**	41,549	(18,531)	(45%)	**10%**	31%
Selling and administrative expenses	**(5,740)**	(4,915)	825	17%	**(3%)**	(4%)
Other operating income	**11,608**	207	11,401	5508%	**5%**	0%
Operating income	**28,886**	36,841	(7,955)	(22%)	**12%**	27%
Interest expense and other financing charges	**(18,288)**	(18,269)	19	0%	**(8%)**	(14%)
Interest income	**1,211**	617	594	96%	**1%**	1%
Equity in net losses of an associate and joint ventures	**(400)**	(117)	(283)	(242%)	**0%**	0%
Other charges - net	**(7,240)**	(1,194)	(6,046)	(506%)	**(3%)**	(1%)
Income before income tax	**4,169**	17,878	(13,709)	(77%)	**2%**	13%
Income tax expense	**1,035**	1,900	(865)	(46%)	**1%**	1%
Net income	**P3,134**	P15,978	(P12,844)	(80%)	**1%**	12%

Revenues

The Group's consolidated revenues for the year 2022 registered at P221,389 million, 66% or P87,679 million higher than P133,710 million reported in 2021. The increase was mainly due to: (i) higher average realization price which includes price adjustments for fuel costs passed on to customers as a result of rising coal prices and the increase in overall spot sale prices in Luzon, (ii) improvement in nominations from Meralco, other distribution utilities and industrial customers as Corona Virus Disease 2019 quarantine restrictions continue to loosen, thereby increasing offtake volume by 181 GWh to 27,402 GWh from 27,221 GWh in 2021, and (iii) commencement of commercial operations of the 20 MWh Kabankalan 1 BESS on January 26, 2022.

Such consolidated revenues do not include the price adjustments necessary to cover the uncontemplated increase in cost of power sold arising from the Group's WESM purchases to continue supplying the nominations from Meralco's 670 MW PSA with SPPC. A related claim, particularly for the period January to May 2022, that could affect the recovery of such costs, was pending with the CA for resolution as of December 31, 2022 (II. B. Claim for Price Adjustments on the Meralco PSAs).

Cost of Power Sold

Cost of power sold more than doubled, from P92,161 million for the year 2021 to P198,371 million for 2022. The increase was mainly attributable to the following: (i) higher generation costs on account of rising fuel prices particularly for coal and Malampaya gas used by the Ilijan Power Plant prior to the turnover from PSALM on June 4, 2022, and (ii) higher volume and transaction prices for power purchased from the WESM to augment the Group's power supply to meet the bilateral nominations from its contracted demand.

Mitigation measures undertaken by the Group to ensure the full recovery of incremental power supply costs include the implementation of existing and negotiated fuel pass thru arrangements under the pertinent supply agreements with bilateral customers and pursuing all available remedies under Philippine Law.

Selling and Administrative Expenses
Selling and administrative expenses increased by 17% or P825 million, from P4,915 million in 2021 to P5,740 million in 2022. The increase was mainly due to: (i) higher local business taxes of MPCL, San Miguel Global Power and LPI, (ii) increase in personnel-related expenses of the Group, and (iii) reversal of impairment losses on trade receivables in 2021 due to improvement in collections.

Other Operating Income
Higher other operating income by P11,401 million was due primarily to the gain on sale of properties and investments recognized within the normal course of business and in line with the asset optimization strategies implemented by the Group in 2022.

Income from Operations
As a result, consolidated income from operations of P28,886 million in 2022 declined by 22% from P36,841 million in 2021.

Interest Expense and Other Financing Charges
Interest expense and other financing charges amounted to P18,288 million in 2022, an increase from 2021, primarily due to additional loans drawn by the San Miguel Global Power during the year, partly offset by lower interest recognized on the declining principal balances of the IPPA entities' lease liabilities especially with the expiration of the Ilijan IPPA Agreement.

Interest Income
Interest income amounted to P1,211 million in 2022, an increase by 96% from 2021, driven primarily by higher average interest rate and higher interest income for the year on shareholder advances granted to AHC.

Equity in Net Losses of an Associate and Joint Ventures
Equity in net losses of an associate and joint ventures amounted to P400 million in 2022, higher than 2021, due mainly to the decline in the financial performance of AHC.

Other Charges - net
Other charges amounted to P7,240 million in 2022, higher compared to P1,194 million in 2021. This was mainly due to the net foreign exchange losses amounting to P9,007 million recognized driven by the unprecedented depreciation of the Philippine Peso against the US Dollar in 2022.

Income Tax Expense
The Group's income tax expense declined from P1,900 million for 2021 to P1,035 million in 2022. This resulted primarily from (i) the recognition of deferred tax benefit on net operating loss carryover and unrealized foreign exchange losses in 2022, partly offset by (ii) higher deferred income tax expense on lease-related expenses of the IPPAs and SPPC, and (iii) higher taxable income of MPCL, MPI and LPI.

Net Income
Consequently, the consolidated net income of the Group for the year dropped by 80% from P15,978 million in 2021 to P3,134 million in 2022. This was due primarily to lower gross margin and net unrealized foreign exchange losses amounting to P7,493 million in 2022. Without the recognized net foreign exchange losses and Corporate Recovery and Tax Incentives for Enterprises Law adjustments recognized in the first quarter of 2021, net income would have been P10,046 million, lower by 25% from 2021.

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

1. **POWER GENERATION**

   a. **SPI, IPPA of Sual Power Plant**
   For the year 2022, net generation of 6,374 GWh, at 62% net capacity factor rate, was 36% higher than 2021. This was mainly due to fewer outages in 2022, as Sual Unit 2 was on extended outage for the repair of turbine blades and diaphragm and Unit 1 on forced and maintenance shutdown during the first half of 2021. Likewise, total offtake volume increased to 8,533 GWh from 7,932 GWh in 2021, on account of higher sales in the spot market in 2022.

   Revenues of P75,817 million was up by 99% than the P38,162 million registered in 2021 mainly attributable to improvement in average realization prices for electric cooperatives driven by the increase in pass-on fuel charges, and higher spot market prices.

   Operating income of P5,308 million was 52% lower than the P10,996 million reported in 2021 on account of higher generation cost due to significant increase in cost of coal and spot purchase prices offset by the decline in power purchase volumes from affiliate and external generators as a result of higher plant availability in 2022.

   b. **SPPC, owner of Ilijan Power Plant**
   The net generation of Ilijan Power Plant for the year 2022 fell by 55% due to its deration brought by the Malampaya gas supply restrictions which started on March 17, 2021 until the expiration of the Ilijan IPPA Agreement with PSALM last June 4, 2022. Moreover, the plant was on shutdown for inspection, upgrades, repairs and maintenance activities since its turnover from PSALM. Total offtake volume of 6,129 GWh decreased by 16% compared to 2021 on account of lower plant capacity.

   As a result, revenues of P29,053 million for the year 2022 dropped by 10%, compared to the P32,107 million posted in 2021.

   Operating loss of P13,042 million in 2022 was a turnaround from the P5,208 million operating income posted in 2021. This was attributable to increased power purchases combined with higher average spot purchase price caused by high market demand in 2022.

   c. **SRHI, IPPA of San Roque Power Plant**
   The San Roque Power Plant's net generation of 619 GWh, at 20% net capacity factor rate, for the year 2022 fell by 40% due to lower water inflows resulting from low water reservoir level. Moreover, total offtake volume of 918 GWh decreased by 16% compared to 1,096 GWh reported in 2021 due to lower spot sales volume.

   Revenues of P10,579 million for the year 2022 was 75% higher than the P6,029 million posted in 2021. This was mainly on account of the improved average realization prices for bilateral sales.

   The foregoing factors contributed to the improvement of operating income by 55% from P3,294 million in 2021 to P5,116 million in 2022.

d. **LPI, owner of Limay Greenfield Power Plant**
Limay Greenfield Power Plant has a combined capacity of 600 MW. Total net generation of the plant from all operating units of 4,144 GWh in 2022, at 88% net capacity factor rate, was slightly lower than the 4,177 GWh in 2021. LPI dispatched 1,790 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 1,847 GWh fell from the previous year by 4% due to decline in both spot sales volume and replacement power.

In 2022, revenues increased by 48% from P9,603 million in 2021 to P14,239 million. This was primarily due to higher average realization price on account of increase in pass-on fuel rate brought by rising fuel prices. Higher revenues from spot sales were also realized as a result of increase in spot rates.

On the other hand, operating income registered at P2,329 million in 2022 was 34% lower than the P3,545 million posted in 2021 mainly due to lower offtake volume and higher generation cost as a result of significant increase in the cost of coal.

e. **MPI, owner of Davao Greenfield Power Plant**
For the year 2022, a total of 1,586 GWh was generated by the plant, at a capacity factor rate of 69%, slightly lower than the previous year by 14%. Revenues at P18,077 million grew by 66% on account of higher average realization price due to higher pass-on fuel cost as a result of rising cost of coal. Accordingly, operating income registered at P6,807 million, 41% higher than the P4,838 million reported in 2021.

f. **MPCL, owner of Masinloc Power Plant**
The Masinloc Power Plant operating Units 1, 2, and 3 contributed a total net generation of 6,086 GWh for the year 2022, with 5,517 GWh supplied to power generation customers while the rest was discharged to RES customers and its 10 MWh BESS. Net generation was slightly lower by 1% compared to the 6,136 GWh posted for 2021 due to higher equivalent outage days for Units 1 & 2 as a result of various derations and shutdown in 2022.

Total offtake volume of 6,551 GWh fell from the previous year as a result of lower spot sales volume and replacement power sold to affiliate generators. Revenues and operating income for the year 2022 increased to P56,606 million and P6,762 million, respectively, due to high bilateral rates to customers and spot market prices.

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

a. **LPI - RES**
For the year 2022, total offtake volume registered at 2,509 GWh was 6% lower than the 2,661 GWh registered in 2021 attributed to contracts that have expired or have been disconnected. With higher average bilateral rate, revenues increased by 62% from P14,229 million in 2021 to P23,045 million in 2022. Consequently, with better margin, operating income registered at P3,490 million in 2022. This was 19% higher than the P2,943 million posted in 2021.

b. **MPCL, RES and BESS**
In 2022, total offtake volume and revenues, including the revenues generated from the ASPA between NGCP and MPCL for the 10 MWh BESS, more than doubled compared to 2021, registering at 1,398 GWh and P12,071 million, respectively, attributable to new contestable customers. Consequently, operating income increased by 106% at P1,719 million compared to 2021.

c. **SMGP Kabankalan, owner of Kabankalan I BESS**
On January 6, 2022, the ERC granted provisional authority for the implementation of the ASPA between NGCP and SMGP Kabankalan commencing on January 26, 2022. SMGP Kabankalan reported revenues and operating income of P856 million and P438 million in 2022, respectively.

d. **Albay Power and Energy Corp. (APEC), Concessionaire for the rehabilitation, operations and maintenance of Albay Electric Cooperative, Inc. (ALECO)**
Revenues of P5,190 million was 30% higher than the previous year primarily driven by the increase in average realization price. The improvement in revenues was countered by higher systems loss and cost of power purchases. Consequently, operating loss of P906 million in 2022 was higher than the P368 million recognized in 2021.

Effective November 21, 2022, the Concession Agreement between APEC and ALECO was terminated.

II. FINANCIAL POSITION

A. MAJOR DEVELOPMENTS IN 2023

UPDATES ON BESS AND LNG PROJECTS OF THE GROUP

San Miguel Global Power recently accomplished several key milestones on its two landmark projects in the local power industry.

Several key installations comprising its unprecedented ~1,000 MWh in BESS projects, one of which was inaugurated by the President of the Republic of the Philippines on March 31, 2023, in Limay, Bataan. A significant portion of such BESS capacities have successfully secured ancillary services contracts with 5-year tenors pursuant to a competitive selection process (CSP) conducted by the NGCP. With 7 BESS facilities (220 MWh) and 3 BESS facilities (110 MWh), located in various sites nationwide, commencing operations in 2023 and in the first quarter of 2024, respectively. The remaining BESS capacities are gearing up to participate in the upcoming CSP for additional grid ancillary services requirements of NGCP as well as for peak power supply applications that will help ensure energy security for the local power industry in the near term.

San Miguel Global Power also launched the country’s first fully integrated LNG-to-energy complex with the delivery of the country’s first LNG shipment importation in April 2023. The LNG transfer was made to a Floating Storage Unit that was eventually integrated into the Batangas LNG Terminal, which is a full-scale LNG terminal strategically located between San Miguel Global Power’s two gas-fired power plants: the brownfield 1,200 MW Ilijan Power Plant and the greenfield 1,320 MW Batangas Combined Cycled Power Plant (BCCPP). Said terminal started supplying LNG fuel to the Ilijan Power Plant on May 31, 2023, thereby commencing the reintegration of Ilijan Power Plant’s valuable baseload capacity to the Grid and improving the overall energy situation in the country. Both of these power plants were each able to secure a 1,200

MW baseload power supply agreement with Meralco, over 15 years starting 2024, pursuant to a CSP conducted in January 2024.

UPDATES ON CLAIM FOR PRICE ADJUSTMENT ON THE MERALCO PSAs

On June 27, 2023, the CA released its joint decision on the separate petitions of SPI and SPPC for certiorari (the "Joint Decision"), which effectively annulled and set aside the previous Orders of the ERC denying their joint petitions with Meralco for a tariff increase to allow the recovery of incremental power supply costs due to *Change in Circumstances* and the eventual termination of the PSAs with Meralco. Following the release of the CA's Joint Decision, SPI and SPPC firmed up the termination of their respective PSAs with Meralco without prejudice to additional claims on incremental power supply costs due to Change in Circumstances beyond the period covered by the said petitions. SPPC ceased the supply under its PSA on December 7, 2022, after the issuance of the Temporary Restraining Order ("TRO") by the CA, while SPI ceased to supply nominations on its PSA on July 24, 2023. On September 12, 2023, Meralco filed its Motion to Withdraw its Motion for Additional Time to File Petition for Review on Certiorari with the Supreme Court under Rule 45 of the Rules of Court pursuant to the Joint Decision. On December 28, 2023, the CA issued a decision denying the Motions for Reconsideration filed by the ERC and intervenors on its decision dated June 27, 2023, which was received by the external counsel of SPI and SPPC on January 16, 2024. The ERC then filed a Petition for Review on Certiorari with the Supreme Court, a copy of which was received by the SPI and SPPC on March 6, 2024.

In the meantime, SPI and SPPC are pursuing their respective claims for recovery of incremental power supply costs from Meralco on account of the CA's Joint Decision.

LONG TERM DEBTS

Availment of Term Loans

- San Miguel Global Power

  On March 16, 2023, San Miguel Global Power availed of a US$100 million term loan from a facility agreement executed on March 10, 2023, with a foreign bank. The loan is subject to a floating interest rate plus margin and will mature in September 2024.

  The proceeds of the loan, net of transaction-related fees and costs of the facility, were used for general corporate purposes, as well as for various capital expenditures and debt refinancing.

  On June 15 and August 8, 2023, San Miguel Global Power drew P5,000 million and P2,500 million, respectively, from a P10,000 million Corporate Notes Facility Agreement executed on June 9, 2023. The loan is subject to a fixed interest rate and will mature in June 2028.

  The proceeds of the loan were used to (a) partially refinance maturing debt obligations, (b) fund general corporate purposes, including investments in LNG and BESS, and (c) cover transaction-related costs, fees and expenses.

  On October 31, 2023, San Miguel Global Power availed of a US$50 million term loan from a Facility Agreement executed on October 24, 2023 with a foreign bank. The loan is subject to a floating interest rate plus margin and will mature in April 2025.

The proceeds of the loan were used to (a) refinance the US$50 million 3-year term loan drawn in April 2021 which matured in October 2023, and (b) payment of transaction related fees, cost and expenses in relation to the Facility Agreement.

- SMGP BESS

  On October 27, 2023, SMGP BESS drew the first tranche amounting to P28,000 million from the P40,000 million Omnibus Loan and Security Agreement (OLSA) executed on October 23, 2023 with various local banks. The loan is subject to a fixed interest rate and will mature in October 2033.

  The proceeds from the first tranche were used (i) for the purchase of outstanding perpetual securities issued to San Miguel Corporation (SMC) and reimbursement or repayment of reimbursable advances from San Miguel Global Power, (ii) for payment of interest during construction, (iii) to fund the costs and expenses in relation to the design, construction and the operation of the BESS projects, and (iv) for payment of transaction costs.

Amendment of MPCL's Omnibus Refinancing Agreement (ORA)
On January 17, 2023, MPCL agreed with local bank lenders to amend its ORA, with an outstanding obligation amounting to US$149 million as at the agreement date, into a Philippine Peso-denominated loan pegged at P8,155 million, subject to floating interest rate with maturities up to January 2030. MPCL holds a one-time right to convert the loan into a fixed interest rate borrowing on the second anniversary as allowed under the terms of the agreement.

Payment of Maturing Long-term Debt
On March 13, 2023, San Miguel Global Power paid the remaining balance of its US$700 million term loan facility availed last March 16, 2018, amounting to US$500 million. The loan was paid using, in part, the proceeds from the redeemable perpetual securities (RPS) issued by San Miguel Global Power to SMC in March 2023. The rest was paid from San Miguel Global Power’s cash flows from operations.

In October 2023, San Miguel Global Power refinanced the US$50 million term loan drawn on April 21, 2021, from a facility agreement with a foreign bank executed in October 12, 2020.

For the year 2023, San Miguel Global Power, LPI, MPI and MPCL paid a total of P6,842 million of their scheduled long-term debt principal amortizations pursuant to the terms and conditions of their respective facility agreements.

Redemption of Maturing Series B and Series G Bonds by San Miguel Global Power
On July 11 and August 17, 2023, San Miguel Global Power redeemed its Series B and Series G Bonds, respectively, amounting to P19,090 million. The Series B Bonds formed part of the P15,000 million Series A-B-C fixed rate bonds issued in July 2016 while the Series G Bonds were issued in August 2018.

The redemption was funded through capital infusion by SMC and cash generated from operations.

SUBSCRIPTION TO SAN MIGUEL GLOBAL POWER'S COMMON SHARES BY SMC

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

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

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

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

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

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

ISSUANCE OF REDEEMABLE PERPETUAL SECURITIES

In 2023, San Miguel Global Power and SMGP BESS issued various US Dollar-denominated and Philippine Peso-denominated RPS in favor of SMC, amounting to a total of US$704 million (equivalent to P38,517 million, net of transaction costs) and P32,316 million (net of transaction costs), respectively.

The proceeds from the issuances were used for general corporate purposes, including capital expenditures and repayment by SMGP BESS of its advances from San Miguel Global Power, and refinancing of maturing obligations.

Purchase by SMGP BESS of its RPS issued to SMC
On October 27, 2023, SMGP BESS purchased its outstanding RPS issued to SMC, for a total consideration of P21,669 million, pursuant to the terms of the RPS. The purchase was financed using in part the proceeds of the P28,000 million drawn by SMGP BESS from its P40,000 million OLSA.

EVENT AFTER THE REPORTING DATE

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

The transaction also involves the acquisition by CGHI and San Miguel Global Power of the Batangas LNG Terminal owned by Linseed Field Corporation, which processes LNG for SPPC and EERI, and has the capacity to service additional third-party customers.

The transaction is subject to several standard closing conditions and regulatory approvals, including the review and approval of the Philippine Competition Commission.

B. MAJOR DEVELOPMENTS IN 2022

UPDATE ON BESS PROJECTS

On January 6, 2022, an ERC Order granted Provisional Authority for the implementation of the ASPA between the NGCP and SMGP Kabankalan for 5 years commencing on January 26, 2022. Following the receipt of the ERC Order, SMGP Kabankalan declared the commercial operations of its 20 MWh Kabankalan 1 BESS with the Independent Electricity Market Operator of the Philippines starting January 26, 2022.

Of the remaining ~1,000 MWh BESS projects, 20 MWh Kabankalan 2, 20 MWh Masinloc Phase 2, and 270 MWh across 9 sites attained substantial completion in 2022, while the remaining BESS sites are expected to be completed in 2023 to 2024. The BESS projects are expected to participate in any public tender of any requirements for grid ancillary services or be contracted for any power quality solutions required by industrial and utility customers.

TURNOVER OF THE ILIJAN POWER PLANT

On June 3, 2022, SPPC and PSALM executed a Deed of Sale for the transfer of control and ownership of the Ilijan Power Plant to SPPC following the end of its IPPA Agreement.

LONG-TERM DEBTS

Redemption of Maturing Series H and D Bonds

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

On December 22, 2022, San Miguel Global Power redeemed its Series D Bonds amounting to P9,913 million, which formed part of the P20,000 million Series D-E-F fixed rate bonds issued in December 2017. San Miguel Global Power used the proceeds of the P6,000 million short-term loan availed in December 2022 and cash generated from operations for the redemption of the Series D Bonds.

Payment of Other Maturing Long-term Debt

In 2022, LPI, MPI and San Miguel Global Power paid a total of P4,022 million of their scheduled long-term debt principal amortizations pursuant to the terms and conditions of their respective facility agreements.

In 2022, MPCL made principal repayments of term loans pursuant to its ORA and Omnibus Expansion Financing Agreement amounting to US$24 million and US$28 million, respectively.

Shelf-registration of P60,000 Million and Issuance of P40,000 Million Fixed-rate Peso Bonds

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

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

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

Availments of Long-term Debt

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

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

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

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

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

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

SALE OF INVESTMENTS IN SHARES OF STOCKS AND PARCELS OF LAND

In 2022, pursuant to the normal course of business of acquiring and disposing of land for potential project sites and in line with asset optimization strategies of the Group, San Miguel Global Power and its subsidiaries sold ownership interests in landholding subsidiaries and subsidiaries with coal mining properties and certain parcels of land.

The total consideration of the sale transactions amounted to P18,751 million, payable on installment basis pursuant to the terms of the respective agreements.

CLAIM FOR PRICE ADJUSTMENTS ON THE MERALCO PSA

On October 22, 2019, SPI and SPPC each filed before the ERC a Joint Application with Meralco for the approval of their respective PSA with Meralco with prayer for provisional authority (the “Application”). The PSA of SPPC covers the supply of 670 MW baseload capacity to Meralco (“SPPC PSA”) while the PSA of SPI covers the supply of 330 MW baseload capacity to Meralco (“SPI PSA”) both for a period of 10 years (collectively, the “PSAs”). Separate PSAs were awarded by Meralco to SPPC and SPI after they emerged as the winning bidders in the CSP conducted by Meralco in September 2019. On March 16, 2020, the ERC released Orders both dated December 10, 2019, granting provisional authority to implement the SPPC PSA and SPI PSA.

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

On September 29, 2022, the ERC denied the foregoing proposed price adjustments. SPPC and SPI filed separate Petitions for Certiorari under Rule 65 with Application for the Issuance of a TRO and/or Writ of Preliminary Injunction before the CA on November 10, 2022, to annul, reverse and set aside the September 29, 2022 Orders of the ERC. Petition for Certiorari filed by SPPC which was originally raffled to the CA 14th Division, was then pending with the CA 13th Division and hereinafter referred to as the “SPPC CA Petition”, while the Petition for Certiorari filed by SPI originally pending with the CA 17th Division was subsequently transferred to the CA 16th Division and hereinafter referred to as the “SPI CA Petition”.

On November 23, 2022, a TRO was issued by the CA 13th Division for the SPPC CA Petition which was subsequently converted to a Writ of Preliminary Injunction by the CA 13th Division on February 23, 2023.

On November 24, 2022, SPI filed with the CA 16th Division an Urgent Motion for Consolidation of the SPI CA Petition with the SPPC CA Petition pending before the CA 13th Division, while SPPC filed with the CA 13th Division an Urgent Motion to Allow Consolidation of the SPI CA Petition with the SPPC CA Petition pending before the CA 13th Division.

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

On February 10, 2023, SPI filed a Motion for Partial Reconsideration of the January 13, 2023 Resolution and prayed for the issuance of a Writ of Preliminary Injunction. On February 14, 2023, SPI received copies of the ERC's Comment *Ad Cautelam* on the SPI CA Petition and Meralco's Comment thereto. On February 20, 2023, SPI filed a Motion for Leave to File Consolidated Reply.

In a Resolution dated April 3, 2023, the CA upheld its decision to consolidate the cases filed by SPI and SPPC thus denying the Motion for Reconsideration (Opposition Ex Abundanti Ad Cautelam to SPI's Urgent Motion to Allow Consolidation of Cases) filed by the ERC.

TENDER OFFER TO HOLDERS OF SENIOR PERPETUAL CAPITAL SECURITIES ("SPCS") BY SAN MIGUEL GLOBAL POWER

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

ISSUANCE OF RPS BY SAN MIGUEL GLOBAL POWER AND SMGP BESS

In 2022, San Miguel Global Power and SMGP BESS issued US Dollar-denominated and Philippine Peso-denominated RPS to SMC ("RPS Holder"):

Date of Issuance	Initial Rate of Distribution	Amount of RPS Issuance (in Millions)	Amount in Philippine Peso* (in Millions)
San Miguel Global Power			
US Dollar-denominated:			
November 8, 2022	6.25%	US$85	P4,916
SMGP BESS			
US Dollar-denominated:			
October 28, 2022	6.25%	US$88	5,063
December 1, 2022	6.25%	US$76	4,241
Philippine Peso-denominated:			
November 23, 2022	7.50%	P5,000	4,962
			P19,182

**Amount in Philippine Peso pertains to proceeds net of directly attributable transaction costs.*

The proceeds from the issuances are intended for general corporate purposes including capital expenditures.

C. MATERIAL CHANGES PER LINE OF ACCOUNT

2023 vs. 2022

	December 31		Horizontal Analysis Increase (Decrease)		Vertical Analysis	
In Millions	**2023**	2022	Amount	%	**2023**	2022
Cash and cash equivalents	**P31,659**	P22,726	P8,933	39%	**4%**	3%
Trade and other receivables - net	**116,976**	105,940	11,036	10%	**15%**	15%
Inventories	**16,841**	16,822	19	0%	**2%**	2%
Prepaid expenses and other current assets	**48,522**	43,293	5,229	12%	**6%**	6%
Total Current Assets	**213,998**	188,781	25,217	13%	**27%**	26%
Investments and advances - net	**10,953**	7,855	3,098	39%	**1%**	1%
Property, plant and equipment - net	**339,225**	304,412	34,813	11%	**44%**	43%
Right-of-use assets - net	**104,975**	106,610	(1,635)	(2%)	**13%**	15%
Goodwill and other intangible assets - net	**71,712**	71,765	(53)	0%	**9%**	10%
Deferred tax assets	**974**	2,280	(1,306)	(57%)	**0%**	0%
Other noncurrent assets	**43,098**	35,812	7,286	20%	**6%**	5%
Total Noncurrent Assets	**570,937**	528,734	42,203	8%	**73%**	74%
Total Assets	**P784,935**	P717,515	P67,420	9%	**100%**	100%
Loans payable	**P13,736**	P21,000	(P7,624)	(35%)	**2%**	3%
Accounts payable and accrued expenses	**97,633**	84,447	13,186	16%	**12%**	12%
Lease liabilities - current portion	**17,645**	19,185	(1,540)	(8%)	**2%**	2%
Income tax payable	**222**	326	(104)	(32%)	**0%**	0%
Current maturities of long-term debt - net of debt issue costs	**54,125**	63,722	(9,597)	(15%)	**7%**	9%
Total Current Liabilities	**183,361**	188,680	(5,319)	(3%)	**23%**	26%
Long-term debt - net of current maturities and debt issue costs	**204,644**	208,431	(3,787)	(2%)	**26%**	29%
Deferred tax liabilities	**21,285**	19,364	1,921	10%	**3%**	3%
Lease liabilities - net of current portion	**25,142**	40,773	(15,631)	(38%)	**3%**	6%
Other noncurrent liabilities	**7,030**	7,950	(920)	(12%)	**1%**	1%
Total Noncurrent Liabilities	**258,101**	276,518	(18,417)	(7%)	**33%**	39%
Total Liabilities	**441,462**	465,198	(23,736)	(5%)	**56%**	65%

Forward

In Millions	December 31 2023	2022	Horizontal Analysis Increase (Decrease) Amount	%	Vertical Analysis 2023	2022
Equity Attributable to Equity Holders of the Parent Company						
Capital stock	**P2,824**	P1,250	P1,574	126%	**0%**	0%
Additional paid-in capital	**48,082**	2,490	45,592	1831%	**6%**	0%
Senior perpetual capital securities	**161,768**	161,768	-	0%	**21%**	23%
Redeemable perpetual securities	**102,547**	51,934	50,613	97%	**13%**	7%
Equity reserves	**(3,020)**	(1,559)	(1,461)	(94%)	**0%**	0%
Retained earnings	**30,367**	35,526	(5,159)	(15%)	**4%**	5%
	342,568	251,409	91,159	36%	**44%**	35%
Non-controlling Interests	**905**	908	(3)	0%	**0%**	0%
Total Equity	**343,473**	252,317	91,156	36%	**44%**	35%
Total Liabilities and Equity	**P784,935**	P717,515	P67,420	9%	**100%**	100%

The Group's consolidated total assets as at December 31, 2023, amounted to P784,935 million, higher by 9% or P67,420 million than December 31, 2022 balance of P717,515 million. The increase was attributable to the following factors:

a. Increase in property, plant and equipment by P34,813 million as a result of the ongoing construction of the Masinloc Power Plant Units 4 and 5, BCCPP project, Mariveles Greenfield Power Plant, rehabilitation of the Ilijan Power Plant, BESS projects, and major repair and additional construction works for Limay and Davao Greenfield Power Plants.

b. Increase in trade and other receivables by P11,036 million was mainly attributable to (i) SPPC's recognition of trade receivables in relation to its 480 MW and 330 MW EPSAs starting April 2023 and September 2023, respectively, (ii) SMGP BESS' receivables from NGCP for ancillary services rendered by the 7 BESS facilities which commenced commercial operations in the second semester of 2023, and (iii) higher trade receivables of SPI.

c. Increase in cash and cash equivalents by P8,933 million was due mainly to (i) proceeds from the issuances of Philippine Peso and US Dollar-denominated RPS by San Miguel Global Power and SMGP BESS, (ii) net proceeds from various term loans drawn by San Miguel Global Power during the year, (iii) proceeds from the aforesaid capital infusions of SMC. These were partly offset by (i) payments of maturing short-term and long-term loans of San Miguel Global Power, MPI, LPI and MPCL, (ii) redemption of Series B and Series G fixed rate bonds in July and August 2023, respectively, (iii) capital expenditures for Masinloc Power Plant Units 4 and 5, BCCPP, Mariveles Greenfield Power Plant, BESS projects and Ilijan Power Plant, (iv) purchase of RPS issued by SMGP BESS in October 2023, (v) lease payments of SPI and SRHI to PSALM, and (vi) distributions paid to the holders of capital securities.

d. Increase in other noncurrent assets by P7,286 million was mainly attributable to (i) net additional in advances to suppliers/contractors for power-related projects of the Group, (ii) additional investment properties recognized following the acquisition of IPIEC and Blue Eagle Star, Corp. in April and December 2023, respectively, and (iii) additional restricted cash set aside by MPCL and LPI for its debt servicing requirements.

e. Increase in prepaid expenses and other current assets by P5,229 million was mainly attributable to the (i) additional in input taxes relating to ongoing construction projects and power purchases, (ii) additional advances paid to suppliers relating to LNG and spare parts deliveries for Ilijan Power Plant and Davao Greenfield Power Plant, and (iii) additional prepayment of taxes recognized, net of amortizations of real property and business taxes for the year.

f. Increase in investment and advances by P3,098 million was mainly attributable to the additional deposits made by SPI and San Miguel Global Power mainly to landholding companies net of share in lower net losses of AHC.

g. Decrease in deferred tax assets by P1,306 million was attributable to lower provision for income tax benefits recognized on unrealized foreign exchange losses and net operating loss carryover in 2023 compared to 2022.

The Group's consolidated total liabilities as at December 31, 2023, amounted to P441,462 million, 5% or P23,736 million lower than the December 31, 2022 balance of P465,198 million. The major items accounting for the decrease are as follows:

a. Decrease in lease liabilities (including current and noncurrent portions) by P17,171 million was mainly on account of lease payments made by the IPPA entities to PSALM and the foreign exchange gain recognized on US Dollar-denominated lease liabilities resulting from the appreciation of the Philippine Peso during the year.

b. Decrease in long-term debt - net of debt issue costs (including current and noncurrent portions) by P13,384 million was attributable to the: (i) redemption by San Miguel Global Power of its Series B and Series G fixed rate bonds in July and August 2023, respectively, (ii) settlement of long-term debts of San Miguel Global Power, MPI, LPI and MPCL, and (iii) the effect of unrealized foreign exchange gain recognized on the revaluation of US Dollar-denominated loans, which were partly offset by (iv) San Miguel Global Power's availment of various term loans in March, June, August and October 2023, respectively, and (v) amortization of debt issue costs.

c. Decrease in loans payable by P7,624 million was mainly attributable to the net effect of the full settlement by San Miguel Global Power of its P16,000 million short-term loan which matured in June 2023, and availment of an P8,750 million short-term loan during the period.

d. Decrease in other noncurrent liabilities by P920 million was attributable mainly to the settlement of US Dollar-denominated payables to contractors relating to the Group's ongoing construction projects.

e. Decrease in income tax payable by P104 million was mainly attributable to (i) lower taxable income for the period of MPI and MPCL, partly offset by the (ii) income tax payable recognized by landholding subsidiaries on the second tranche of the installment sales of properties.

f. Increase in accounts payable and accrued expenses by P13,186 million was mainly attributable to higher payables for the acquisition of LNG and fuel supplies, energy fees, power purchases, and capital expenditures.

g. Increase in deferred tax liabilities by P1,921 million was due to (i) the provision for deferred income tax expense on temporary tax base differences arising mainly from lease-related expenses of SRHI and SPI. This was partly offset by the recognition of additional income tax benefit on net operating loss carryover in 2023.

The Group's consolidated total equity as at December 31, 2023, amounted to P343,473 million, higher by 36% or P91,156 million than the December 31, 2022 balance of P252,317 million. The increase is accounted for as follows:

a. Increase in RPS by P50,613 million was mainly attributable to the RPS issued by San Miguel Global Power to SMC. The proceeds of which were used for general corporate purposes, including capital expenditures, and refinancing of maturing obligations.

b. Increase in capital stock and additional paid-in capital by a total of P47,166 million was due to the additional capital infusions of SMC through several subscriptions to San Miguel Global Power's common shares in 2023.

c. Decrease in retained earnings by P5,159 million was mainly attributable to distributions paid to capital securities holders, partly offset by the net income recognized for the year.

d. Decrease in equity reserves by P1,461 million mainly pertains to the perpetual securities issued to SMC that was purchased back by SMGP BESS in October 2023.

2022 vs. 2021

In Millions	December 31 **2022**	2021	Horizontal Analysis Increase (Decrease) Amount	%	Vertical Analysis **2022**	2021
Cash and cash equivalents	**P22,726**	P67,690	(P44,964)	(66%)	**3%**	11%
Trade and other receivables - net	**105,940**	47,272	58,668	124%	**15%**	7%
Inventories	**16,822**	10,018	6,804	68%	**2%**	2%
Prepaid expenses and other current assets	**43,293**	31,490	11,803	37%	**6%**	5%
Total Current Assets	**188,781**	156,470	32,311	21%	**26%**	25%
Investments and advances - net	**7,855**	10,839	(2,984)	(28%)	**1%**	2%
Property, plant and equipment - net	**304,412**	211,859	92,553	44%	**43%**	33%
Right-of-use assets - net	**106,610**	157,160	(50,550)	(32%)	**15%**	25%
Goodwill and other intangible assets - net	**71,765**	72,943	(1,178)	(2%)	**10%**	11%
Deferred tax assets	**2,280**	1,447	833	58%	**0%**	0%
Other noncurrent assets	**35,812**	25,006	10,806	43%	**5%**	4%
Total Noncurrent Assets	**528,734**	479,254	49,480	10%	**74%**	75%
Total Assets	**P717,515**	P635,724	P81,791	13%	**100%**	100%
Loans payable	**P21,000**	P1,530	P19,470	1,273%	**3%**	0%
Accounts payable and accrued expenses	**84,447**	56,055	28,392	51%	**12%**	9%
Lease liabilities - current portion	**19,185**	21,677	(2,492)	(11%)	**2%**	3%
Income tax payable	**326**	25	301	1,204%	**0%**	0%
Current maturities of long-term debt - net of debt issue costs	**63,722**	30,185	33,537	111%	**9%**	5%
Total Current Liabilities	**188,680**	109,472	79,208	72%	**26%**	17%
Long-term debt - net of current maturities and debt issue costs	**208,431**	192,736	15,695	8%	**29%**	30%
Deferred tax liabilities	**19,364**	20,183	(819)	(4%)	**3%**	3%
Lease liabilities - net of current portion	**40,773**	56,536	(15,763)	(28%)	**6%**	9%
Other noncurrent liabilities	**7,950**	5,069	2,881	57%	**1%**	1%
Total Noncurrent Liabilities	**276,518**	274,524	1,994	1%	**39%**	43%
Total Liabilities	**465,198**	383,996	81,202	21%	**65%**	60%

Forward

	December 31		Horizontal Analysis Increase (Decrease)		Vertical Analysis	
In Millions	**2022**	2021	Amount	%	**2022**	2021
Equity Attributable to Equity Holders of the Parent Company						
Capital stock	**P1,250**	P1,062	P188	18%	**0%**	0%
Additional paid-in capital	**2,490**	2,490	-	0%	**0%**	0%
Senior perpetual capital securities	**161,768**	167,767	(5,999)	(4%)	**23%**	27%
Redeemable perpetual securities	**51,934**	32,752	19,182	59%	**7%**	5%
Equity reserves	**(1,559)**	(1,536)	(23)	(1%)	**0%**	0%
Retained earnings	**35,526**	48,248	(12,722)	(26%)	**5%**	8%
	251,409	250,783	626	0%	**35%**	40%
Non-controlling Interests	**908**	945	(37)	(4%)	**0%**	0%
Total Equity	**252,317**	251,728	589	0%	**35%**	40%
Total Liabilities and Equity	**P717,515**	P635,724	P81,791	13%	**100%**	100%

The Group's consolidated total assets as at December 31, 2022 amounted to P717,515 million, higher by 13% or P81,791 million than December 31, 2021 balance of P635,724 million. The increase was attributable to the following factors:

a. Increase in property, plant and equipment by P92,553 million as a result of the (i) ongoing construction of the BCCPP project, Mariveles Greenfield Power Plant, BESS projects and Masinloc Units 4 and 5 and (ii) acquisition of landholding subsidiaries Multi-Ventures Investment Holdings, Inc. (MVIHI) and Bluelight Industrial Estate, Inc. (Bluelight), and (iii) turnover of the Ilijan Power Plant following the expiration of the Ilijan IPPA agreement in June 2022.

b. Increase in trade and other receivables by P58,668 million was mainly due to higher trade customer balances from power sales as the Group recovers in part the increase in generation and supply costs, brought by higher coal prices and deration of Ilijan Power Plant, coupled with higher overall offtake volume as demand improves, and the recognition of receivables on the sale of various properties and investments of the Group during the year.

c. Increase in prepaid expenses and other current assets by P11,803 million was mainly attributable to additional input taxes on vatable purchases of the Group, higher restricted cash balances of MPCL as required under its credit facility agreement, and additional creditable withholding taxes recognized on sales.

d. Increase in other noncurrent assets by P10,806 million was mainly attributable to the noncurrent receivables, to be collected on installment basis up to 2026, recognized on the sale of various properties and investments.

e. Increase in inventories by P6,804 million was mainly due to higher prices for coal inventories, with the rising of global coal prices and the purchase of neat diesel fuel of SPPC from PSALM stored at the Ilijan Power Plant following its turnover.

f. Increase in deferred tax assets by P833 million was due primarily to the deferred income tax benefit recognized by MPCL on unrealized foreign exchange losses from the revaluation of its US Dollar-denominated liabilities.

g. Decrease in right-of-use assets by P50,550 million was mainly due to the reclassification of the Ilijan Power Plant to “Property, plant and equipment - net” account following the expiration of the Ilijan IPPA Agreement in June 2022, and amortization recognized during the year, partially offset by the additional land and office spaces leased in 2022.

h. Decrease in cash and cash equivalents by P44,964 million was due mainly to: (i) capital expenditures for BCCPP, BESS and Mariveles Greenfield Power Plant, (ii) lease payments of SPI, SRHI and SPPC to PSALM, (iii) redemption of the Series H and D Bonds of San Miguel Global Power amounting to P13,845 million and P9,913 million in April and December 2022, respectively, (iv) distributions paid to the holders of SPCS and RPS by San Miguel Global Power, (v) payments of maturing short and long-term loans of San Miguel Global Power, MPCL, LPI and MPI, and (vi) repurchase of SPCS by San Miguel Global Power in November 2022. These were partly offset by the proceeds from the (vii) P40,000 million fixed-rate Peso bonds issued in July 2022 and from various short and long-term loans availed during the year by San Miguel Global Power, and (viii) proceeds from the RPS issued by SMGP BESS and San Miguel Global amounting to P14,266 million and P4,916 million, respectively.

i. Decrease in investments and advances by P2,984 million was mainly due to the consolidation of deposits made by San Miguel Global Power to MVIHI and Bluelight following the acquisition of these landholding companies in August 2022.

The Group’s consolidated total liabilities as at December 31, 2022 amounted to P465,198 million, P81,202 million higher than the December 31, 2021 balance of P383,996 million. The increase was attributable to the following factors:

a. Increase in long-term debt - net of debt issue costs (including current maturities) by P49,232 million was mainly attributable to: (i) various term loans availed by San Miguel Global Power in January, May and August 2022, (ii) issuance of the P40,000 million fixed-rate Peso bonds in July 2022, (iii) foreign exchange loss recognized on the Group’s US Dollar-denominated loans, offset by the (iv) redemption by San Miguel Global Power of Series H and B Bonds amounting to P13,845 million and P9,913 million in April and December 2022, respectively, and (v) payments of principal amortizations made by San Miguel Global Power, MPCL, LPI, and MPI during the year.

b. Increase in accounts payable and accrued expenses by P28,392 million was mainly attributable to the (i) additional payables recognized for the construction projects of the Group, (ii) higher outstanding trade payables of IPPA entities, LPI, MPCL, APEC and MPI for energy fees, power and coal purchases as spot and coal prices continue to surge, (iii) increase in output VAT from vatable sales for the year and withholding tax payables, and (iv) higher amounts owed to related parties for trade and non-trade payables mainly for freight charges and diesel purchases.

c. Increase in loans payable by P19,470 million was due to various Philippine Peso-denominated short-term loans drawn by San Miguel Global Power in 2022, partly offset by the full settlement made by MPCL of its US$30 million short-term loan in December 2022.

d. Increase in other noncurrent liabilities by P2,881 million was due mainly to the recognition of retention payables relating to the Group’s construction projects.

e. Increase in income tax payable by P301 million mainly due to the income tax due recognized by MPI and MPCL for the year.

f. Decrease in lease liabilities (including current portion) by P18,255 million was mainly on account of lease payments made by the IPPA entities to PSALM, partly offset by the foreign exchange loss recognized for the year.

The Group's consolidated total equity as at December 31, 2022 amounted to P252,317 million, higher by P589 million than the December 31, 2021 balance of P251,728 million. The slight increase is accounted for as follows:

a. Increase in RPS by P19,182 million pertains to the issuances by San Miguel Global Power and SMGP BESS of US Dollar and Philippine Peso-denominated RPS during the year.

b. Increase in capital stock by P188 million was due to the collection of subscription receivable from SMC in May 2022.

c. Decrease in retained earnings by P12,722 million was mainly attributable to distributions to SPCS and RPS holders, partly offset by the net income recognized for the year.

d. Decrease in SPCS by P5,999 million was mainly due to the repurchase of SPCS by San Miguel Global Power completed in November 2022.

III. CASH FLOW

SOURCES AND USES OF CASH

A brief summary of cash flow movements is shown below:

(in Millions)	December 31		
	2023	2022	2021
Net cash flows provided by (used in) operating activities	**P16,252**	(P22,858)	P25,439
Net cash flows used in investing activities	**(49,955)**	(56,658)	(52,726)
Net cash flows provided by (used in) financing activities	**42,302**	33,797	(19,974)

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

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

(in Millions)	December 31		
	2023	2022	2021
Cash from newly acquired subsidiaries, net	**P121**	(P12)	P -
Proceeds from disposal of subsidiaries, net of cash disposed of	**-**	494	-
Proceeds from sale of properties	**-**	1,187	-
Additions to intangible assets	**(57)**	(254)	(185)
Decrease (increase) in other noncurrent assets	**(2,351)**	(3,645)	2,226
Additions to investments and advances	**(4,182)**	(939)	(998)
Advances paid to suppliers and contractors	**(7,307)**	(5,013)	(14,174)
Additions to property, plant and equipment	**(36,179)**	(48,476)	(39,595)

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

(in Millions)	December 31		
	2023	2022	2021
Proceeds from short-term borrowings	**P95,322**	P51,182	P29,078
Proceeds from issuance of RPS	**70,833**	19,182	-
Proceeds from long-term debts	**51,978**	72,312	21,885
Proceeds from issuance of capital stock	**47,165**	-	-
Proceeds from collection of subscription receivable	**-**	188	-
Distributions paid to RPS holder	**-**	(1,617)	(1,997)
Repurchase of SPCS	**-**	(4,703)	-
Distributions paid to USCS holders	**-**	-	(656)
Redemption of USCS	**-**	-	(14,582)
Proceeds from issuance of SPCS	**-**	-	35,568
Payments of share issuance costs	**(29)**	(210)	(145)
Distributions paid to SPCS holders	**(15,035)**	(15,362)	(12,191)
Payments of lease liabilities	**(19,315)**	(24,220)	(24,464)
Payments for redemption of RPS	**(21,669)**	-	-
Payments of long-term debts	**(64,362)**	(30,582)	(23,137)
Payments of short-term borrowings	**(102,586)**	(32,373)	(29,333)

The effect of exchange rate changes on cash and cash equivalents amounted to P334 million, P755 million and P4,233 million in 2023, 2022 and 2021, respectively.

IV. ADDITIONAL INFORMATION ON UNAPPROPRIATED RETAINED EARNINGS

The consolidated unappropriated retained earnings of the Group include the accumulated earnings in subsidiaries, net of equity in net losses of an associate and joint ventures, not available for declaration as dividends until declared by the respective investees.

V. KEY PERFORMANCE INDICATORS

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

LIQUIDITY RATIO

Current Ratio = **Current Assets** / **Current Liabilities**

	Conventional		*Adjusted* (1)	
(in Millions Peso)	**December 2023**	December 2022	**December 2023**	December 2022
(A) Current Assets	**213,998**	188,781	**213,998**	188,781
(B) Current Liabilities	**183,361**	188,680	**165,870**	169,608
Current Ratio (A) / (B)	**1.17**	1.00	**1.29**	1.11

(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, 2023 and 2022, current portion of lease liabilities to PSALM amounted to P17,491 million and P19,072 million, respectively.

SOLVENCY RATIO

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

Per relevant Loan Covenants of San Miguel Global Power

(in Millions Peso)	**December 2023**	December 2022
(A) Net Debt (2)	**225,585**	293,872
(B) Total Equity (3)	**343,034**	252,707
Net Debt-to-Equity Ratio (A) / (B)	**0.66**	1.16

**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 **December 2023**	Conventional December 2022	Adjusted [4] **December 2023**	Adjusted [4] December 2022
(A) Total Assets	**784,935**	717,515	**689,390**	618,399
(B) Total Equity	**343,473**	252,317	**343,473**	252,317
Asset-to-Equity Ratio (A) / (B)	**2.29**	2.84	**2.01**	2.45

(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, 2023 and 2022, the net carrying amount of the IPPA power plant assets amounted to P95,545 million and P99,116 million, respectively.

PROFITABILTY RATIO

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

(in Millions Peso)	**December 2023**	December 2022
(A) Net Income	**9,903**	3,134
(B) Total Equity	**343,473**	252,317
Return on Equity (A) / (B)	**2.9%**	1.2%

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

Per relevant Loan Covenants of San Miguel Global Power

(in Millions Peso)	**December 2023**	December 2022
(A) EBITDA [5]	**34,511**	34,494
(B) Interest Expense [6]	**13,575**	13,170
Interest Coverage Ratio (A) / (B)	**2.54**	2.62

(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)	**2023**	2022
(A) Current Period Offtake Volume	**25,205**	27,402
(B) Prior Period Offtake Volume	**27,402**	27,221
Volume Growth (Decline) [(A / B) – 1]	**(8.0%)**	0.7%

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

	Years Ended December 31	
(in Millions Peso)	**2023**	2022
(A) Current Period Revenue	**169,590**	221,389
(B) Prior Period Revenue	**221,389**	133,710
Revenue Growth (Decline) [(A / B) – 1]	**(23.4%)**	65.6%

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

	Years Ended December 31	
(in Millions Peso)	**2023**	2022
(A) Income from Operations	**32,526**	28,886
(B) Revenues	**169,590**	221,389
Operating Margin (A) / (B)	**19.2%**	13.0%

VI. OTHER MATTERS

a. Fuel Commodity Price Volatility

In January 2022, the Government of Indonesia implemented a month-long ban on the exportation of its coal which reduced the overall availability of coal fuel in the commodities market. Consequently, international price indices for coal such as the GC Newcastle index surged beyond the expected trajectory of historical prices based on long-term fundamental factors pertinent to the coal commodity market. Barely a few weeks after the partial lifting of the foregoing coal export ban, Russia commenced its invasion of Ukraine on February 24, 2022. This worsened the short-term outlook on coal prices as reflected in the further spikes in coal prices, with GC Newcastle index reaching levels beyond US$400/MT from May 2022 onwards. With Russia-Ukraine conflict continuing to this day, coal prices remain at elevated levels, averaging at US$172.79/MT and at US$360.19/MT in 2023 and 2022, respectively, but continue to show a “backwardated” forward curve, which strongly suggests a more bearish outlook on coal prices in the medium term and in the long term.

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

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

b. Malampaya Gas Supply Restrictions

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

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

With LNG prices fundamentally dropping to coal price-parity levels, SPPC pursued the procurement of commercial LNG as fuel for its Ilijan Power Plant. The scheduled deliveries of the procured LNG shipments are aligned with the imminent completion of the Batangas LNG Terminal currently undergoing commissioning activities and the supply of the contract capacities by the Ilijan Power Plant to the Grid.

c. Commitments
The outstanding purchase commitments of the Group amounted to P104,804 million as at December 31, 2023.

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

d. There are no unusual items as to 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.

e. 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 years.

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

g. There were no known trends, events or uncertainties that have had or that are reasonably expected to have a favorable or unfavorable impact on net sales or revenues or income from continuing operation.

h. There were no known events that will trigger direct or contingent financial obligation that is material to the Group, including any default or acceleration of an obligation and there were no changes in 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 reporting period.

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

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

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

San Miguel Global Power
Giving You the Power to Celebrate Life

San Miguel Global Power Holdings Corp.

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

INTRODUCTION

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

I. MAJOR DEVELOPMENTS AND SIGNIFICANT TRANSACTIONS IN 2024

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

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

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

The transaction is subject to customary closing conditions and regulatory approvals, including the review and approval of the Philippine Competition Commission. As of date, Top Frontier Investment Holdings, Inc., the ultimate parent company of San Miguel Global Power, is currently in the process of preparing filings with the relevant regulatory agencies in relation to the joint investment by San Miguel Global Power and CGHI.

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

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

Update on Mariveles Greenfield Power Plant Project

On February 26, 2024, the Energy Regulatory Commission (ERC) granted a Provisional Authority to Operate (PAO) in favor of Mariveles Power Generation Corporation’s (MPGC) Unit 1. Following the receipt of the PAO from the ERC, MPGC declared the commercial operations of its 150 MW Unit 1 with the IEMOP starting March 28, 2024.

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

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

As at report date, SPI and SPPC are awaiting for further action of the Supreme Court with regards to the Petition filed by the ERC.

Long-term Debts

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

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

Payment of Maturing Long-term Debt
In the first quarter of 2024, Limay Power Inc. (LPI), Malita Power Inc. (MPI) and Masinloc Power Co. Ltd. (MPCL) paid a total of P1,375 million of their scheduled long-term debt principal amortizations pursuant to the terms and conditions of their respective facility agreements.

Events After the Reporting Date

Issuance of US$800 million Redeemable Perpetual Securities (RPS)
On April 19, 2024, San Miguel Global Power issued an US$800 million RPS at an issue price of 100% in favor of a foreign financial institution.

The proceeds from the issuance of the RPS shall be used for general corporate purposes.

Redemption of Senior Perpetual Capital Securities (SPCS)
On April 25, 2024, San Miguel Global Power completed the redemption of the US$783 million remaining securities out of the US$800 million SPCS issued in April and July 2019, pursuant to the terms and conditions of the securities. The redemption was made after the issuance of a notice to the holders of the SPCS dated March 11, 2024. The redemption price of the US$783 million SPCS that was paid includes the principal amount and any accrued but unpaid distributions up to (but excluding) the step-up date.

The US$783 million SPCS was redeemed using in part the proceeds of capital securities issued in April 2024 and cash generated from operations.

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

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

II. FINANCIAL PERFORMANCE

2024 vs. 2023

	March 31		**Horizontal Analysis Increase (Decrease)**		**Vertical Analysis**	
In Millions	**2024**	2023	Amount	%	**2024**	2023
Revenues	**P44,123**	P41,124	P2,999	7%	**100%**	100%
Cost of power sold	**(33,541)**	(32,094)	1,447	5%	**(76%)**	(78%)
Gross profit	**10,582**	9,030	1,552	17%	**24%**	22%
Selling and administrative expenses	**(1,742)**	(1,455)	287	20%	**(4%)**	(4%)
Income from operations	**8,840**	7,575	1,265	17%	**20%**	18%
Interest expense and other financing charges	**(5,017)**	(4,398)	619	14%	**(11%)**	(10%)
Interest income	**221**	367	(146)	(40%)	**0%**	1%
Equity in net earnings (losses) of an associate and joint ventures	**(23)**	164	(187)	(114%)	**0%**	0%
Other income (charges) - net	**(1,329)**	3,316	(4,645)	(140%)	**(3%)**	8%
Income before income tax	**2,692**	7,024	(4,332)	(62%)	**6%**	17%
Income tax expense	**1,145**	1,679	(534)	(32%)	**3%**	4%
Net income	**P1,547**	P5,345	(P3,798)	(71%)	**3%**	13%

Revenues

The Group's consolidated revenues for the first quarter of 2024 amounted to P44,123 million, higher by 7% than the P41,124 million recognized in the same period last year. The increase was mainly driven by: (i) higher offtake volume as the Group was able to secure several emergency power supply agreements (EPSA) from Meralco and other distribution utilities (DUs) that allowed the contracting of its available capacities, and (ii) the resumption of operations of the Ilijan Power Plant using commercial LNG on a fuel passthrough basis. Moreover, the Group recognized additional revenues from ancillary services rendered by 10 BESS facilities of SMGP BESS Power Inc. (SMGP BESS) for NGCP, with a combined capacity of 330 MWh, of which 220 MWh commenced commercial operations in the second semester of 2023 while the other 110 MWh started in the first quarter of 2024.

Cost of Power Sold

Cost of power sold increased to P33,541 million for the first quarter of 2024, which is 5% higher than the P32,094 million incurred for the same period last year. The increase was mainly attributable to: (i) higher power purchases from the Philippine Wholesale Electricity Spot Market (WESM) to supplement the Group's required generation output, and (ii) the resumption of Ilijan Power Plant's operations in June 2023. The increase in cost of power sold was partially mitigated by lower fuel costs as international coal prices went down - averaging only US$125.76 per metric ton (MT) in the first quarter of 2024 compared to US$247.81/MT in 2022 for the same period, in terms of GC Newcastle indexed prices.

Selling and Administrative Expenses

Selling and administrative expenses increased by 20% or P287 million, from P1,455 million for the first quarter of 2023 to P1,742 million in 2024 for the same period. The increase was mainly due to higher: (i) contracted services incurred during the preventive maintenance of Masinloc Power Plant Unit 1 and outages of Sual Power Plant Unit 1, (ii) taxes and licenses representing documentary stamp taxes from various transactions of the Group, and local business taxes of MPCL, and (iii) personnel-related expenses of the Group driven by its continuing business expansion.

Income from Operations
As a result, consolidated income from operations of P8,840 million for the first quarter of 2024 was higher by 17% from the same period last year owing to improved margins as the Group worked out a transition to fuel passthrough arrangements for most of its bilateral customers including the 810 MW EPSA of SPPC with Meralco, as well as the additional margins contributed by BESS through ancillary services.

Interest Expense and Other Financing Charges
Interest expense and other financing charges went up to P5,017 million for the first quarter of 2024. This is due to the pervasive increase in global and local interest rates which affected primarily the new and outstanding debts of the Group, but was partly mitigated by the declining principal balances of its finance lease liabilities owed to Power Sector Assets and Liabilities Management Corporation (PSALM) arising from the Independent Power Producer Administration (IPPA) agreements, such as on the Sual Power Plant, which is nearing full settlement by October 2024.

Interest Income
Interest income amounted to P221 million for the first quarter of 2024. The lower number compared to the same period last year was due primarily to shorter placement periods as funds were utilized to cover capital expenditures for ongoing construction projects.

Equity in Net Earnings (Losses) of an Associate and Joint Ventures
Equity in net losses of an associate and joint ventures registered at P23 million loss for the first quarter of 2024, down from the P164 million earnings for the same period last year, mainly due to the decline in the financial performance of Angat Hydropower Corporation (AHC) with unfavorable hydrological conditions seen during the period.

Other income (charges) - net
Other charges amounted to P1,329 million for the first quarter of 2024, a complete turnaround from the P3,316 million other income for the same period last year. This was mainly due to the net foreign exchange loss recognized on the revaluation of the Group's US Dollar-denominated net monetary liabilities, with the depreciation of the Philippine Peso against the US Dollar during the period, which is in stark contrast to the significant appreciation of the Philippine Peso against the US Dollar seen in the first quarter of 2023.

Income Tax Expense
Provision for income tax amounted to P1,145 million for the first quarter of 2024. The lower number compared to the same period last year was due mainly to: (i) deferred tax benefit recognized by MPCL, San Roque Hydropower Inc. (SRHI), SPI on its unrealized foreign exchange loss, partly offset by (ii) higher income tax expense of LPI and MPI following the expiration of its income tax holiday in May and September 2023, respectively, and higher taxable income of MPCL.

Net Income
Consequently, the consolidated net income of the Group for the first quarter of 2024 decreased to P1,547 million, from P5,345 million net income reported for the same period last year, which was burdened with significant net foreign exchange losses. Without the impact of the net foreign exchange losses recognized in the first quarters of 2024 and 2023, the consolidated net income would have increased by 15% compared to 2023.
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The following are the highlights of the performance of the individual operating business per segment:

1. **POWER GENERATION**

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

   For the first quarter of 2024, net generation of 1,265 gigawatt hours (GWh), at 48% net capacity factor rate, was lower by 19% than in 2023 same period due mainly to the plant's longer outages. On the other hand, offtake volume was up by 8% as a result of higher spot sales volume.

   Revenues of P11,825 million decreased by 34% compared to last year's P17,861 million due mainly to lower average realization price resulting from lower fuel tariff as global coal prices fell from an average of US$247.81 per metric ton (MT) in the first quarter of 2023 to an average of just US$125.76/MT in 2024 same period.

   As a result, operating income for the first quarter of 2024 decreased by 6% to P2,276 million from P2,412 million in 2023.

   b. **SRHI (IPPA of San Roque Power Plant)**

   The San Roque Power Plant's net generation of 145 GWh for the first quarter of 2024, at 19% net capacity factor rate, fell by 20% due to shorter operating hours attributable mainly to lower water reservoir level. Likewise, total offtake volume of 339 GWh decreased by 8% compared to the same period last year resulting from lower generation.

   Revenues of P1,601 million were down by 52% compared to last year's P3,330 million due mainly to the decrease in offtake volume and lower average realization price owing to the decline in the average spot price.

   Operating income of P232 million for the first quarter of 2024 dropped by 79% compared to same period last year due to lower margin, owing to the aforesaid decline in the average realization price and offtake volume.

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

   The net generation of Ilijan Power Plant for the first quarter of 2024 significantly increased to 1,438 GWh, from 28 GWh registered last year, due primarily to the plant's resumption of operations in June 2023 following the successful supply of LNG from the Batangas LNG terminal.

   Likewise, total offtake volume of 1,791 GWh for the first quarter of 2024 was higher compared to the same period in 2023 on account of the increase in Meralco nominations due to the full quarter impact of its EPSAs with Meralco. Said bilateral contracts have fuel pass-through arrangements that translated to a higher average realization rate. Consequently, revenues surged to P13,115 million for the first quarter of 2024 from the P2,337 million posted for the same period in 2023.

   For the first quarter of 2024, SPPC recognized an operating income of P1,248 million due mainly to improved margins. This was a complete turnaround from the P932 million operating loss posted in 2023 same period.

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

The net generation of the Limay Greenfield Power Plant of 940 GWh for the first quarter of 2024, at 80% net capacity factor rate, was slightly higher by 1% than same period last year at 932 GWh. LPI dispatched 116 GWh of the plant's net generation to its power generation customers while the rest was dispatched to its Retail Electricity Supply (RES) customers.

For the first quarter of 2024, total offtake volume of 279 GWh went down from same period last year by 40% due to the decrease in replacement power sales volume. Moreover, revenues decreased by 52% from P3,498 million in 2023 to P1,673 million in 2024 attributable to lower offtake volume and lower average realization price with the decline in fuel tariff passed-on to customers as a result of lower global coal prices.

Operating income registering at P632 million for the quarter of 2024 was 5% lower than the P663 million posted in 2023 mainly on account of lower offtake volume.

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

For the first quarter of 2024, a total of 349 GWh was generated by the plant, at a capacity factor rate of 60%, higher compared to the same period last year by 6% due to the increase in spot and bilateral nominations.

On the other hand, revenues at P2,059 million dropped by 39% compared to last year due to lower average realization price resulting from lower fuel tariff as global coal prices fell. As a result, operating income at P485 million fell by 54% compared to last year same period.

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

The Masinloc Power Plant's operating Units 1, 2, and 3 contributed a total net generation of 1,471 GWh for the first quarter of 2024 with 1,340 GWh or 91% supplied to power generation customers while the rest was discharged to RES customers. This was 38% higher, compared to the 1,064 GWh generated from last year, as a result of lower outage days attributed to the scheduled preventive maintenance of Unit 1.

Total offtake volume of 1,479 GWh went up from last year resulting primarily from higher customer nominations. On the other hand, revenues and operating income decreased to P7,335 million and P1,632 million, respectively, on account of lower average realization price due to the decline in fuel tariff passed on to bilateral customers as global coal prices fell as well as the decline in spot prices for the period.

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

a. **LPI - RES**

For the first quarter of 2024, total offtake volume registered at 859 GWh. This increased by 69% compared to last year's 507 GWh due to new customers. Likewise, revenues increased by 11% from P4,553 million last year to P5,055 million for the first quarter of 2024 due to higher offtake volume.

Consequently, operating income of P810 million for the quarter was registered, this is 19% higher compared to the P679 million posted for the same period in 2023.

b. **MPCL - RES and MPCL - BESS**

For the first quarter of 2024, revenues, inclusive of ancillary revenues from the 10 MWh BESS, and operating income decreased to P1,241 million and P284 million, respectively, due to lower customer requirements and expiration of contracts in 2023.

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

Revenues of P232 million for the first quarter of 2024 increased by 9% compared to same period last year. Likewise, operating income of P151 million was higher by 45% compared to the P104 million registered from last year on account of higher average realization price during the period.

d. **SMGP BESS (owner of various BESS Facilities)**

For the first quarter of 2024, SMGP BESS reported revenues and operating income of P1,791 million and P1,251 million, respectively. Beginning July 2023, the ERC granted provisional authority for the implementation of Ancillary Service Procurement Agreements (ASPA) between NGCP and SMGP BESS with 7 BESS facilities commencing commercial operations on various dates during the second semester of 2023. Another 3 BESS facilities started commercial operations in the first quarter of 2024.

2023 vs. 2022

	March 31		Horizontal Analysis Increase (Decrease)		Vertical Analysis	
In Millions	**2023**	2022	Amount	%	**2023**	2022
Revenues	**P41,124**	P43,036	(P1,912)	(4%)	**100%**	100%
Cost of power sold	**(32,094)**	(35,139)	(3,045)	(9%)	**(78%)**	(82%)
Gross profit	**9,030**	7,897	1,133	14%	**22%**	18%
Selling and administrative expenses	**(1,455)**	(1,107)	348	31%	**(4%)**	(3%)
Income from operations	**7,575**	6,790	785	12%	**18%**	15%
Interest expense and other financing charges	**(4,398)**	(4,092)	306	7%	**(10%)**	(10%)
Interest income	**367**	217	150	69%	**1%**	1%
Equity in net earnings of an associate and joint ventures	**164**	60	104	173%	**0%**	0%
Other income - net	**3,316**	366	2,950	806%	**8%**	1%
Income before income tax	**7,024**	3,341	3,683	110%	**17%**	7%
Income tax expense	**1,679**	1,413	266	19%	**4%**	3%
Net income	**P5,345**	P1,928	P3,417	177%	**13%**	4%

Revenues
The Group's consolidated revenues for the first quarter of 2023 amounted to P41,124 million, lower by 4% than the P43,036 million recognized in the same period in 2022. The decrease was mainly due to lower offtake volumes for the first quarter of 2023 which registered at 4,657 gigawatt hours (GWh), 33% lower compared to 2022. This was due mainly to the injunction issued by the CA following a TRO issued last December 7, 2022 on the obligation to supply the 670 MW contract capacity to Manila Electric Company (Meralco) by SPPC. The impact of the decline in bilateral offtake volumes was mitigated by higher average bilateral rates bearing adjustments on pass-thru fuel costs.

Cost of Power Sold
Cost of power sold decreased by 9% or P3,045 million, to P32,094 million for the first quarter of 2023 from P35,139 million in the same period of 2022. The decrease was mainly attributable to: (i) lower energy fees incurred with the expiration of the Ilijan IPPA Agreement of SPPC with PSALM in June 2022, and (ii) lower power purchases from the WESM following the suspension by the CA of the obligation to deliver the 670 MW contract capacity of SPPC to Meralco.

Selling and Administrative Expenses
Selling and administrative expenses increased by 31% or P348 million, to P1,455 million for the first quarter of 2023 from P1,107 million in 2022 same period. The increase was mainly due to: (i) higher taxes and licenses pertaining to documentary stamp taxes from various transactions and local business taxes of MPCL, LPI, SPI and San Miguel Global Power, and (ii) increase in personnel-related expenses of the Group with its continuing business activities and expansion.

Income from Operations
As a result of the foregoing events, consolidated income from operations of P7,575 million for the first quarter of 2023 increased by 12% from P6,790 million from the same period of 2022.

Interest Expense and Other Financing Charges
Interest expense and other financing charges amounted to P4,398 million for the first quarter of 2023. The higher number compared to the same period of 2022 was driven mainly by the general increase in global and local interest rate indices and by the new loan drawn by San Miguel Global Power, partly offset by lower interest recognized on the declining principal balance of the IPPA entities' lease liabilities to PSALM especially with the full settlement of SPPC's remaining lease liability for the Ilijan Power Plant last June 2022.

Interest Income
Interest income amounted to P367 million for the first quarter of 2023. The higher number compared to the same period in 2022 was due primarily to the interest income recognized on interest-bearing receivables arising from the sale of properties and subsidiaries in 2022.

Equity in Net Earnings of an Associate and Joint Ventures
Equity in net earnings of an associate and joint ventures amounted to P164 million for the first quarter of 2023, higher than in 2022 due mainly to the improvement in the financial performance of AHC.

Other Income - net
Other income amounted to P3,316 million for the first quarter of 2023, significantly higher compared to other income reported in the first quarter of 2022 at P366 million. This was mainly due to the net foreign exchange gain, amounting to P3,695 million, recognized in 2023 from the revaluation of the Group's net US Dollar-denominated liabilities with the appreciation of the Philippine Peso against the US Dollar in 2023. For the same period in 2022, San Miguel Global Power recognized a net foreign exchange loss of P358 million.

Income Tax Expense
Income tax expense amounted to P1,679 million for the first quarter of 2023, 19% higher than P1,413 million reported for the same period in 2022 on account of higher taxable income of MPCL and LPI.

Net Income
The consolidated net income for the first quarter of 2023 is at P5,345 million, significantly higher than P1,928 million from the same period in 2022. This was due to higher operating income with better margins on available net capacity, and with the appreciation of the Philippine Peso against the US Dollar resulting in the recognition of P3,695 million in net foreign exchange gain in 2023.

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

1. **POWER GENERATION**

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

For the first quarter of 2023, net generation of 1,564 GWh, at 60% net capacity factor rate, was slightly lower by 1% than in 2022 same period due to lower plant dispatch. On the other hand, total offtake volumes increased by 4% to 2,010 GWh from 1,936 GWh for the same period in 2022 on account of higher Meralco nominations and higher volumes sold to spot and affiliate generators for the first quarter of 2023.

Revenues of P17,861 million was up by 44% than the P12,382 million reported in 2022. This was mainly attributable to higher average realization price for bilateral sales, driven by the increase in pass-on fuel charges, and higher spot market prices.

As a result, operating income for the first quarter of 2023 increased by 13% to P2,412 million from P2,138 million in 2022.

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

The San Roque Power Plant's net generation of 180 GWh for the first quarter of 2023, at 24% net capacity factor rate, fell by 5% due to lower water inflows resulting from low water reservoir level. However, total offtake volumes of 370 GWh increased by 56% compared to the same period in 2022 due to higher spot sales volume and the new bilateral contract which took effect in March 2022.

Revenues of P3,330 million more than doubled compared to 2022 due mainly to higher offtake volumes coupled with higher average realization prices.

As a result, operating income for the first quarter of 2023 increased by 98% from P572 million in 2022 to P1,130 million in 2023.

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

The net generation of Ilijan Power Plant for the first quarter of 2023 fell by 98% due to the plant's extended outage since June 2022 to undergo retrofitting works following the cessation of gas supply deliveries from the depleting Malampaya natural gas facility. This resulted despite the purchase by San Miguel Global Power of the remaining banked gas supply of government-owned Philippine National Oil Company (PNOC), which remains undelivered to date. Likewise, total offtake volumes of 439 GWh for the first quarter of 2023 decreased by 76% compared to 2022 due to the suspension of the obligation to supply the 670 MW PSA with Meralco.

Revenues of P2,337 million for the first quarter of 2023 was 73% lower compared to the revenues reported in the same period of 2022 mainly on account of lower offtake volumes.

For the first quarter of 2023, SPPC recognized an operating loss of P932 million, a complete turnaround from the P1,283 million operating income in 2022, as it incurred high cost of power purchases for its remaining bilateral contract requirements.

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

Limay Power Plant has a combined capacity of 600 MW. Total net generation of the plant from all operating units of 932 GWh for the first quarter of 2023, at 80% net capacity factor rate, was lower by 5% than the capacity factor rate registered in 2022 at 981 GWh due to higher plant outages. LPI dispatched 449 GWh of the plant's net generation to its power generation customers while the rest was dispatched to its Retail Electricity Supply (RES) customers. Total offtake volume of 463 GWh went up compared to the total offtake volume reported in first quarter of 2022 by 14% due to the increase in replacement power sales volume.

For the first quarter of 2023, revenues increased by 18% from P2,972 million in 2022 to P3,498 million. This was primarily due to higher average realization price on account of the increase in pass-on fuel rate brought by rising fuel prices.

Operating income registering at P663 million in 2023 was 30% lower than the P944 million posted in 2022 due mainly to higher generation costs and the increase in average price of power purchased from the spot and affiliate generators.

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

For the first quarter of 2023, a total of 328 GWh was generated by the plant, at a capacity factor rate of 58%, lower than the registered capacity factor rate in 2022 by 17% due mainly to lower bilateral nominations.

Revenues at P3,387 million dropped by 5% compared to the first quarter of 2022 due to the decrease in bilateral offtake volumes partly mitigated by the increase in average realization price due to higher pass-on fuel costs on account of rising cost of coal. As a result, operating income at P1,067 million was down by 18% compared to the same period in 2022.

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

The Masinloc Power Plant operating Units 1, 2, and 3 contributed a total net generation of 1,064 GWh for the first quarter of 2023 with 958 GWh supplied to power generation customers while the rest was discharged to RES customers. This was 27% lower compared to the 1,463 GWh generated in 2022 as a result of higher outage days attributed to the scheduled annual maintenance and turbine retrofit beginning December 23, 2022 up to March 10, 2023.

Total offtake volumes of 1,034 GWh and revenues of P9,309 million fell compared to the first quarter of 2022 resulting primarily from lower customer nominations and spot sales volumes. On the other hand, operating income increased to P2,006 million on account of high bilateral rates to customers and spot market prices.

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

a. **LPI - RES**

For the first quarter of 2023, total offtake volumes registered at 507 GWh. This declined by 23% than total offtake volumes registered in the first quarter of 2022 at 660 GWh due to contracts that have ceased. Revenues, however, was up by 19% from P3,826 million in 2022 to P4,553 million for the first quarter of 2023 with the increase in average realization price on account of the increase in pass-on fuel rate and fuel cost recovery adjustments.

Consequently, an operating income of P679 million in 2023 was registered compared to the P226 million operating loss posted for the same period in 2022.

b. **MPCL - RES and MPCL - BESS**

For the first quarter of 2023, revenues, inclusive of ancillary revenues from the 10 MW BESS, increased to P2,186 million due to high bilateral rates. Consequently, operating income of P535 million, was higher compared to the income in the same period in 2022.

c. **SMGP Kabankalan, owner of Kabankalan I BESS**

SMGP Kabankalan reported higher revenues of P212 million for the first quarter of 2023, an increase of 22% compared to the same period in 2022. However, operating income of P104 million was lower by 10% compared to the P116 million registered in 2022 on account of higher spot purchase volumes and prices in 2023.

III. FINANCIAL POSITION

2024 vs. 2023

In Millions	**March 31, 2024**	December 31, 2023	Horizontal Analysis Increase (Decrease) Amount	%	Vertical Analysis **2024**	2023
Cash and cash equivalents	**P35,579**	P31,659	P3,920	12%	**4%**	4%
Trade and other receivables - net	**117,165**	116,976	189	0%	**15%**	15%
Inventories	**12,316**	16,841	(4,525)	(27%)	**2%**	2%
Prepaid expenses and other current assets	**50,004**	48,522	1,482	3%	**6%**	6%
Total Current Assets	**215,064**	213,998	1,066	0%	**27%**	27%
Investments and advances - net	**12,062**	10,953	1,109	10%	**1%**	1%
Property, plant and equipment - net	**355,428**	339,225	16,203	5%	**44%**	44%
Right-of-use assets - net	**104,114**	104,975	(861)	1%	**13%**	13%
Goodwill and other intangible assets - net	**71,684**	71,712	(28)	0%	**9%**	9%
Deferred tax assets	**1,063**	974	89	9%	**0%**	0%
Other noncurrent assets	**44,642**	43,098	1,544	4%	**6%**	6%
Total Noncurrent Assets	**588,993**	570,937	18,056	3%	**73%**	73%
Total Assets	**P804,057**	P784,935	P19,122	2%	**100%**	100%
Loans payable	**P13,736**	P13,736	P -	0%	**2%**	2%
Accounts payable and accrued expenses	**108,394**	97,633	10,761	11%	**13%**	12%
Lease liabilities - current portion	**13,623**	17,645	(4,022)	(23%)	**2%**	2%
Income tax payable	**345**	222	123	55%	**0%**	0%
Current maturities of long-term debt - net of debt issue costs	**55,346**	54,125	1,221	2%	**7%**	7%
Total Current Liabilities	**191,444**	183,361	8,083	4%	**24%**	23%
Long-term debt - net of current maturities and debt issue costs	**215,522**	204,644	10,878	5%	**26%**	26%
Deferred tax liabilities	**21,849**	21,285	564	3%	**3%**	3%
Lease liabilities - net of current portion	**24,525**	25,142	(617)	(2%)	**3%**	3%
Other noncurrent liabilities	**6,952**	7,030	(78)	(1%)	**1%**	1%
Total Noncurrent Liabilities	**268,848**	258,101	10,747	4%	**33%**	33%
Total Liabilities	**460,292**	441,462	18,830	4%	**57%**	56%

Forward

In Millions	**March 31, 2024**	December 31, 2023	Horizontal Analysis Increase (Decrease) Amount	%	Vertical Analysis **2024**	2023
Equity Attributable to Equity Holders of the Parent Company						
Capital stock	**P2,824**	P2,824	P -	0%	**0%**	0%
Additional paid-in capital	**48,082**	48,082	-	0%	**6%**	6%
Senior perpetual capital securities	**161,768**	161,768	-	0%	**20%**	21%
Redeemable perpetual securities	**102,547**	102,547	-	0%	**13%**	13%
Equity reserves	**(3,014)**	(3,020)	6	0%	**0%**	0%
Retained earnings	**30,658**	30,367	291	1%	**4%**	4%
	342,865	342,568	297	0%	**43%**	44%
Non-controlling Interests	**900**	905	(5)	(1%)	**0%**	0%
Total Equity	**343,765**	343,473	292	0%	**43%**	44%
Total Liabilities and Equity	**P804,057**	P784,935	P19,122	2%	**100%**	100%

The Group's consolidated total assets as at March 31, 2024, amounted to P804,057 million, higher by 2% or P19,122 million than December 31, 2023 balance of P784,935 million. The increase was attributable to the following factors:

a. Increase in property, plant and equipment by P16,203 million as a result of the ongoing construction of the Masinloc Power Plant Units 4 and 5, BESS projects, Mariveles Greenfield Power Plant, rehabilitation of the Ilijan Power Plant, BCCPP project, and additional construction works for Limay and Davao Greenfield Power Plants.

b. Increase in cash and cash equivalents by P3,920 million was due mainly to the net proceeds from the P12,000 million loan drawn by SMGP BESS in March 2024 from its OLSA. This was partly offset by the (i) capital expenditures for Masinloc Power Plant Units 4 and 5, BESS projects, Mariveles Greenfield Power Plant, Ilijan Power Plant and BCCPP; (ii) lease payments of SPI and SRHI to PSALM; (iii) payments of maturing long-term loans of MPI, LPI and MPCL, and (iv) distributions paid to the holders of capital securities.

c. Increase in other noncurrent assets by P1,544 million was mainly attributable to (i) net increase in advances to suppliers/contractors for ongoing projects, and (ii) additional restricted cash set aside by MPCL and LPI for its debt servicing requirements.

d. Increase in prepaid expenses and other current assets by P1,482 million was mainly attributable to the (i) additional advances paid for procurement of coal and LNG, and (ii) input VAT recognized on purchases made for the Group's construction projects.

e. Increase in investment and advances by P1,109 million was mainly attributable to the additional deposits made by San Miguel Global Power to landholding companies, net of share in net losses of AHC.

f. Increase in deferred tax assets by P89 million was due primarily to the deferred income tax benefit recognized by the Group on unrealized foreign exchange losses from the revaluation of its US Dollar-denominated net monetary liabilities.

g. Decrease in inventories by P4,525 million was attributable primarily to overall LNG, spare parts and coal consumption which exceeded purchases during the period, coupled with lower average cost of coal.

The Group's consolidated total liabilities as at March 31, 2024, amounted to P460,292 million, 4% or P18,830 million higher than the December 31, 2023 balance of P441,462 million. The major items accounting for the increase are as follows:

a. Increase in long-term debt - net of debt issue costs (including current and noncurrent portions) by P12,099 million was attributable to the: (i) second drawdown of P12,000 million by SMGP BESS from its P40,000 million credit facility in March 2024, (ii) unrealized foreign exchange loss recognized on the revaluation of US Dollar-denominated loans, and (iii) amortization of debt issue costs, which were partly offset by settlements of maturing long-term debts of MPI, LPI and MPCL.

b. Increase in accounts payable and accrued expenses by P10,761 million was mainly attributable to additional payables to contractors relating to the Group's ongoing construction projects, and higher trade-related payables mainly for the acquisition of LNG and fuel supplies.

c. Increase in income tax payable by P123 million was mainly attributable to higher income tax due of LPI and MPI, following the expiration of its income tax holiday incentive in May and September 2023, respectively, and additional income tax due on the taxable income for the period of MPCL.

d. Decrease in lease liabilities (including current and noncurrent portions) by P4,639 million was mainly on account of (i) lease payments made by the IPPA entities to PSALM, partly offset by the (ii) the foreign exchange loss recognized for the period on the revaluation of US Dollar-denominated lease liabilities.

The Group's consolidated total equity as at March 31, 2024 amounted to P343,765 million, at par with the December 31, 2023 balance of P343,473 million. The slight movement of P292 million increase is accounted for as follows:

a. Increase in retained earnings by P291 million was mainly attributable to the net income for the first quarter of 2024, partly offset by the distributions to capital securities holders during the period.

2023 vs. 2022

			Horizontal Analysis Increase (Decrease)		Vertical Analysis	
In Millions	**March 31, 2023**	December 31, 2022	Amount	%	**2023**	2022
Cash and cash equivalents	**P17,658**	P22,726	(P5,068)	(22%)	**2%**	3%
Trade and other receivables - net	**107,026**	105,940	1,086	1%	**15%**	15%
Inventories	**12,864**	16,822	(3,958)	(24%)	**2%**	2%
Prepaid expenses and other current assets	**36,694**	43,293	(6,599)	(15%)	**5%**	6%
Total Current Assets	**174,242**	188,781	(14,539)	(8%)	**24%**	26%
Investments and advances - net	**8,823**	7,855	968	12%	**1%**	1%
Property, plant and equipment - net	**316,212**	304,412	11,800	4%	**44%**	43%
Right-of-use assets - net	**107,826**	106,610	1,216	1%	**15%**	15%
Goodwill and other intangible assets - net	**71,739**	71,765	(26)	0%	**10%**	10%
Deferred tax assets	**2,055**	2,280	(225)	(10%)	**0%**	0%
Other noncurrent assets	**39,573**	35,812	3,761	11%	**6%**	5%
Total Noncurrent Assets	**546,228**	528,734	17,494	3%	**76%**	74%
Total Assets	**P720,470**	P717,515	P2,955	0%	**100%**	100%
Loans payable	**P21,000**	P21,000	P -	0%	**3%**	3%
Accounts payable and accrued expenses	**84,029**	84,447	(418)	(1%)	12%	12%
Lease liabilities - current portion	**19,275**	19,185	90	1%	**3%**	2%
Income tax payable	**373**	326	47	14%	**0%**	0%
Current maturities of long-term debt - net of debt issue costs	**28,741**	63,722	(34,981)	(55%)	**4%**	9%
Total Current Liabilities	**153,418**	188,680	(35,262)	(19%)	**22%**	26%
Long-term debt - net of current maturities and debt issue costs	**217,932**	208,431	9,501	5%	**30%**	29%
Deferred tax liabilities	**20,439**	19,364	1,075	6%	**3%**	3%
Lease liabilities - net of current portion	**37,538**	40,773	(3,235)	(8%)	**5%**	6%
Other noncurrent liabilities	**7,315**	7,950	(635)	(8%)	**1%**	1%
Total Noncurrent Liabilities	**283,224**	276,518	6,706	2%	**39%**	39%
Total Liabilities	**436,642**	465,198	(28,556)	(6%)	**61%**	65%

Forward

In Millions	March 31, 2023	December 31, 2022	Horizontal Analysis Increase (Decrease) Amount	%	Vertical Analysis 2023	2022
Equity Attributable to Equity Holders of the Parent Company						
Capital stock	**P1,250**	P1,250	P -	0%	**0%**	0%
Additional paid-in capital	**2,490**	2,490	-	0%	**0%**	0%
Senior perpetual capital securities	**161,768**	161,768	-	0%	**22%**	23%
Redeemable perpetual securities	**79,312**	51,934	27,378	53%	**11%**	7%
Equity reserves	**(1,538)**	(1,559)	21	1%	**0%**	0%
Retained earnings	**39,618**	35,526	4,092	12%	**6%**	5%
	282,900	251,409	31,491	13%	**39%**	35%
Non-controlling Interests	**928**	908	20	2%	**0%**	0%
Total Equity	**283,828**	252,317	31,511	12%	**39%**	35%
Total Liabilities and Equity	**P720,470**	P717,515	P2,955	0%	**100%**	100%

The Group's consolidated total assets as at March 31, 2023 amounted to P720,470 million, slightly higher by P2,955 million than December 31, 2022 balance of P717,515 million. The increase was attributable to the following factors:

a. Increase in property, plant and equipment by P11,800 million as a result of the ongoing construction of the BCCPP project, Masinloc Power Plant Units 4 and 5, rehabilitation of the Ilijan Power Plant, repair and maintenance works in the Limay and Malita Power Plants, BESS projects and the Mariveles Greenfield Power Plant.

b. Increase in other noncurrent assets by P3,761 million was mainly attributable to (i) additional restricted cash set aside by MPCL and LPI for its debt servicing requirements, (ii) net increase in advances to suppliers/contractors for ongoing projects, and (iii) additional shareholder loans granted to AHC.

c. Increase in investment and advances by P968 million was mainly attributable to the additional deposits made by SPI and the Parent Company to landholding companies and share in the net earnings of AHC in 2023.

d. Decrease in prepaid expenses and other current assets by P6,599 million was mainly attributable to the (i) decrease in restricted cash of MPCL for the settlement of its ORA loan which matured and was redenominated in January 2023, (ii) amortization of real property and business taxes, and (iii) application of advances relating to coal deliveries for the Masinloc Power Plant.

e. Decrease in cash and cash equivalents by P5,068 million was due mainly to (i) payments of maturing long-term loans of the Parent Company, MPI, LPI and MPCL, (ii) capital expenditures for BCCPP, Masinloc Power Plant Units 4 and 5, BESS and Mariveles Greenfield Power Plant projects; (ii) lease payments of SPI and SRHI to PSALM; and (iii) distributions paid to the holders of capital securities. These were partly offset by the proceeds from the Parent Company's issuance of US$500 million RPS and the US$100 million term loan drawn in March 2023.

f. Decrease in inventories by P3,958 million was attributable primarily to the overall coal consumption which exceeds coal procured in 2023 for the Masinloc, Limay, Malita and Sual Power Plants coupled with lower average cost of coal.

g. Decrease in deferred tax assets by P225 million was due primarily to the deferred income tax expense recognized by MPCL on unrealized foreign exchange gain from the revaluation of its US Dollar-denominated liabilities.

The Group's consolidated total liabilities as at March 31, 2023 amounted to P436,642 million, 6% or P28,556 million lower than the December 31, 2022 balance of P465,198 million. The major items accounting for the decrease are as follows:

a. Decrease in long-term debt - net of debt issue costs (including current and noncurrent portions) by P25,480 million was attributable to the: (i) settlement of long-term debts of the Parent Company, MPI, LPI and MPCL and (ii) unrealized foreign exchange gain recognized on the revaluation of US Dollar-denominated loans; which were partly offset by the (iii) Parent Company's availment of a US$100 million term loan in March 2023, and (iv) amortization of debt issue costs.

b. Decrease in lease liabilities (including current and noncurrent portions) by P3,145 million was mainly on account of lease payments made by the IPPA entities to PSALM and the foreign exchange gain recognized in 2023 on the revaluation of US Dollar-denominated lease liabilities.

c. Decrease in other noncurrent liabilities by P635 million was attributable mainly to settlement and revaluation of US Dollar-denominated payables to contractors relating to the Group's ongoing construction projects.

d. Increase in deferred tax liabilities by P1,075 million was due to provision for deferred income tax expense arising from lease-related expenses of SRHI and SPI.

e. Increase in income tax payable by P47 million was mainly attributable to the additional income tax due on the taxable income for 2023 of LPI and MPPCL.

The Group's consolidated total equity as at March 31, 2023 amounted to P283,828 million, higher by 12% or P31,511 million than the December 31, 2022 balance of P252,317 million. The increase is accounted for as follows:

a. Increase in RPS by P27,378 million was attributable to the US$500 million RPS issued by the Parent Company to SMC in March 2023. The proceeds of which were used for general corporate purposes, including capital expenditures and financing of maturing obligations.

b. Increase in retained earnings by P4,092 million was mainly attributable to the net income for the first quarter of 2023, partly offset by the distributions to capital securities holders in 2023.

IV. CASH FLOW

SOURCES AND USES OF CASH

A brief summary of cash flow movements is shown below:

(in Millions)	March 31	
	2024	2023
Net cash flows provided by operating activities	**P19,226**	P13,284
Net cash flows used in investing activities	**(19,625)**	(16,802)
Net cash flows provided by (used in) financing activities	**4,293**	(1,442)

Net cash flows from operations basically consists of income for the period and changes in certain current liabilities and others.

Net cash flows used in investing activities are as follows:

(in Millions)	March 31	
	2024	2023
Decrease (increase) in other noncurrent assets	**P50**	(P3,663)
Additions to intangible assets	**(1)**	-
Additions to investments and advances	**(1,131)**	(804)
Advances paid to suppliers and contractors	**(1,186)**	(2,306)
Additions to property, plant and equipment	**(17,357)**	(10,029)

Net cash flows provided by financing activities are as follows:

(in Millions)	March 31	
	2024	2023
Proceeds from short-term borrowings	**P29,172**	P28,000
Proceeds from long-term debts	**12,000**	13,641
Proceeds from the issuance of RPS	**-**	27,378
Distributions paid to SPCS holders	**(1,262)**	(1,232)
Payments of long-term debts	**(1,375)**	(36,576)
Payments of lease liabilities	**(5,070)**	(4,653)
Payments of short-term borrowings	**(29,172)**	(28,000)

The effect of exchange rate changes on cash and cash equivalents amounted to P26 million gain and (P108 million) loss on March 31, 2024 and 2023, respectively.

V. KEY PERFORMANCE INDICATORS

The following are the major performance measures that the Group uses. Analyses are employed by comparisons and measurements based on the financial data of the current period against the same period of previous year. Please refer to Item II "Financial Performance" and Item III "Financial Position" for the discussion of certain Key Performance Indicators.

LIQUIDITY RATIO

Current Ratio = **Current Assets** / **Current Liabilities**

	Conventional		*Adjusted* [(1)]	
(in Millions Peso)	**March 2024**	December 2023	**March 2024**	December 2023
(A) Current Assets	**215,064**	213,998	**215,064**	213,998
(B) Current Liabilities	**191,444**	183,361	**177,991**	165,870
Current Ratio (A) / (B)	**1.12**	1.17	**1.21**	1.29

(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 March 31, 2024 and December 31, 2023, current portion of lease liabilities to PSALM amounted to P13,453 million and P17,491 million, respectively.

SOLVENCY RATIO

Net Debt-to-Equity* Ratio = **Net Debt** / **Total Equity**

Per relevant Loan Covenants of San Miguel Global Power

(in Millions Peso)	**March 2024**	December 2023
(A) Net Debt *[(2)]*	**228,490**	225,585
(B) Total Equity *[(3)]*	**342,017**	343,034
Net Debt-to-Equity Ratio (A) / (B)	**0.67**	0.66

**All items are net of amounts attributable to ring-fenced subsidiaries*

(2) Consolidated net total debt plus total PSALM lease liabilities.
(3) Consolidated total equity.

Asset-to-Equity Ratio = **Total Assets** / **Total Equity**

(in Millions Peso)	Conventional March 2024	Conventional December 2023	Adjusted [4] March 2024	Adjusted [4] December 2023
(A) Total Assets	**804,057**	784,935	**709,405**	689,390
(B) Total Equity	**343,765**	343,473	**343,765**	343,473
Asset-to-Equity Ratio (A) / (B)	**2.34**	2.29	**2.06**	2.01

(4) Net carrying amount of the IPPA power plants, in relation to the IPPA Agreements with PSALM, was omitted in total assets as these power plant assets were capitalized with corresponding lease liabilities. As at March 31, 2024 and December 31, 2023, the carrying amount of the IPPA power plant assets amounted to P94,652 million and P95,545 million, respectively.

PROFITABILITY RATIO

Return on Equity = **Net Income** / **Total Equity**

(in Millions Peso)	**March 2024**	December 2023
(A) Net Income [5]	**6,105**	9,903
(B) Total Equity	**343,765**	343,473
Return on Equity (A) / (B)	**1.8%**	2.9%

(5) Annualized for quarterly reporting.

Interest Coverage Ratio = **Earnings Before Interest, Taxes, Depreciation and Amortization (EBITDA)** / **Interest Expense**

Per relevant Loan Covenants of San Miguel Global Power

(in Millions Peso)	**March 2024**	December 2023
(A) EBITDA [6]	**34,720**	34,511
(B) Interest Expense [7]	**13,567**	13,575
Interest Coverage Ratio (A) / (B)	**2.56**	2.54

(6) Most recent four quarterly period consolidated EBITDA (gross of PSALM payments and excluding amounts attributable to ring-fenced subsidiaries).

(7) Most recent four quarterly period consolidated interest expense (excluding amounts attributable to ring-fenced subsidiaries).

OPERATING EFFICIENCY

Volume Growth (Decline) = **Current Period Offtake Volume** / **Prior Period Offtake Volume** - **1**

(in GWh)	Periods Ended March 31 2024	2023
(A) Current Period Offtake Volume	**7,956**	4,657
(B) Prior Period Offtake Volume	**4,657**	6,991
Volume Growth (Decline) [(A / B) – 1]	**70.8%**	(33.4%)

Revenue Growth (Decline) = **Current Period Revenue** / **Prior Period Revenue** - **1**

(in Millions Peso)	Periods Ended March 31 2024	2023
(A) Current Period Revenue	**44,123**	41,124
(B) Prior Period Revenue	**41,124**	43,036
Revenue Growth (Decline) [(A / B) – 1]	**7.3%**	(4.4%)

Operating Margin = **Income from Operations** / **Revenues**

(in Millions Peso)	Periods Ended March 31 2024	2023
(A) Income from Operations	**8,840**	7,575
(B) Revenues	**44,123**	41,124
Operating Margin (A) / (B)	**20.0%**	18.4%

VI. OTHER MATTERS

a. Fuel Commodity Price Volatility

In January 2022, the Government of Indonesia implemented a month-long ban on the exportation of its coal which reduced the overall availability of coal fuel in the commodities market. Consequently, international price indices for coal such as the GC Newcastle index surged beyond the expected trajectory of historical prices based on long-term fundamental factors pertinent to the coal commodity market. Barely a few weeks after the partial lifting of the foregoing coal export ban, Russia commenced its invasion of Ukraine on February 24, 2022. This worsened the short-term outlook on coal prices as reflected in the further spikes in coal prices, with GC Newcastle index reaching levels beyond US$400/MT from May 2022 onwards. With Russia-Ukraine conflict continuing to this day, coal prices remain at elevated levels, averaging at US$125.76/MT and at US$247.81/MT in the first quarters of 2024 and 2023, respectively, but continue to show a “backwardated” forward curve, which strongly suggests a more bearish outlook on coal prices in the medium term and in the long term.

Following the peak of unprecedented commodity price volatilities experienced in local and international energy markets throughout 2022, the Group has been able to hurdle the adverse impact of commodity price risks, primarily for coal fuel, thru the *fuel price risk passthrough* mechanisms allowed under some of its existing PSAs and retail supply contracts, while allowing a certain degree of flexibility on the payment terms to its customers, particularly during periods of extremely high tariff rates. This has allowed it to successfully push for bilateral negotiations on its unregulated retail supply contracts to allow for the equitable pass-through of incremental costs of supply to its customers.

On the supply side of its value chain, San Miguel Global Power has relentlessly and successfully renegotiated its fuel supply contracts with its largest suppliers to allow price capping or leveling as well as the use of less volatile indices in the pricing of its coal shipments. It has also started the use of lower grade coal for its power plants, which in a time of elevated coal prices usually, is priced with substantial discounts, but without compromising the reliability and fuel efficiency of its coal-fired power plants.

b. Malampaya Gas Supply Restrictions

The Ilijan Power Plant was originally designed to use natural gas from the Malampaya gas facility in Palawan (Malampaya) as fuel for its power generation. As early as March 2021, the National Power Corporation issued notices of gas supply restrictions from Malampaya. This significantly reduced the net generation of the Ilijan Power Plant to 60% of its total installed capacity for the remainder of 2021 until the end of the Ilijan IPPA Agreement on June 4, 2022. The Malampaya Gas Sale and Purchase Agreement also expired on the same date as PSALM is no longer required to supply fuel to the Ilijan Power Plant upon turnover of the same to SPPC. The Group was constrained to use its available capacity from its portfolio of generation assets, and in certain cases, purchase from the WESM spot market, to augment its generation from the Ilijan Power Plant to meet its bilateral demand from its customers, primarily from Meralco pursuant to its PSAs. This reduced the gross margins of the Group in cases where the cost of replacement supply exceeds the power generation costs from the Ilijan Power Plant using Malampaya natural gas. This accounts for a significant portion in the reduction of the Group’s gross margins and operating income in 2022 and 2021.

On June 23, 2022, SPPC entered into a gas supply agreement for 70.26 Petajoules of banked gas with the Philippine National Oil Company (PNOC) at a daily volume of dispatch sufficient to run the Ilijan Power Plant at 45% to 75% plant factor. This volume of gas is adequate and expected to support the Ilijan Power Plant's fuel requirements until February 2024. To date, the term of the gas supply agreement with PNOC expired without commencing the supply of banked gas to SPPC. The management of SPPC is currently reviewing its legal options on the equitable resolution of its unenforced rights and foregone opportunities over such banked gas.

With LNG prices fundamentally dropping to coal price-parity levels, SPPC pursued the procurement of commercial LNG as fuel for its Ilijan Power Plant. The scheduled deliveries of the procured LNG shipments are aligned with the imminent completion of the Batangas LNG Terminal currently undergoing commissioning activities and the supply of the contract capacities by the Ilijan Power Plant to the Grid.

c. Commitments
The outstanding purchase commitments of the Group amounted to P95,915 million and P104,804 as at March 31, 2024 and December 31, 2023, respectively.

The Group's material commitments for capital expenditure consist mainly of construction of power plants, mostly utilizing high efficiency low emission technologies, in line with the Group's expansion projects, and acquisition, upgrade or repair of fixed assets needed for normal operations of the business. These will be funded by available cash and proceeds from short-term loans, long-term debt and issued capital securities.

d. There were no known trends, demands, commitments, events or uncertainties that will have a material impact on the Group's liquidity. The Group does not anticipate within the next 12 months any cash flow or liquidity problems. The Group was not in default or breach of any note, loan, lease or other indebtedness or financing arrangement requiring payments. There were no significant amounts of the Group's trade payables that have not been paid within the stated trade terms.

e. There were no known trends, events or uncertainties that have had or that are reasonably expected to have a favorable or unfavorable impact on net sales or revenues or income from continuing operation, except those stated in Item II, discussion of Financial Performance.

f. There were no known events that will trigger direct or contingent financial obligation that is material to the Group, including any default or acceleration of an obligation and there were no changes in the contingent liabilities and contingent assets since the last annual reporting date. No material contingencies and any other events or transactions exist that are material to an understanding of the current interim period.

g. There are no significant elements of income or loss that did not arise from continuing operations.

h. The effects of seasonality or cyclicality on the interim operations of the Group's businesses are not material.

i. There were no material off-statements of financial position transactions, arrangements, obligations (including contingent obligations), and other relationship of the Group with unconsolidated entities or other persons created during the reporting period.

Annex "G"

MINUTES OF THE ANNUAL STOCKHOLDERS' MEETING
OF

SAN MIGUEL GLOBAL POWER HOLDINGS CORP.

Held on 06 June 2023, 2:00 p.m.
via remote communication (through Zoom weblink)
with the Chairman presiding at
40 San Miguel Avenue, Mandaluyong City

PRESENT:	No. of Common Shares
San Miguel Corporation *(By Proxy)*	1,250,000,500
Ramon S. Ang	500
John Paul L. Ang *(By Proxy)*	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:

Ferdinand K. Constantino
Elenita D. Go
Paul Bernard D. Causon
Ramon U. Agay
Jeciel B. Campos
Gonzalo B. Julian, Jr.
Danilo T. Tolarba
Julie Ann B. Domino-Pablo
Maria Floreselda S. Abalos-Sampaga
Joyce Jimsie G. Aguinaldo
Harold M. Abrenica
Jose Mari R. Valte
Beatriz Irina Denise A. Garcia
Majalla S. Baun
Irene M. Cipriano

- -

I. CALL TO ORDER

Mr. Ramon S. Ang, the Chairman of the Board and the Chairman of the meeting, called the meeting of the stockholders to order and presided over the same. Atty. Virgilio S. Jacinto, the Corporate Secretary, recorded the minutes of the proceedings.

II. CERTIFICATION OF QUORUM AND VOTING PROCEDURE

Stockholders owning or representing 100% of the outstanding capital stock of the Corporation being present, in person, by ballot or by proxy, the Corporate Secretary certified that a quorum existed for the valid transaction of business.

For each Agenda Item, taking into consideration the ballots casts, a motion shall be made by any stockholder and when duly seconded by another shareholder (there being no objections from any stockholder) shall be declared as duly approved and carried by the all the stockholders present in the meeting. Should there be any objection from a stockholder, such objection shall be registered as a dissent to and a vote against the passage of the subject resolution.

For purposes of election of the members of the Board of Directors, a stockholder may vote the number of common shares held in his name in the stock and transfer book of the Corporation and may vote such number of common shares for as many persons as there are directors to be elected or he may cumulate said common shares and give one candidate as many votes as the number of directors to be elected multiplied by the number of his common shares shall equal, or he may distribute them on the same principle as among as many candidates as he shall see fit; provided, that the total number of votes cast by him shall not exceed the number of common shares owned by him as shown in the books of the Corporation multiplied by the total number of directors to be elected.

For the record, proxies for 100% of the total outstanding capital stock of the Corporation have been issued by the stockholders in favor of the Chairman of the meeting, Mr. Ramon S. Ang, authorizing him to vote for the election of the Board of Directors and the approval all corporate acts which require the conformity of the stockholders as provided in the Agenda for the meeting.

III. APPROVAL OF THE PREVIOUS MEETING MINUTES

The Minutes of the Annual Stockholders' Meeting held on 07 June 2022 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. 2023-06-06-01**
> ***Approval of Previous Meeting Minutes***
>
> "**RESOLVED**, as it is hereby resolved, that the stockholders approve the Minutes of the Annual Stockholders' Meeting held on 07 June 2022."

IV. APPROVAL OF THE 2022 AUDITED FINANCIAL STATEMENTS

Mr. Paul D. Causon, the Chief Finance Officer of the Corporation, presented to the Board the 2022 Audited Financial Statements, as reported to and approved by the Board of Directors during its meeting held on 09 March 2023, which covered the financial results and financial position of the Corporation on a consolidated basis for the year ended 31 December 2022.

The Corporation's external auditors, R.G. Manabat & Co., a member firm of KPMG International, rendered an Unqualified Opinion on the 2022 Audited Financial Statements of the Corporation and subsidiaries, as presented.

The 2022 Audited Financial Statements of the Corporation are included in the Definitive Information Statement provided to the stockholders.

After giving opportunity for any of the stockholders to ask questions, none of the stockholders asked any questions. As such, the Chairman proceeded to entertain a motion to approve the 2022 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. 2023-06-06-02
Approval of 2022 Audited Financial Statements

"**RESOLVED**, as it is hereby resolved, that the stockholders approve the Annual Report and the Audited Financial Statements of the Corporation for the year ended 31 December 2022."

V. RATIFICATION OF ALL ACTS AND PROCEEDINGS OF THE BOARD OF DIRECTORS AND CORPORATE OFFICERS

The Chairman presented to the stockholders for its approval the acts and proceedings of the Board of Directors and corporate officers since its Annual Stockholders' Meeting held on 07 June 2022, 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. 2023-06-06-03
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 07 June 2022 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."

VI. 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. 2023-06-06-04
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 2023."

VII. ELECTION OF THE BOARD OF DIRECTORS

Atty. Jacinto presented to the stockholders the names of the nominees for election to the Board of Directors of the Corporation:

Ramon S. Ang	
John Paul L. Ang	
Aurora T. Calderon	
Virgilio S. Jacinto	
Jack G. Arroyo, Jr.	*(Independent Director)*
Consuelo M. Ynares-Santiago	*(Independent Director)*
Josefina Guevara-Salonga	*(Independent Director)*

On behalf of the Board, Atty. Jacinto reported that each of Jack G. Arroyo, Jr. and Consuelo M. Ynares-Santiago has served the Company as independent directors for more than nine (9) years. Their retention as Independent Directors beyond the nine (9) year term-limit is justified by their meritorious contributions to the Corporation. They have both brought high standards of corporate governance to the Corporation and objectively contributed insights to the Board Committees and to the Board. Their years of experience and expertise in their fields have enhanced the corporate values of the Company by their sustained advisory relationship with the Corporation.

Atty. Jacinto further explained that the Information Statement circulated to the stockholders provided the names of the nominees for election as independent directors of the Board of Directors and they are Jack G. Arroyo, Jr., Consuelo M. Ynares-Santiago and Josefina Guevara-Salonga. He likewise informed the stockholders that all the named independent directors comply with the mandatory requirements imposed by the Securities and Exchange Commission.

A motion was made for the above-named nominees be unanimously elected as directors, including the re-election of Jack G. Arroyo, Jr. and Consuelo M. Ynares-Santiago as Independent Directors beyond their cumulative term of nine (9) years, until their successors are elected and qualified, and that the votes of the stockholders present by ballot and represented by proxies be distributed and recorded accordingly.

Upon said motion being duly seconded, and there being no objections, stockholders unanimously approved the following resolutions:

Stockholders' Resolution No. 2023-06-06-05
Election of the Board of Directors

"**RESOLVED**, as it is resolved, that the following be, as they are hereby are, elected as members of the Board of Directors of the Corporation, to serve as such for the ensuing year, until their successors are duly elected and qualified:

1. Ramon S. Ang
2. John Paul L. Ang
3. Aurora T. Calderon
4. Virgilio S. Jacinto
5. Jack G. Arroyo, Jr. *(Independent Director)*
6. Consuelo M. Ynares-Santiago *(Independent Director)*
7. Josefina Guevara-Salonga *(Independent Director)*.

"**RESOLVED**, **FURTHER**, that the re-election of Jack G. Arroyo, Jr. and Consuelo M. Ynares-Santiago, as Independent Directors of the Corporation, beyond their cumulative term of nine (9) years, taking into consideration the meritorious justifications presented by the Board for their retention as Independent Directors of the Corporation, is hereby likewise approved."

VIII. APPROVAL OF DIRECTORS' FEE

Atty. Jacinto reported to the stockholders that the Corporation provides its Independent Directors a per diem allowance for meetings attended, as summarized below.

Per Diem for each meeting attended:

Regular Board Meeting and Stockholders Meeting	P40,000
Special Board Meeting	P45,000
Board Committee Meeting	P20,000

For last four years (2019 to 2022), the Corporation held a total of nineteen (19) meetings annually, for which P600,000 was paid to each Independent Director.

Upon motion duly made and seconded, there being no objections, the following resolution was unanimously approved by the stockholders:

Stockholders' Resolution No. 2023-06-06-06
Approval of Directors' Fees

"**RESOLVED**, as it is resolved, that the directors' fee being provided to the Independent Directors of the Corporation, representing per diem allowance for meetings attended for 2019 up to 2023, as presented, was approved, confirmed and ratified."

IX. ADJOURNMENT

There being no other matters to be discussed, the meeting was adjourned.

X. VOTING RESULTS

The voting results for each Agenda Item is set out in the attached Annex "A" hereof.

ATTESTED BY:

RAMON S. ANG
Chairman

Certified Correct:

VIRGILIO S. JACINTO
Corporate Secretary

Annex "A"

Voting Results of each Agenda Item of the
Annual Meeting of the Stockholders of
San Miguel Global Power Holdings Corp. held on 06 June 2023

No. of shares present/represented: 1,250,004,000 votes

Agenda Item	*Percentage of Outstanding Shares Voted For the Approval of the Agenda Item and No. of Votes Received*
Approval of the Minutes of the Annual Stockholders' Meeting held on 07 June 2022	100% (1,250,004,000 votes)
Approval of the 2022 Audited Financial Statements	100% (1,250,004,000 votes)
Ratification of All Acts and Proceedings of the Board of Directors and Corporate Officers since 2022 Annual Stockholders' Meeting	100% (1,250,004,000 votes)
Appointment of R.G. Manabat & Co. as External Auditors for fiscal year 2023	100% (1,250,004,000 votes)
Election of the Board of Directors	
Ramon S. Ang	100% (1,250,004,000 votes)
John Paul L. Ang	100% (1,250,004,000 votes)
Aurora T. Calderon	100% (1,250,004,000 votes)
Virgilio S. Jacinto	100% (1,250,004,000 votes)
Jack G. Arroyo, Jr.*	100% (1,250,004,000 votes)
Consuelo M. Ynares-Santiago*	100% (1,250,004,000 votes)
Josefina Guevara-Salonga	100% (1,250,004,000 votes)
*re-election of Jack G. Arroyo, Jr. and Consuelo M. Ynares-Santiago as Independent Directors beyond their cumulative term of nine (9) years, taking into consideration the meritorious justifications presented by the Board	
Approval of Directors' Fees	100% (1,250,004,000 votes)

Annex "H"

MINUTES OF THE SPECIAL STOCKHOLDERS' MEETING
OF

SAN MIGUEL GLOBAL POWER HOLDINGS CORP.

Held on 07 September 2023, 2:00 p.m.
via remote communication (through Zoom weblink)
with the Chairman presiding at
40 San Miguel Avenue, Mandaluyong City

PRESENT:	No. of Common Shares
San Miguel Corporation *(By Proxy)*	1,660,000,500
Ramon S. Ang	500
John Paul L. Ang	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:	1,660,004,000
Total Number of Shares Issued and Outstanding:	1,660,004,000
Percentage of shares present and voting	100%

ALSO PRESENT:

Ferdinand K. Constantino
Cecile L. Ang
Elenita D. Go
Paul Bernard D. Causon
Ramon U. Agay
Julie Ann B. Domino-Pablo
Harold M. Abrenica
Jose Mari R. Valte
Beatriz Irina Denise A. Garcia
Majalla S. Baun
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.

Taking into consideration the ballots cast, a motion shall be made by any stockholder on the Agenda item 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 the record, ballots covering 100% of the total outstanding capital stock of the Corporation have been issued by the stockholders approving the corporate acts which require the conformity of the stockholders as provided in the Agenda for the meeting.

III. APPROVAL OF THE INCREASE IN THE AUTHORIZED CAPITAL STOCK, AMENDMENT OF THE AMENDED ARTICLES OF INCORPORATION TO REFLECT THE INCREASE, AND RATIFICATION OF THE SUBSCRIPTION OF SAN MIGUEL CORPORATION TO SUPPORT THE INCREASE IN THE AUTHORIZED CAPITAL STOCK

Mr. Paul Causon reported to the stockholders that the Corporation is in need of funds to partially finance its requirements for working capital, capital expenditures, and debt servicing. In order to provide the aforementioned funding requirements, the Board of Directors, during its meeting held on 25 July 2023, approved the following matters, among others:

a. the increase the authorized capital stock of the Corporation by Php1,774,400,000.00 (comprising of 1,774,400,000 shares with par value of Php1.00 per share), or *from* Php2,000,000,000.00, divided into 2,000,000,000 shares with par value of Php1.00 per share *to* Php3,774,400,000.00, divided into 3,774,400,000 shares with a par value of Php1.00 per share (the "ACS Increase"),

b. the amendment of the Amended Articles of Incorporation of the Corporation to reflect the ACS Increase (the "AOI Amendment"); and

c. the subscription by the Corporation's parent company, San Miguel Corporation, to 443,600,000 shares in cash at a subscription price of Php30.00 per share, or for a total subscription amount of Php13,308,000,000.00 *(based on the book value per share of the Corporation as of 31 December 2022)* out of the ACS Increase, to support the requirement of the Securities and Exchange Commission for the application of the ACS Increase (the "SMC Subscription").

The ACS Increase and AOI Amendment will require approval by the stockholders owning and/or representing at least 2/3 of the outstanding capital stock of the Company, and shall be effective upon approval of the Securities and Exchange Commission ("SEC"). The Corporation shall file with the SEC the relevant documents relating to the ACS Increase and the AOI Amendment for the issuance of the approval of the SEC.

As such, the details of the proposed ACS Increase and AOI Amendment were presented to the stockholders for approval. Likewise presented, for ratification by the stockholders, is the SMC Subscription.

Upon motion duly and seconded, there being no objections, the stockholders unanimously approved the following resolutions:

Stockholders Resolution No. 2023-09-07-01
Approval of the ACS Increase, AOI Amendment, and Ratification of the SMC Subscription

"**RESOLVED**, as it is hereby resolved, that the stockholders of the Corporation approve the increase in the authorized capital stock of the Corporation by Php1,774,400,000.00 (comprising of 1,774,400,000 shares with a par value of Php1.00 per share), or ***from*** Php2,000,000,000.00 divided into 2,000,000,000 shares with par value of Php1.00 per share ***to*** Php3,774,400,000.00 divided into 3,774,400,000 common shares with a par value of Php1.00 per share (the "ACS Increase");

"**RESOLVED**, **FURTHER**, that Article Seventh of the Amended Articles of Incorporation be amended to reflect the ACS Increase (the "AOI Amendment");

"**RESOLVED**, **FURTHER**, that the Corporation shall secure the approval of the Securities and Exchange Commission ("SEC") by filing the requisite application for the ACS Increase and AOI Amendment (the "ACS Increase and AOI Amendment Application");

"**RESOLVED**, **FINALLY**, that the stockholders of the Corporation approve, confirm, and ratify the subscription by the Corporation's parent company, San Miguel Corporation, to 443,600,000 shares in cash at the subscription price of Php30.00 per share, or for a total subscription amount of Php13,308,000,000.00, which has been fully paid to date, which shares be issued out of the ACS Increase after the Corporation has secured the approval of the ACS Increase and AOI Amendment Application with the SEC."

IV. ADJOURNMENT

There being no other matters to be discussed, the meeting was adjourned.

V. VOTING RESULTS

The voting results for the 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 the Agenda Item of the
Special Meeting of the Stockholders of
San Miguel Global Power Holdings Corp.
held on 07 September 2023

No. of shares present/represented: 1,660,004,000 votes

Agenda Item	*Percentage of Outstanding Shares Voted For the Approval of the Agenda Item and No. of Votes Received*
Approval of the Increase in the Authorized Capital Stock of the Corporation, Amendment of the Amended Articles of Incorporation of the Corporation to reflect the Increase, and Ratification of the Subscription to support the Increase	100% (1,660,004,000 votes)

ANNEX "I"

2023 PERFORMANCE APPRAISAL

I. Audit and Risk Oversight Committee Performance Assessment Results

For each criteria, the highest score is 5 and lowest is 1.

a. under the category Quality and Integrity of the Corporation's Financial Statements and Financial Reporting Process, comprised of five questions, the average rating given by the members of the Audit and Risk Oversight Committee is 4.8;

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 4.8;

c. under the category Independence and Performance of the Corporation's Internal and External Auditors, comprised of sixteen questions, the average rating given by the members of the Audit and Risk Oversight Committee is 4.7;

d. under the category Compliance by the Corporation with Accounting Standards, Legal and Regulatory Requirements, including Corporation's Disclosure Policies and Procedures, comprised of three questions, the average rating given by the members of the Audit and Risk Oversight Committee is 4.8; and

e. under the Category Evaluation of Management's Process to Assess and Manage the Corporation's Enterprise Risk Issues, comprised of six questions, the average rating given by the members of the Audit and Risk Oversight Committee is 4.7.

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 4.7;

b. under the category Recommendation of Continuous Education and Training, comprised of two questions, the average rating given by the members of the Corporate Governance Committee is 4.5;

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 4.7;

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 4.7;

e. under the category Reporting Process, comprised of one question, the average rating given by the members of the Corporate Governance Committee is 4.8; and

f. under the category Performance of Other Activities, comprised of one question, the average rating given by the members of the Corporate Governance Committee is 4.8.

III. <u>Related Party Committee Performance Assessment Results</u>

For each criteria, the highest score is 5 and lowest is 1.

a. under the category Identification and Review of Related Party Transactions, comprised of three questions, the average rating given by the members of the Corporate Governance Committee is 4.7;

b. under the category Periodic Disclosure and Review of Related Party Transactions, comprised of four questions, the average rating given by the members of the Corporate Governance Committee is 4.8; 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 4.6.

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 4.8;

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 4.8; 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 4.8.

V. Management Performance Assessment Results

For each criteria, the highest score is 5 and lowest is 1.

a. under the criteria on the confidence of the Board of the Management's qualifications, the average rating given by Management is 4.9;

b. under the criteria on provision of complete, adequate, and timely information of Management to the board about the matters to be taken up during their meetings, the average rating given by Management is 4.9;

c. under the criteria on Management's strategies to implement and execute the approved plans, goals and targets and is satisfied in the Management's ability to perform its responsibilities in the best interest of the Company, the average rating given by Management is 4.9;

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 4.9;

e. under the criteria on the promptness of the reply of Management to the Internal Auditor's findings and recommendations, the average rating given by Management is 4.9;

f. under the criteria on the formulation by Management of rules and procedures on financial reporting and internal controls, the average rating given by Management is 4.9; and

g. under the criteria on efficiency of Management in managing credit, market, liquidity, operational, legal and other risk exposures of the Corporation, promptness of Management in reporting and communicating to the Board any risk exposures and risk management activities, and addressing the same, the average rating given by Management is 4.7.

VI. Chief Executive Officer Performance Assessment Results

For each criteria, the highest score is 5 and lowest is 1.

a. under the criteria on the integrity of the President and Chief Executive Officer ("P/CEO"), the P/CEO gave himself a rating of 5;

b. under the criteria on the ability of the P/CEO to clearly define, communicate, and implement the Company's vision, mission, values, and overall strategy, promote any organizational or stakeholder change in relation to the same, the P/CEO gave himself a rating of 5;

c. under the category that the efficiency and effectiveness in the general supervision, administration and management of the P/CEO of the business of the Company, the P/CEO gave himself a rating of 5;

d. under the criteria on the integration of the P/CEO of the dynamic requirements of the business as a going concern and future expansionary prospects within the realm of good corporate governance at all times, the P/CEO gave himself a rating of 5;

e. under the criteria on the establishment by the P/CEO of general administrative and operating policies, and initiation and development of programs for management training and development, as well as executive compensation plans, the P/CEO gave himself a rating of 5;

f. for each of the following functions performed by the P/CEO, the P/CEO gave himself a rating of 5:

   (i) determination of the Company's strategic direction and formulation and implementation of its strategic plan on the direction of the business;
   (ii) oversight of the operations of the Company and management of human and financial resources in accordance with the strategic plan;
   (iii) possession of a good working knowledge of the Company's industry and market, including updates with regard to its core business purpose
   (iv) direction, evaluation and guidance of work of the key officers of the Company;
   (v) prudent management of the Company's resources and maintenance of a proper balance of the same; and
   (vi) functioning as the link between internal operations and external stakeholders

g. under the criteria on the accountability of the P/CEO for the Company's organization and procedural controls. the P/CEO gave himself a rating of 5.