SMC GLOBAL POWER

A SUBSIDIARY OF SAN MIGUEL CORPORATION

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, Philippines

Shelf Registration in the Philippines of Fixed Rate Bonds in the aggregate principal amount of up to ₱60,000,000,000

to be offered within a period of three (3) years at an Offer Price of 100% of Face Value to be listed and traded in the Philippine Dealing & Exchange Corp.

THE SECURITIES AND EXCHANGE COMMISSION HAS NOT APPROVED THESE SECURITIES OR DETERMINED IF THIS PROSPECTUS IS ACCURATE OR COMPLETE. ANY REPRESENTATION TO THE CONTRARY IS A CRIMINAL OFFENSE AND SHOULD BE REPORTED IMMEDIATELY TO THE SECURITIES AND EXCHANGE COMMISSION.

The date of this Prospectus is July 7, 2022

SMC Global Power Holdings Corp.
5th Floor, C5 Office Building Complex
#100 E. Rodriguez Jr. Ave.
C5 Road, Bo. Ugong, Pasig City
Metro Manila, Philippines
Telephone Number: (632) 5317 1000
www.smcglobalpower.com.ph

This Prospectus ("**Prospectus**" and, as the context may require, the term includes the relevant Offer Supplement) relates to the shelf registration and each offer and sale in the Philippines within the Shelf Period as defined below (each "**Offer**") of fixed rate bonds (the "**Bonds**") with an aggregate principal amount of Sixty Billion Pesos (₱60,000,000,000) by SMC Global Power Holdings Corp. (the "**Company**", the "**Issuer**" or "**SMC Global Power**") to be listed and traded in the Philippine Dealing & Exchange Corp. ("**PDEx**").

The Bonds shall be issued in tranches within a period of three (3) years from the effective date of the Registration Statement of the Bonds, subject to applicable regulations (the "**Shelf Period**"). The Bonds will be issued in one or more series for each tranche of the Offer. The offer and sale of the Bonds, including the terms and conditions for each tranche shall be at the sole discretion of the Company. The specific terms of the Bonds for each tranche will be determined by the Company considering the prevailing market conditions and shall be provided in a supplement to be circulated at the time of the offer of the relevant tranche (the "**Offer Supplement**").

For each tranche of the Bonds, the Company shall distribute an Offer Supplement along with this Prospectus. The relevant Offer Supplement will contain the final terms for an offer of the Bonds and must be read in conjunction with this Prospectus and other transaction documents. Full information on the Issuer and such offer of the Bonds is only available through this Prospectus, the relevant Offer Supplement, and the other transaction documents. All information contained in this Prospectus are deemed incorporated by reference in an Offer Supplement. In the event of any inconsistency between this Prospectus and the Offer Supplement, the more specific information provided between the two shall prevail.

The use of proceeds for each Offer will be set out in the relevant Offer Supplement.

On June 1, 2022, the Company filed an application with the Philippine Securities and Exchange Commission ("**SEC**") to register the Bonds under the provisions of the Securities Regulation Code of the Philippines (Republic Act No. 8799) ("**SRC**"). The SEC is expected to issue an order rendering the Registration Statement effective, and a corresponding permit to offer securities for sale covering the initial tranche of the Bonds. Any subsequent offering under the relevant rules requires the submission by the Company of relevant updates and amendments to the Registration Statement and the issuance of the corresponding permit to sell by the SEC.

The Company will apply for the listing of the Bonds in the PDEx. However, there is no assurance that such a listing will be achieved either before or after the relevant issue date of the Bonds being offered at a particular time or whether such a listing will materially affect the liquidity of the Bonds on the secondary market. Such listing will be subject to the Company's execution of a listing agreement with PDEx that may require the Company to make certain disclosures, undertakings and payments on an ongoing basis.

The Bonds will be offered to the public through underwriters that may be engaged by the Company for each Offer (the "**Underwriters**") (as such term is defined in the "**Definition of Terms**" section of this Prospectus). The Company reserves the right to withdraw any offer and sale of the Bonds at any time and the Underwriters reserve the right to reject any application to purchase the Bonds, in whole or in part, and to allot to any prospective purchaser less than the full amount of the Bonds sought by such purchaser. If an offer of the Bonds is withdrawn or discontinued, the Company shall subsequently notify the SEC and, as applicable, the PDEx. The Underwriters, any participating underwriter, co-manager and selling agent for any offer of the Bonds may acquire for their own account a portion of the Bonds.

No person has been authorized to give any information or to make any representation not contained in this Prospectus. If given or made, any such information or representation must not be relied upon as having been authorized by the Company or any of the Underwriters.

The Bonds will be registered and offered exclusively in the Philippines. The distribution of this Prospectus and Offer Supplement and the offer and sale of the Bonds may, in certain jurisdictions, be restricted by law. The Company and the Underwriters require persons into whose possession this Prospectus comes, to inform themselves of the applicable legal requirements under the laws and regulations of the countries of their nationality, residence or domicile, and as to any relevant tax or foreign exchange control laws and regulations affecting them personally. This Prospectus does not constitute an offer of any securities, or any offer to sell, or a solicitation of any offer to buy any securities of the Company in any jurisdiction, to or from any person whom it is unlawful to make such offer in such jurisdiction.

Each investor in the Bonds must comply with all laws applicable to it and must obtain the necessary consent, approvals or permission for its purchase, offer or sale under the laws and regulations in force in any jurisdiction to which it is subject, and neither the Company nor any of the Underwriters shall have any responsibility therefor.

The Company is organized under Philippine Law. 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 shareholders. The declaration of stock dividends is subject to the approval of shareholders 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.

The information contained in this Prospectus relating to the Company, its operations and those of its subsidiaries and affiliates has been supplied by the Company, unless otherwise stated herein. To the best of its knowledge and belief, the Company (which has taken all reasonable care to ensure that such is the case) confirms that the information contained in this Prospectus relating to it, its operations and those of its subsidiaries and affiliates is correct, and that there is no material misstatement or omission of fact which would make any statement in this Prospectus misleading in any material respect and that the Company hereby accepts full and sole responsibility for the accuracy of information contained in this Prospectus with respect to the same.

Unless otherwise indicated, all information in this Prospectus is as of the date of this Prospectus. Neither the delivery of this Prospectus nor any sale made pursuant to this Prospectus shall, under any circumstance, create any implication that the information contained herein is correct as of any date subsequent to the date hereof or that there has been no change in the affairs of the Company since such date.

No representation or warranty, express or implied, is made or given by the Underwriters, the Trustee or the Registry and Paying Agent or their respective affiliates or legal advisers as to the accuracy, completeness or sufficiency of the information contained in this Prospectus, and nothing contained in this Prospectus is, or shall be relied upon as, a promise, representation or warranty by the Underwriters, the Trustee or the Registry and Paying Agent or their respective affiliates or legal advisers. This Prospectus is not intended to provide the basis of any credit or other evaluation nor should it be considered as a recommendation by either the Issuer, the Underwriters, the Trustee or the Registry and Paying Agent or their respective affiliates or legal advisers that any recipient of this Prospectus should purchase the Bonds.

This Prospectus does not constitute an offer of any securities, or any offer to sell, or a solicitation of any offer to buy any of the securities of the Company in any jurisdiction, to or from any person to whom it is unlawful to make such offer or solicitation in such jurisdiction.

Before making an investment decision, investors must rely on their own examination of the Company and the terms of the Offer, including the risks involved. These risks include:

- risks related to the Company's business;
- risks relating to the Philippines;
- risks relating to the Offer and the Bonds.

There can be no assurance in respect of: (i) whether the Company would issue such debt securities at all; (ii) the size or timing of any individual issuance or the total issuance of such debt securities; or (iii) the specific terms and conditions of any such issuance. Any decision by the Company to offer such debt securities will depend on a number of factors at the relevant time, many of which are not within the control of the Company, including but not limited to: prevailing interest rates, the financing requirements of business and prospects of the Company, market liquidity and the state of the domestic capital market, and the Philippine, regional and global economies in general.

The price of securities can and does fluctuate, and any individual security may experience upward or downward movements and may even become valueless. There is an inherent risk that losses may be incurred rather than profit made as a result of buying and selling securities. An investment in the Bonds described in this Prospectus involves a certain degree of risk. A prospective purchaser of the Bonds should carefully consider several factors inherent to the Company such as risks pertinent to the industry and operational risks relevant to the Philippines *vis-à-vis* risks inherent to the Bonds, in addition to the other information contained in this Prospectus, in deciding whether to invest in the Bonds.

For a more detailed discussion on the risks in investing in the Bonds, see the section entitled "*Risk Factors and Other Considerations*", which, while not intended to be an exhaustive enumeration of all the risks, must be considered in connection with any investment in or any purchase of the Bonds. The risk disclosure discussion does not purport to disclose all the risks and other significant aspects of investing in the Bonds. A person contemplating an investment in the Bonds should seek professional advice if he or she is uncertain of, or has not understood, any aspect of the securities to invest in or the nature of risks involved in trading of securities.

The Company's financial statements are reported in Pesos and are prepared based on its accounting policies, which are in accordance with the Philippine Financial Reporting Standards ("**PFRS**") issued by the Financial Reporting Standard Council of the Philippines. PFRS include statements named PFRS and Philippine Accounting Standards, and Philippines Interpretations from International Financial Reporting Interpretations Committee.

Figures in this Prospectus have been subject to rounding adjustments. Accordingly, figures shown in the same item of information may vary, and figures which are totals may not be an arithmetic aggregate of their components.

The Company's fiscal year begins on January 1 and ends on December 31 of the year. R.G. Manabat & Co., a member firm of KPMG ("**R.G. Manabat & Co.**"), the Company's external auditor, has audited and rendered an unqualified audit report on the Company's financial statements as of and for the years ended December 31, 2019, 2020 and 2021.

Market data and certain industry information used throughout this Prospectus were obtained from internal surveys, market research, publicly available information and industry publications. Industry publications generally state that the information contained therein has been obtained from sources believed to be reliable, but that the accuracy and completeness of such information is not guaranteed. Similarly, internal surveys, industry forecasts and market research, while believed to be reliable, have not been independently verified. The Company does not make any representation, undertaking or other assurance as to the accuracy or completeness of such information or that any projections will be achieved, or in relation to any other matter, information, opinion or statements in relation to the Offer. Any reliance placed on any projections or forecasts is a matter of commercial judgment. Certain agreements are referred to in this Prospectus in summary form. Any such summary does not purport to be a complete or accurate description of the agreement and prospective investors are expected to independently review such agreements in full.

ALL REGISTRATION REQUIREMENTS HAVE BEEN MET AND ALL INFORMATION CONTAINED HEREIN IS TRUE AND CURRENT.

SMC GLOBAL POWER HOLDINGS CORP.

By:

Ramon S. Ang
Chairman & Chief Executive Officer and
President & Chief Operating Officer

SUBSCRIBED AND SWORN to before me this JUL 0 7 2022, affiant exhibiting to me his Philippine Passport with No. P2247867A expiring on May 21, 2029 as competent evidence of identity.

Doc. No. : 189;
Page No. : 39;
Book No. : II;
Series of 2022.

KATHLEEN KIRBY P. HIPOLITO
NOTARY PUBLIC
ROLL NO. 66557
PASIG CITY, PHILIPPINES

KATHLEEN KIRBY P. HIPOLITO
Appointment No. 172 (2021-2022)
Notary Public for Pasig City
Until December 31, 2022
5th Floor, 100 Eulogio Rodriguez Jr. Avenue,
C5 Road (North Bound), Pasig City
Roll No. 66557
PTR No. 8144518 / 01-06-22 / Pasig City
Lifetime IBP No. 017895 / 07-25-17 / RSM Chapter
MCLE Compliance No. VI - 0018278; 02-06-2019; Pasig City

No representation or warranty, express or implied, is made by the Company and the Underwriters, regarding the legality of an investment in the Bonds under any legal, investment or similar laws or regulations. This Prospectus is not investment, legal, or tax advice. Prospective investors should consult their own counsel, accountant and other advisors as to legal, tax, business, financial and related aspects of a purchase of the Bonds. In making any investment decision regarding the Bonds, prospective investors must rely on their own examination of the Company and the terms of the Offer, including the merits and risks involved. Any reproduction or distribution of this Prospectus, in whole or in part, and any disclosure of its contents or use of any information herein for any purpose other than considering an investment in the Offer is prohibited.

Conventions which apply to this Prospectus

In this Prospectus, unless otherwise specified or the context otherwise requires, all references to the Company are to the Company and its subsidiaries and affiliates (or the Company and any one or more of its subsidiaries or affiliates, as the context may require). All references to the "**Philippines**" are references to the Republic of the Philippines. All references to the "**Government**" are to the national and local government of the Philippines, including any of its departments, agencies, or other instrumentalities.

The items expressed in the "Definition of Terms" may be defined otherwise by appropriate government agencies or regulations from time to time, or by conventional or industry usage.

Table of Contents

Forward-Looking Statements

This Prospectus contains forward-looking statements that are, by their nature, subject to significant risks and uncertainties. These forward-looking statements include, without limitation, statements relating to:

- known and unknown risks;
- uncertainties and other factors which may cause actual results, performance or achievements of SMC Global Power to be materially different from any future results; and
- performance or achievements expressed or implied by forward-looking statements.

Such forward-looking statements are based on assumptions regarding the present and future business strategies and the environment in which SMC Global Power will operate in the future. Important factors that could cause some or all of the assumptions not to occur or cause actual results, performance or achievements to differ materially from those in the forward-looking statements include, among other things:

- the ability of SMC Global Power to successfully implement its strategies;
- the historic and ongoing impact of the Corona Virus Disease 2019 ("**COVID-19**") pandemic on the operations, financial condition, and cash flows of SMC Global Power's power generation facilities and other businesses;
- the ability of SMC Global Power to anticipate and respond to market trends;
- changes in availability and prices of fuel used in the power plants of SMC Global Power;
- unexpected shutdowns of (i) the Independent Power Producer Administrator ("**IPPA**") Power Plants for which SMC Global Power acts as the IPPA and (ii) the Masinloc Power Plant, the Davao Greenfield Power Plant, the Limay Greenfield Power Plant and the Angat Hydroelectric Power Plant (the "**AHEPP**");
- adverse weather patterns and natural disasters;
- the ability of SMC Global Power to successfully manage its growth;
- the ability of SMC Global Power to successfully implement and manage its power portfolio;
- the condition of and changes in, the Philippine, Asian or global economies;
- any political instability in the Philippines;
- the ability of SMC Global Power to secure additional financing;
- changes in interest rates, inflation rates and the value of the Peso against the US Dollar and other currencies;
- price volatility in the wholesale energy spot market;
- other risks relating to the Philippines, including changes in laws, rules and regulations, including tax laws and licensing requirements;
- changes in power supply and demand dynamics in the Philippines; and
- competition in the Philippine power industry.

Additional factors that could cause actual results, performance or achievements of SMC Global Power to differ materially from forward-looking statements include, but are not limited to, those disclosed under "*Risk Factors and Other Considerations*" and elsewhere in this Prospectus.

These forward-looking statements speak only as of the date of this Prospectus. SMC Global Power and the Underwriters expressly disclaim any obligation or undertaking to release, publicly or otherwise, any updates or revisions to any forward-looking statement contained herein to reflect any change in the expectations of SMC Global Power with regard thereto or any change in events, conditions, assumptions or circumstances on which any statement is based or to reflect that SMC Global Power became aware of any such events or circumstances, that occur after the date of this Prospectus.

This Prospectus includes statements regarding the expectations and projections of the Issuer for future operating performance and business prospects. The words "believe", "plan", "expect", "anticipate", "estimate", "project", "intend", "will", "shall", "should", "may", "could", "would" and similar words identify forward-looking statements. In addition, all statements other than statements of historical facts included in this Prospectus are forward-looking statements. Statements in this Prospectus as to the opinions, beliefs and intentions of SMC Global Power accurately reflect in all material respects the opinions, beliefs and intentions of its management as to such matters at the date of this Prospectus, although SMC Global Power can give no assurance that such opinions or beliefs will prove to be correct or that such intentions will not change. This Prospectus discloses, under the section "*Risk Factors and Other Considerations*" and elsewhere, important factors that could cause actual results to differ materially from the expectation of the Issuer. All subsequent forward-looking statements attributable to SMC Global Power or persons acting on behalf of SMC Global Power are expressly qualified in their entirety by cautionary statements.

Should one or more of such risks and uncertainties materialize, or should any underlying assumptions prove incorrect, actual outcomes may vary materially from those indicated in the applicable forward-looking statements. Any forward-looking statement or information contained in this Prospectus speaks only as of the date the statement was made.

All of the forward-looking statements of SMC Global Power made herein and elsewhere are qualified in their entirety by the risk factors discussed in "*Risk Factors and Other Considerations*". These risk factors and statements describe circumstances that could cause actual results to differ materially from those contained in any forward-looking statement in this Prospectus.

Definition of Terms

In this Prospectus, unless the context otherwise requires, the following terms shall have the meanings set out below:

Actual Energy Generated ……………………….…..	Actual output of the power plant measured in GWh, MWh or KWh attributable to the contracted capacity of the IPPA Power Plants, the Limay and Davao Greenfield Powerplants, and Masinloc Power Plants, as applicable.
Affiliates …………………………………………….	With respect to any Person, any other Person directly or indirectly controlling, controlled by, or under direct or indirect common control with, such Person or any Subsidiary of such Person. For purposes of this definition, “control” (including, with correlative meanings, the terms “controlling”, “controlled by” and “under common control with”), as applied to any Person, means the possession, directly or indirectly, of the power to direct or cause the direction of the management and policies of such Person, whether through the ownership of voting securities, by contract or otherwise.
AG&P………………………………………………	AGP International Holdings Pte. Ltd.
AG&P Manila………………………………………	Atlantic Gulf & Pacific Company of Manila, Inc.
AHC …………………………….………………	Angat Hydropower Corporation.
AHEPP	Angat Hydroelectric Power Plant.
ALECO	Albay Electric Cooperative, Inc.
Alpha Water ……………………………………….	Alpha Water and Realty Services Corp.
Ancillary Services………………………………..	Refer to support services necessary to support the transmission capacity and energy that are essential in maintaining power quality and reliability of the grid.
APEC	Albay Power and Energy Corp.
ASPA………………………………………….……	Ancillary Services Procurement Agreement.
Applicable Law……………………………………	Any statute, law, regulation, ordinance, rule, judgment, order, decree, requirement or other governmental restriction or any similar form of decision of, or determination by, or any interpretation or administration of any of the foregoing by, any Governmental Authority.
Applicant …………………………………………..	Any Person who submits a duly accomplished Application to Purchase, together with all requirements set forth therein.
Application to Purchase ………………………….	The application form accomplished and submitted by an Applicant for the purchase of a specified amount of Bonds, together with all the other requirements set

	forth in such application form
ASEAN	The Association of Southeast Asian Nations, including Brunei, Cambodia, Indonesia, Laos, Malaysia, Myanmar, the Philippines, Singapore, Thailand and Vietnam.
Average Net Dependable Capacity	Average for any given period of the Net Dependable Capacity within that period, expressed in MW.
Availability Factor	Ratio, in percent, equal to (1)(a) the number of hours in a period (e.g., a month or a year) less (b) the average number of hours of planned and unplanned outages during that period, divided by (2) the number of hours in that period.
Auxiliary Unit	One of the three 6 MW capacity hydroelectric generators of AHEPP.
Batangas Combined Cycle Power Plant	The planned 1,313.1 MW combined cycle power plant in Barangays Ilijan and Dela Paz Proper, Batangas.
Bayan	Bayan Resources TBK.
Bayanihan II	Republic Act No. 11494 (Bayanihan to Recover as One Act)
Batangas LNG Terminal	The planned hybrid LNG terminal to be constructed by AG&P Manila in Ilijan, Batangas.
BESS	Battery energy storage systems
BIR	Bureau of Internal Revenue of the Philippines.
Board of Directors or Directors	Board of Directors of SMC Global Power.
Bondholder	A Person whose name appears, at any relevant time, as the registered owner of the Offer Bonds in the Registry of Bondholders.
BOI	Board of Investments.
Bonanza Energy	Bonanza Energy Resources, Inc.
BOT	Build-Operate-Transfer
BSP	Bangko Sentral ng Pilipinas.
Business Day	A day, other than a public non-working holiday, Saturday, Sunday or legal holiday, on which the facilities of the Philippine banking system are open and available for clearing, and banks are open for business in Metro Manila, Philippines.
Captive Market	A market of end-users who do not have a choice of their supplier of electricity.

CFB	Circulating fluidized bed.
Clean Air Act	The Philippine Clean Air Act of 1999.
Clean Water Act	The Philippine Clean Water Act of 2004.
CLPPC	Central Luzon Premiere Power Corp.
COC	Coal Operating Contract.
COD	Commercial Operations Date.
Company, Issuer, or SMC Global Power	SMC Global Power Holdings Corp. including, as the context requires, its subsidiaries.
Contestable Customers	End-users who have a choice on their supplier of electricity as may be certified by the ERC.
Contestable Market	A market of end-users who have a choice on their supplier of electricity.
Debt………………………………………………….	The sum of interest-bearing debt of the Issuer, as reflected in its financial statements.
Daguma Agro	Daguma Agro Minerals, Inc.
Davao Greenfield Power Plant	The 2 x 150 MW Davao coal-fired power plant located in Malita, Davao Occidental.
DENR	Department of Environment and Natural Resources.
Distribution Code	The Philippine Distribution Code.
DOC	ASEAN-China Declaration on the Conduct of Parties in the South China Sea.
DOE	Department of Energy of the Philippines.
DOE CSP Policy.	DOE Circular No. DC2018-02-0003, “Adopting and Prescribing the Policy for the Competitive Selection Process in the Procurement by the Distribution Utilities of Power Supply Agreement for the Captive Market”.
DOJ	Department of Justice of the Philippines.
DOLE	Department of Labor and Employment of the Philippines.
DU	Distribution Utility.
EBITDA	Earnings before interest, taxes, depreciation and amortization.
EC	Electric Cooperatives.

ECA	Energy Conversion Agreement.
ECC	Environmental Compliance Certificate.
EIS	Environmental Impact Statement.
EISS Law	Philippine Environmental Impact Statement System.
EMB	Environmental Management Bureau.
EMF	Environmental Monitoring Fund.
EMP	Environmental Management Plan.
EPIRA	Philippine Republic Act No. 9136, otherwise known as the Electric Power Industry Reform Act of 2001.
EPC	Engineering, Procurement and Construction.
ERC	Energy Regulatory Commission of the Philippines.
ERC Resolution on Grid Market Share Limitation……………………………………………	ERC Resolution No. 01, Series of 2022 dated March 9, 2022 (A Resolution Setting the Installed Generating Capacity and Market Share Limitation per Grid and National Grid for 2022).
ER Claim	Equivalent Relief Claim.
FIA	Foreign Investments Act of 1991 of the Philippines, as amended.
GDP	Gross Domestic Product.
Government	The Government of the Philippines.
Grid Code	Philippine Grid Code.
Group	the Company and its Subsidiaries from time to time.
GW.	Gigawatt, a unit of electrical power equivalent to 1,000 MW.
GWh	Gigawatt hours, a unit of electrical energy equivalent to 1,000 MWh.
HELE Technologies.	High efficiency low emission technologies.
Ilijan ECA	The ECA under which NPC is required to deliver and supply to KEILCO the fuel necessary to operate the Ilijan Power Plant.
Ilijan IPPA Agreement	The IPPA agreement dated May 11, 2010 between PSALM and SPPC with the conformity of the NPC relative to the administration of the IPP contract of NPC for the Ilijan Power Plant.

Ilijan Power Plant	Natural gas fired combined cycle power plant with contracted capacity of 1,200 MW located in Ilijan, Batangas.
Installed Capacity	Gross maximum dependable capacity of a power plant, expressed in MW, i.e., the maximum amount of power that can be generated by the power plant.
IPP	Independent Power Producer.
IPPA	Independent Power Producer Administrator.
IPP Agreement	Independent Power Producer Agreement.
IPPA Agreement	Independent Power Producer Administration Agreement.
IPPA Power Plants	The Sual Power Plant, the San Roque Power Plant and the Ilijan Power Plant.
IPPA Subsidiaries	SMEC, SPPC and SPDC.
IRR	Implementing Rules and Regulations of EPIRA promulgated on February 27, 2002.
ISO	International Organization for Standardization.
Kabankalan BESS	The 20 MWh battery energy storage facility located in Kabankalan, Negros Occidental.
K-Water	Korea Water Resources Corporation.
Kcal	Kilo-Calorie, a unit of heat energy.
KEILCO	KEPCO Ilijan Corporation, owner of the Ilijan Power Plant, which is a joint venture of KEPCO, Mitsubishi Corporation and TeaM Energy.
KEPCO	Korea Electric Power Corporation.
KJ	Kilo-Joule, a unit of heat energy.
KPC	PT Kaltim Prima Coal.
kV	Kilo-Volts, a unit of voltage equivalent to 1,000 volts.
KW	Kilowatt, a unit of electrical power equivalent to 1,000 watts.
KWh	Kilowatt hours, a unit of electrical energy equivalent to 1,000 watt hours.
LGC	Philippine Republic Act No. 7160, or the Local Government Code.
LGU	Local Government Unit.

LHV . . . . Lower heating value of fuel.

Limay Cogeneration Plant . . . . The 140 MW cogeneration power plant owned by Petron Corporation.

Limay Combined Cycle Plant . . . . The combined cycle power plant with installed capacity at 620 MW located in Limay, Bataan which was owned by Panasia Energy.

Limay Greenfield Power Plant . . . . The 4 x 150 MW coal-fired power plant located in Limay, Bataan.

LNG . . . . Liquified natural gas.

Luzon Grid . . . . An interconnected network of transmission lines running through Luzon for delivering electricity.

Main Unit . . . . One of the four 50 MW capacity main hydroelectric generators of AHEPP.

Material Subsidiary . . . . At any date:

(a) any Subsidiary of the Company as of such date with respect to which:

(i) the Company's proportionate share (based on the Company's direct or indirect equity interest therein) of the net income (excluding extraordinary gains and losses) thereof, as shown by the then latest audited accounts of such Subsidiary (which accounts shall be consolidated if such Subsidiary has any Subsidiaries), constitutes at least 25% of the consolidated net income of the Company (excluding extraordinary gains and losses) as shown by the consolidated audited accounts of the Company in respect of the same period; or

(ii) the Company's proportionate share (based on the Company's direct or indirect equity interest therein) of the total assets thereof, as shown by the then latest audited accounts of such Subsidiary (which accounts shall be consolidated if such Subsidiary has any Subsidiaries), constitute at least 25% of the total consolidated assets of the Company as shown by the consolidated audited accounts of the Company in respect of the same period,

provided that for purposes of paragraphs (i) and (ii) above:

(A) in the case of a Subsidiary acquired, or a Person becoming a Subsidiary, after the end of the financial period to which the latest consolidated audited accounts of the Company relate, the reference to the then latest consolidated audited accounts of the Company for the purposes of the calculation above shall, until consolidated audited accounts of the Company for the financial period in which the acquisition is made or, as the case may be, in which such Person becomes a Subsidiary are published, be deemed to be a reference to the then latest consolidated audited accounts of the Company adjusted as deemed appropriate by the Company to consolidate the latest audited accounts of such Subsidiary (which accounts shall be consolidated if such Subsidiary has any Subsidiaries) into such accounts (as if such latest consolidated audited accounts of the Company were prepared in respect of the same period as such latest audited accounts of such Subsidiary); provided that if the then latest consolidated audited accounts of the Company show a net loss for the relevant financial period then there shall be substituted for the words "net income" the words "gross revenues" for the purpose of this definition;

(B) if at any time when a determination must be made under this definition with respect to the Company or any Subsidiary for which consolidated audited accounts of the Company are necessary, no such consolidated audited accounts are prepared and audited, net income (excluding extraordinary gains and losses) and total assets of the Company shall be determined on the basis of pro forma consolidated accounts prepared for this purpose by the auditors at that time of the Company; and

(C) if at any time when a determination must be made under this definition with respect to any Subsidiary for which audited accounts of such Subsidiary are necessary, no such accounts are prepared and audited, its net income (excluding extraordinary gains and losses) and total assets shall be determined on the basis of pro forma accounts of such Subsidiary (which accounts shall be consolidated if such Subsidiary has any Subsidiaries) prepared for this purpose by the auditors at that time of such Subsidiary; and/or

(iii) any Subsidiary of the Company to which is transferred all or substantially all of the assets of a Subsidiary which immediately prior to such transfer was a Material Subsidiary, provided that the Material Subsidiary which so transfers its assets shall forthwith upon such transfer cease to be a Material Subsidiary (unless, and until such time as, such Subsidiary again satisfies the requirements for a Material Subsidiary).

Mariveles Greenfield Power Plant	The planned 600 MW coal-fired power plant and associated facilities using HELE Technologies in Mariveles, Bataan.

Masinloc BESS	The 10 MWh battery energy storage project in Masinloc, Zambales.
Masinloc Power Plant	The 1 x 330 MW (Unit 1), 1 x 344 MW (Unit 2) coal-fired power plant and 351.75 MW (Unit 3) expansion project located in Masinloc, Zambales.
Meralco	Manila Electric Company.
Mindanao Grid	An interconnected network of transmission lines running through Mindanao for delivering electricity.
MPGC.	Mariveles Power Generation Corporation.
MPPCL	Masinloc Power Partners Co. Ltd.
Must Pay Volume	The monthly generation payments SMC Global Power "must pay" for electricity sold up to a given volume.
MW	Megawatt, a unit of electrical power equivalent to 1,000 kilowatts.
MWh	Megawatt hours, a unit of electrical energy equivalent to 1,000 kilowatt hours.
MWp	Megawatt peak, a solar or renewable power unit of electrical power, equivalent to 1,000-kilowatt peak.
MWSS	Metropolitan Waterworks and Sewerage System.
National Grid.	Refers to the national grid, which is the national transmission system and related facilities that conveys bulk power.
NEA	National Electrification Administration of the Philippines.
Negative List	Twelfth Regular Foreign Investment Negative List issued by the Office of the President of the Philippines on June 27, 2022.
Net Capacity Factor	Ratio, in percent, equal to (1) actual electricity generated by a power plant in a period (net of electricity utilized to drive power plant service or auxiliaries), divided by (2)(a) number of hours in the period multiplied by (b) the contracted capacity of such power plant.
Net Dependable Capacity	Gross dependable capacity of a power plant (which may be less than Installed Capacity at any given time if technical problems are present) less the power plant capacity utilized to drive power plant station service or auxiliaries, expressed in MW.
Net Heat Rate	Heat energy required by a power plant to produce one KWh of electrical energy net of the parasitic or auxiliary loads of the power plant, usually expressed in terms of British Thermal Units/KWh, Kcal/KWh or

	KJ/KWh.
NGCP	National Grid Corporation of the Philippines, the system operator of the transmission grid.
NIA	National Irrigation Administration.
NPC	National Power Corporation.
NPC-IPP.	NPC-owned and IPP-operated plants.
NWRB	National Water Resources Board.
OEDC	Olongapo Electricity Distribution Company, Inc.
Offer Supplement.	The offer supplement to and which is issued along with this Prospectus setting out the terms and conditions of a particular Offer of Bonds.
Open Access	System of allowing qualified persons to use the transmission and/or distribution systems and associated facilities of distribution utilities subject to the payment of transmission and/or distribution wheeling rates approved by the ERC.
Panasia Energy	Panasia Energy Holdings Inc.
PBR	Performance Based Regulation.
PDEx	The Philippine Dealing & Exchange Corp.
PDS	Philippine Dealing System.
PDTC	The Philippine Depository & Trust Corp.
PEMC	Philippine Electricity Market Corporation.
PFRS	Philippine Financial Reporting Standards.
Philippine peso or Pesos or ₱	The legal currency of the Republic of the Philippines.
Philippines	Republic of the Philippines.
PhilRatings	Philippine Rating Services Corporation.
PPA	Power Purchase Agreement.
PSA	Power Supply Agreement.
PSE	The Philippine Stock Exchange, Inc.
PSALM	Power Sector Assets and Liabilities Management Corporation.

PSALM ER Claim	The ER Claim included in PSALM's claims against TeaM Energy.
PSC	Power Supply Contract.
PVEI	PowerOne Ventures Energy Inc.
RCOA	Retail Competition and Open Access.
RE Act	Renewable Energy Act of 2008 (Republic Act No. 9513).
Reliability Factor	Ratio, in percent, equal to (1)(a) the number of hours in a period less (b) the average unplanned outage hours in that period divided by (2) the number of hours in that period.
RES	Retail Electricity Supplier.
R.G. Manabat & Co.	R.G. Manabat & Co., a member firm of KPMG.
Ring-fenced Subsidiary.	Any entity that satisfies the following conditions: (a) such entity is a Subsidiary of the Company but not a Material Subsidiary; (b) such entity, to the extent directly owned by the Company or a member of the Group (other than another Ring-Fenced Subsidiary), is a limited liability company or corporation organized and existing under the laws of the Philippines; (c) the Company has delivered a written notification to the Trustee designating such entity as a Ring-Fenced Subsidiary; (d) no member of the Group (other than that Ring-Fenced Subsidiary) shall be contingently liable for any Indebtedness of such entity or its Subsidiaries, except in respect of the granting by a member of the Group of Security Interest over its shares in such entity or such entity's Subsidiaries; and (e) all transactions conducted between any member of the Group and such entity or its Subsidiaries must be on an arm's length basis and on normal commercial terms, and each Subsidiary of any such entity shall also be a Ring-Fenced Subsidiary.
RPAA	Registry and Paying Agency Agreement.
RSCs	Retail Supply Contracts.

RTGS	The Philippine Payment Settlement System via Real Time Gross Settlement.
Sanitation Code	The Code on Sanitation of the Philippines.
San Roque IPPA Agreement	The IPPA Agreement dated December 29, 2009 between PSALM and SPDC with the conformity of NPC relative to the administration of the IPP contract of NPC for the San Roque Power Plant.
San Roque Power Plant	Hydroelectric multipurpose power plant with contracted capacity of 345 MW located in San Manuel, Pangasinan.
San Roque PPA	The PPA made between SPDC and NPC dated October 11, 1997 in relation to the San Roque Power Plant.
SEC	The Securities and Exchange Commission of the Philippines.
SCPC.	SMC Consolidated Power Corporation
SMC.	San Miguel Corporation.
SMCPC.	San Miguel Consolidated Power Corporation
SMEC	San Miguel Energy Corporation.
SMELC	San Miguel Electric Corp.
SPDC	Strategic Power Devt. Corp.
SPI	SMC PowerGen Inc.
SPPC	South Premiere Power Corp.
SRC	Securities Regulation Code of the Philippines (Republic Act No. 8799) and its implementing rules, as amended.
SRPC	San Roque Power Corporation, operator of the San Roque Power Plant.
SSS	The Social Security System.
Sual ECA	Energy Conversion Agreement dated September 2, 2009 made between NPC and CEPA Pangasinan Electric Limited for the Coal-Fired Thermal Power Station at Sual, Pangasinan, Philippines.
Sual IPPA Agreement	The IPPA Agreement dated September 2, 2009 made between PSALM and SMEC with the conformity of NPC relative to the administration of the IPP contract of NPC for the Sual Power Plant.

Sual Power Plant	Coal-fired power plant with a contracted capacity of 1,000 MW located in Sual, Pangasinan.
Subsidiary.	An entity of which a Person has direct or indirect control or owns directly or indirectly more than 50% of the voting capital or similar right of ownership.
Sultan Energy. . . . . …	Sultan Energy Phils. Corp.
Tagum Peaking Power Plant	The 15 MW multi-fuel peaking power plant located in Tagum City, Davao del Norte.
Take-or-pay.	A type of contractual arrangement where, or the act whereby, a customer either takes a product at a certain price from the supplier, or pays the supplier a penalty.
Tax Code . . . . …	The National Internal Revenue Code of 1997, as amended.
Taxes	Any present or future taxes, including, but not limited to, documentary stamp tax, levies, imposts, filing and other fees or charges imposed by the Republic of the Philippines or any political subdivision or taxing authority thereof, including surcharges, penalties and interests on said taxes, but excluding final withholding tax, gross receipts tax, taxes on the overall income of the underwriter or of the Bondholders, value added tax, and taxes on any gains realized from the sale of the Bonds.
TeaM Energy	TeaM Sual Corporation, owner of the Sual Power Plant, which is a joint venture between Marubeni Corporation and Tokyo Electric Power Corporation.
TransCo	National Transmission Corporation.
TRO . . . . …. .	Temporary Restraining Order.
Trustee	The relevant trustee that may be engaged by the Company for each Offer and as identified in the relevant Offer Supplement.
Underwriters	Underwriters that may be engaged by the Company for each Offer and as identified in the relevant Offer Supplement. As applicable and as may be provided in the relevant Offer Supplement, the term may also include “Lead Underwriter”, “Joint Lead Underwriters”, “Issue Manager”, “Issue Managers”, “Joint Issue Managers”, “Bookrunner”, “Bookrunners” and “Joint Bookrunners”.
Unplanned outage..	A shutdown of the plant for reasons other than planned outage. For purposes of calculating measures of power plant performance that are reported by the IPPs such as availability and reliability factors, shutdown due to (1) faults or failures in the transmission system, (2) force majeure events, (3) disruptions in fuel supply and (4) dispatch orders from

	the grid system operators are not included in unplanned outage.
UPSI.	Universal Power Solutions Inc. (formerly Limay Power Generation Corporation).
Visayas Grid	An interconnected network of transmission lines running through Visayas for delivering electricity.
WESM	Wholesale Electricity Spot Market.

Executive Summary

The following summary is qualified in its entirety by, and is subject to, the more detailed information and the consolidated financial statements of SMC Global Power and notes relating thereto. For a discussion of certain matters that should be considered in evaluating an investment in the Bonds, see the section of this Prospectus entitled "Risk Factors and Other Considerations." Investors are recommended to read this entire Prospectus carefully.

In this Prospectus, unless otherwise specified or the context otherwise requires, all references to the Company are to the Company and its subsidiaries and affiliates (or the Company and any one or more of its subsidiaries or affiliates, as the context may require).

BUSINESS

SMC Global Power is a holding company which owns subsidiaries that are primarily engaged in the generation, supply and sale of electric power in the Philippines. SMC Global Power, together with its subsidiaries, associates and joint ventures (collectively referred to as the "**Group**"), is one of the largest power companies in the Philippines, controlling 4,734 MW of combined capacity as of March 31, 2022. The Company benefits from a diversified power portfolio, including natural gas, coal, renewable energy such as hydroelectric power and battery energy storage systems. Based on the total installed generating capacities reported in ERC Resolution on Grid Market Share Limitation, the Company believes that its combined installed capacity comprises approximately 19% of the National Grid, 26% of the Luzon Grid and 7% of the Mindanao Grid, in each case**,** as of March 31, 2022. 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 (17,077,537 kW, 4,201,042 kW and 24,651,219 kW, respectively based on data provided under 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.

The following table sets forth selected data in respect of the Company's primary operating power generation assets and interests as of the date of this Prospectus.

	IPPA Power Plants			**Greenfield Plants**		**JV Plant**	**IPP Plant**
	Sual	**Ilijan**	**San Roque**	**Davao**	**Limay**	**Angat**	**Masinloc and Masinloc BESS**
Company Name……….	SMEC	SPPC	SPDC	SMCPC	SCPC	AHC	MPPCL
Date of Incorporation…	May 30, 2003	October 23, 2003	October 30, 2003	August 26, 2011	August 19, 2011	November 15, 2013	June 25, 2007
Operating Segment…...	Power Generation	Power Generation	Power Generation	Power Generation	Power Generation	Power Generation	Power Generation
Type	Coal	Natural Gas	Hydro	Coal	Coal	Hydro	Coal and Battery
Commercial Operations Date	1999	2002	2003	2017 (150 MW); 2018 (150 MW)	2017 (300 MW); 2018 (150 MW); 2019 (150 MW)	1967 (112 MW); 1968 (100 MW); 1978 (6 MW)	1998 (660 MW); 2018 (additional 14 MW)(5); 2018 (10 MWh); 2020 (351.75 MW)(6)
Year of Acquisition	2009	2010	2010	—	—	2014	2018
Capacity (MW)	1,000	1,200	345	300	600	218	1,035.75(7)
Technology	Pulverized Coal	Combined Cycle	Storage Hydropower	Circulating Fluidized Bed	Circulating Fluidized Bed	Storage Hydropower	Pulverized Coal(8) and Battery Energy Storage System
Emission Levels(1)							
NOx (ppm)	192.5	—	—	23.7	68.6	—	133.9
SOx (ppm)	299.3	—	—	41.6	106.3	—	219.1
PM (mg/Nm^3)	15.2	—	—	8.3	5.9	—	77.6
Operator	TeaM Sual Corp.	KEILCO	SRPC	Safetech	Mantech	AHC	Mantech

Offtakers[(2)]....................	Meralco, ECs, DUs, DCCs, Third-Party RES, WESM	Meralco, WESM, Inter-company [(4)]	Inter-company[(4)] DU, WESM, RES	ECs, DUs, DCCs	DCCs, ECs, DUs, CCs, WESM	Inter-company,[(4)] WESM	Meralco, DUs, CCs, WESM, NGCP
IPPA Expiry / Asset Transfer Date[(3)].......	2024	2022	2028	N/A	N/A	N/A	N/A

Notes:

(1) See "Description of the Business—Safety, Health and Environmental Regulation" for information on DENR emission standards. Emission levels for the Masinloc Power Plant excludes the Masinloc BESS. Emissions as of March 31, 2022.

(2) DUs: Distribution Utilities; ECs: Electric Cooperatives; CCs: Contestable Customers; DCCs: Directly Connected Customers; RES: Retail Electricity Supplier.

(3) Under the respective IPPA Agreements of SMEC, SPPC and SPDC, these subsidiaries of SMC Global Power have the right to acquire the Sual Power Plant in October 2024, the Ilijan Power Plant in June 2022 and the San Roque Power Plant in April 2028, respectively. See "Business—IPPA Framework."

(4) Within the SMC Global Power group.

(5) The retrofit of Masinloc Power Plant Unit 2 completed in 2018 resulted in an increase of its capacity from 330 MW to 344 MW.

(6) Masinloc Power Plant Unit 3.

(7) Includes the capacity of Units 1, 2 and 3 of Masinloc Power Plant and Masinloc BESS.

(8) Masinloc Power Plant Unit 3 utilizes supercritical boiler technology. Units 1 and 2 of the Masinloc Power Plant utilize pulverized technology.

SMC Global Power 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 in the PSE. 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 (collectively, the "**SMC Group**"). The Company believes that its relationship with San Miguel Corporation allows it to draw on the extensive business networks, local business knowledge, relationships and expertise of San Miguel Corporation and its key executive officers.

For the years ended December 31, 2019, 2020 and 2021 and the three months ended March 31, 2021 and 2022, SMC Global Power sold 26,133 GWh, 23,900 GWh, 24,708 GWh, 5,653 GWh and 6,531 GWh of power pursuant to bilateral offtake agreements and 1,979 GWh, 2,216 GWh, 2,513 GWh, 691 GWh and 460 GWh of power through the WESM, respectively. For the years ended December 31, 2019, 2020 and 2021 and the three months ended March 31, 2021 and 2022, SMC Global Power purchased 1,973 GWh, 1,876 GWh, 2,520 GWh, 416 GWh and 638 GWh of power from the WESM, respectively.

For the year ended December 31, 2021, the total consolidated revenue, net income and EBITDA[1] of SMC Global Power was ₱133,710 million, ₱15,978 million and ₱33,542 million, respectively. For the three months ended March 31, 2022, the total consolidated revenue, net income and EBITDA[1] of SMC Global Power was ₱43,036 million, ₱1,928 million and ₱7,520 million, respectively. As of March 31, 2022, SMC Global Power had total consolidated assets of ₱646,290 million.

IPPA Projects

San Miguel Corporation entered the power industry in 2009 following the acquisition of rights to administer the output produced by IPPs in privatization auctions conducted by the Government through PSALM. The following companies under the San Miguel Corporation group became the IPPA of the following plants: (1) SMEC became the IPPA for the Sual Power Plant, a coal-fired thermal power plant located in Sual, Pangasinan, in November 2009; (2) SPDC became the IPPA for the San Roque Power Plant, a hydroelectric power plant located in San Manuel, Pangasinan in January 2010; and (3) SPPC became the IPPA for the Ilijan Power Plant, a natural gas-fired

[1] *Amounts exclude items attributable to Ring-fenced Subsidiaries. Subsidiaries with project debts were nominated as Ring-fenced Subsidiaries. If the amounts from the Ring-fenced Subsidiaries were to be included, the EBITDA would amount to ₱48,184 million for the year ended December 31, 2021 and ₱10,505 million for the three months ended March 31, 2022.*

combined cycle power plant located in Ilijan, Batangas in June 2010 (collectively, the "**IPPA Power Plants**").

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

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

Greenfield, IPP and JV Power Projects

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

SMC Global Power also pursued strategic acquisitions to increase its energy portfolio. In November 2014, SMC Global Power, through its subsidiary, PVEI, acquired a 60% stake in AHC, the owner and operator of the 218 MW Angat Hydroelectric Power Plant (the "**AHEPP**").

In March 2018, SMC Global Power completed the acquisition of 51% and 49% equity interests in SMCGP Masin Pte. Ltd. ("**SMCGP Masin**", formerly Masin AES Pte. Ltd.) from AES Phil Investment Pte. Ltd. ("**AES Phil**") and Gen Plus B.V., respectively. SMCGP Masin indirectly owns, through its subsidiaries, at the time of such acquisition, Masinloc Power Partners Co. Ltd ("**MPPCL**"), and SMCGP Philippines Energy Storage Co. Ltd. ("**SMCGP Philippines Energy**"), formerly AES Philippine Energy Storage Co. Ltd., (SMCGP Masin and its subsidiaries are collectively referred to as the "**Masinloc Group**"). MPPCL owns, operates, and maintains the 1 x 330 MW and 1 x 344 MW coal-fired power plants (Units 1 and 2), and 1 x 351.75 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 Philippines Energy holds the 2 x 20 MWh battery energy storage system facility in Kabankalan, Negros Occidental (the "**Kabankalan BESS**"). The capacity of Phase 1 of Kabankalan BESS is contracted under an Ancillary Service Procurement Agreement with the National Grid Corporation of the Philippines ("**NGCP**") with a term of 5 years which commenced in January 2022. SPESCL is currently offering the capacity of Phase 2 of Kabankalan BESS to NGCP in the ongoing competitive selection process for the procurement of ancillary services. On September 19, 2018, Prime Electric Generation Corporation ("**PEGC**"), and Oceantech Power Generation Corporation ("**OPGC**"), both wholly-owned subsidiaries of SMC Global Power, purchased the entire partnership interests in SMCGP Philippines Energy from subsidiaries of SMCGP Masin. SMC Global Power was admitted as an additional limited partner of SMCGP Masinloc Partners Co. Ltd. in 2019 (a limited partnership under the Masinloc Group) and of MPPCL in June 2020.

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

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

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

Distribution, Retail and Other Interests

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

SMC Global Power has also expanded its sale of power to a broader range of customers, including retail customers. In particular, certain of the Company's subsidiaries were issued retail electricity supplier ("**RES**") licenses, allowing it to enter into contracts with contestable customers and expand its customer base. See "*Description of the Business—Distribution and Retail Services—Retail Electric Supply*."

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

Expansion Projects

Power Plant Portfolio

In December 2020, the board of directors and stockholders of Mariveles Power Generation Corporation ("**MPGC**") approved the increase in the authorized capital stock of MPGC in which SMC Global Power subscribed to 29,177,717 common shares thereby, increasing its ownership interest in MPGC from 89.54% to 91.98%, as a result of the waiver by Meralco Powergen Corporation, Zygnet Prime Holdings, Inc., and the other stockholders of MPGC, of their right to contribute additional equity. MPGC is currently constructing a 4 x 150 MW circulating fluidized bed coal-fired power plant and associated facilities in Mariveles, Bataan (the "**Mariveles Greenfield Power Plant**") using high efficiency low emission technologies ("**HELE Technologies**") with planned installed capacity of 600 MW in Mariveles, Bataan. As of March 2022, all stream turbines and generators for the four units were delivered and the site development of the Mariveles Greenfield Power Plant is approximately 54% complete which is expected to commence commercial operations in 2023.

Unit 3 of the Masinloc Power Plant (351.75 MW) commenced commercial operations on September 26, 2020, increasing the capacity of the Masinloc Power Plant by approximately 50%. The Company intends to further expand the Masinloc Power Plant by constructing additional units utilizing supercritical boiler technology (Units 4 and 5) with a planned gross installed capacity of 350 MW each. The Company has issued Notices of Award and is in the final stage of finalizing the engineering, procurement and construction ("**EPC**") contract for the construction of Masinloc Power Plant Units 4 and 5 which are targeted for completion in 2025.

In addition and as part of the Company's diversification of its power portfolio away from traditional coal technologies, the Company, through its subsidiary Excellent Energy Resources Inc. ("**EERI**"), is constructing a 1,313.1 MW combined cycle power plant in Barangays Ilijan and Dela Paz Proper, Batangas City (the "**Batangas Combined Cycle Power Plant**"). The Batangas Combined Cycle Power Plant will utilize regasified liquefied natural gas ("**LNG**"). The EPC contract with Black & Veatch, BVI (Philippines) Corporation and First Balfour, Inc. for this project was signed in December 2021. The projected construction period is expected to be shorter than the typical construction period for coal-fired power plants, with substantial completion of the first blocks expected in one and a half to two years, compared to three to four years for coal-fired power plants historically. The expected output of the Batangas Combined Cycle Power Plant is contracted to the Meralco after EERI won the competitive selection process conducted by Meralco in January 2021 and was awarded the Power Supply Agreement dated March 2, 2021 for the supply of 1,200 MW contract capacity for 20 years effective November 26, 2024.

The Company has access or control over approximately 54 hectares of land adjacent to the Ilijan Power Plant. This includes land area and properties along the shoreline with priority to use the foreshore area over a uniquely deep ocean area (15.5m draught) that is close to shore (220 km). The Company will locate the Batangas Combined Cycle Power Plant on these properties. The Company is also exploring possible improvements to, or retrofitting of, the Ilijan Power Plant. The Company, through SPPC, expects to become the owner and operator of the Ilijan Power Plant by June 2022 pursuant to the Ilijan IPPA Agreement. Simultaneously, the existing gas supply from Malampaya will expire and SPPC will need to procure its own natural gas supply.

In this regard, the Company, through its wholly owned subsidiary, SMCGP Transpower Pte. Ltd. ("**Transpower**"), has executed a terminal use agreement ("**TUA**") with Linseed Field Corporation for the use of a hybrid LNG terminal in Ilijan, Batangas (the "**Batangas LNG Terminal**") by SPPC and EERI, which is intended to provide regasified LNG and storage solutions to the Ilijan Power Plant and the Batangas Combined Cycle Power Plant, and which is being constructed by AG&P, through its subsidiary AG&P Manila. The TUA will allow terminal customers to receive, store and regasify LNG from the global market through the Batangas LNG Terminal. The DOE has issued the Notice to Proceed as well as the Permit to Construct and as of the date of this Prospectus, construction has commenced for the Batangas LNG Terminal and is expected to be completed later this year. See "*Description of the Business—LNG Framework*" for further details on the planned Batangas LNG Terminal.

The Company also intends to construct and develop LNG power plants in certain provinces to boost rural electrification. As of the date of this Prospectus, the Company is finalizing the purchase of SGT-800 gas turbines from Siemens Energy AB for all sites. The said gas turbines are an established technology of Siemens Energy and have a rated capacity of approximately 61%, assuming a two-gas turbine and one heat recovery steam generator configuration. Fuel will be sourced through break bulking arrangement from the planned Batangas LNG Terminal using two to three vessels that will ferry the LNG supply across the sites. These LNG plants will have mini regassification facilities of up to 150 mmscfds and small inland storage of up to 50,000 m^3 capability. In addition, the Company is contemplating the construction, operation and maintenance of liquefied combined cycle natural gas plants in Tabango, Leyte and San Carlos City, Negros Occidental, with capacities of 600 MW and 300 MW at estimated costs of ₱41.5 billion and ₱18.5 billion, respectively. It is expected that these facilities will also be contracted with distribution utilities and selected key industrial customers embedded in the local utility distribution network. The Company is evaluating the timing on progressing these projects depending on market conditions, the general state of the Philippine economy and demand, among others. In January 2022, the Company placed advance orders with Siemens Energy AB for the supply of four gas turbine packages for the Cebu and Zamboanga sites with expected initial shipment of the SGT-800 units between the fourth quarter of 2022 and the second quarter of 2023.

In line with the Company's decision to significantly reduce its carbon footprint and transition to cleaner sources of energy, SMC Global Power, through its wholly-owned subsidiary, SMC Global

Light and Power Corp. ("**SGLPC**"), is developing a portfolio of solar power projects with an initial aggregate capacity of 800 MWp across various sites in Luzon including in the provinces of Bataan and Isabela. The proposed solar projects will be situated in areas with moderate to high photovoltaic potential. In February 2022, SGLPC obtained a Certificate of Registration from the DOE as a renewable energy ("**RE**") developer for a solar project located in Bataan and has entered into a Solar Energy Operating Contract (130MWp) with the DOE for the development and operation of RE projects using solar energy as a renewable source ("**Bataan Solar Project**"). The lease agreements for the property in Bataan and in Isabela where the solar projects will be located have been executed. Currently, the Bataan Solar Project is in the pre-development stage. The generation output of the proposed solar power projects is intended to be offered to various contestable customers.

Meanwhile, the Company will no longer pursue some of its intended coal facilities, including the previously planned power plant to be located in Pagbilao, Quezon, with planned installed capacity of 600 MW through its wholly-owned subsidiary, Central Luzon Premiere Power Corp. ("**CLPPC**").

The Company continues to participate in the Government-mandated competitive selection processes ("**CSP**") for power supply agreements ("**PSAs**") with distribution utilities ("**DUs**"), and negotiate for retail supply contracts ("**RSCs**") with contestable customers for these expansion plans. In January 2021, the Company, through its subsidiaries EERI and MPPCL, participated in the Meralco CSP bidding for Meralco's 1,800 MW supply requirements starting in 2024. The entire 1,800 MW contract in greenfield capacity was awarded to the Company and it is intended that the output of the planned Batangas Combined Cycle Power Plant will supply 1,200 MW starting November 26, 2024, while Masinloc Power Plant expansion Units 4 and 5 will supply 600 MW starting April 26, 2025, for 20 years. The relevant PSAs were executed with Meralco on March 2, 2021 and were filed with the ERC. As of the date of this Prospectus, the PSAs are pending ERC approval.

BESS Portfolio

The Company, through its subsidiaries Universal Power Solutions, Inc. ("**UPSI**", formerly Limay Power Generation Corporation), MPPCL and SMCGP Philippines Energy, is undertaking the expansion of its portfolio of BESS projects by 1,000 MWh.

As part of these BESS project expansion plans, the Company has already commenced commercial operations in January 2022 as ancillary service provider to the NGCP for the Kabankalan BESS (20 MWh), the largest BESS project in the Philippines as of the date of this Prospectus. Further, the Company is undergoing the completion of construction, testing and commissioning of a total of 690 MWh of BESS capacity across 21 sites within 2022. Of the 21 sites (690 MWh), four sites (80 MWh) have already completed construction and installation as well as the conduct of ancillary services and grid capability compliance tests by NGCP.

In respect of permits, environmental compliance certificates ("**ECCs**") for 24 sites have been secured as of April 28, 2022. For the remaining 8 sites, preparation and consolidation of documentary requirements (i.e., land acquisition, conversion, environmental impact assessment, etc.) are ongoing prior to securing the necessary permits including the ECC. Moreover, BOI registration for 32 sites have been completed, which includes 31 projects that were granted pioneer status by the BOI as of April 28, 2022. Pioneer status provides these projects an extended income tax holiday of six years instead of four years (under non-pioneer status).

In addition, the Company, through its subsidiaries UPSI, MPPCL and SMCGP Philippines Energy, has executed turnkey contracts with leading battery EPC contractors for all of the 1,000 MWh installed power capacity as of February 11, 2022. In connection with this, equipment representing 860 MWh of battery modules, 690 MWh of inverters, 670 MWh of core transformers, 750 MWh of enclosures, and 620 MWh of main power transformers have already been delivered at storage areas. Design, manufacturing and shipment are ongoing for 12 out of 41 power transformers, 144 out of 485 units of core transformers, 19,500 out of 150,000 battery modules, 32 out of 290 containers/enclosures, and 130 out of 485 inverters as of April 28, 2022.

Of these 1,000 MWh BESS projects, 20 MWh have obtained commercial operations, 690 MWh across 21 sites are expected to be substantially complete by 2022, with the remaining 290 MWh across 10 sites expected to be completed in 2023. As of April 28, 2022, overall project completion is approximately 61%. As of the same date, four sites (80 MWh) have already completed while three sites (150 MWh) are ongoing testing and commissioning activities. Further, following the completion of interconnection facilities at the NGCP substation as well as integration works for the next phase of the projects, eight sites (260 MWh) are expected to commence testing and commissioning activities in May 2022. Various activities (i.e., equipment installation, excavation for foundations, site development, pre-engineering studies) by the different contractors are ongoing for six sites (200 MWh).

The Company, through its subsidiaries, executed a Memorandum of Understanding on January 21, 2020 with battery module manufacturer, Samsung SDI Co. Ltd., granting the Company preferential customer status and competitive pricing, performance guarantees and extended support periods and warranties, among others. Samsung SDI is recognized worldwide as a reputable battery module manufacturer, with a manufacturing process that has a 2,000-point, real-time, quality control system.

The charts below set out the BESS project completion status per site as of April 28, 2022.

	PROJECT SITES	Capacity	Access to site	Site-related permits	BOI registration	Site development	EPC *(construction, delivery of equipment)*	Interconnection	ASPA, ERC, WESM
		720							
1	Albay	40	100%	100%	100%	79%	15%	5%	
2	Bataan Site 1	40	100%	100%	100%	100%	99%	100%	20%
3	Bataan Site 2	50	100%	100%	100%	100%	98%	100%	20%
4	Batangas	40	100%	100%	100%				
5	Bulacan	20	100%		100%		10%		
6	Pampanga Site 2	20	100%	100%	100%	5%	10%		
7	Cagayan	40	100%	100%	100%	100%	96%	94%	20%
8	Ilocos Norte	40	100%		100%		10%		
9	Isabela	40	100%	100%	100%	100%	96%	90%	20%
10	La Union	20	100%		100%				
11	Laguna	50	100%	100%	100%	87%	76%	55%	
12	Camarines Norte	40	100%		100%				
13	Nueva Ecija	20	100%		100%		5%		
14	Pampanga Site 1	50	100%	100%	100%	100%	84%	30%	20%
15	Pangasinan Site 1	50	100%	100%	100%	100%	99%	98%	20%
16	Pangasinan Site 2	40	100%		100%				
17	Tarlac	50	100%	100%	100%	100%	97%	92%	20%
18	Zambales	20	100%	100%	100%	100%	99%	100%	20%
19	Bataan Site 3	50	100%		100%				
		190							
20	Kabankalan Phase 1	20	100%	100%	100%	100%	100%	100%	100%
	Kabankalan Phase 2	10	100%	100%	100%	100%	99%	100%	20%
21	Bohol	20	100%	100%	100%	100%	100%	100%	20%
22	Cebu Site 1	20	100%	100%	100%	100%	100%	100%	20%
23	Cebu Site 2	20	100%		100%				
24	Cebu Site 3	20	100%		100%		41%		
25	Iloilo	20	100%	100%	100%	5%	43%		
26	Leyte Site 1	40	100%	100%	100%	100%	71%	83%	20%
27	Leyte Site 2	20	100%	100%	100%	100%	98%	30%	20%
		90							
28	Davao Site 1	20	100%	100%	100%	100%	100%	100%	20%
29	Davao Site 2	20	100%	100%	100%	100%	100%	100%	20%
30	Davao del Norte	10	100%	100%	100%	93%	5%		
31	Misamis Oriental Site 1	20	100%	100%	100%	100%	98%	73%	20%
32	Misamis Oriental Site 2	20	100%	100%	100%	100%	97%	93%	20%
		1,000							

	PROJECT SITES	PROJECT SITES	COMPLETION	STATUS
1	Daraga, Albay	Albay	2022	Completed engineering and design of facility. Procured major equipment such as batteries, inverters, etc.
2	Limay (BCCPP)	Bataan Site 1	2022	Completed testing and commissioning activities, for issuance of Accreditation Certificate by NGCP.
3	Limay Power Plant (Lamao)	Bataan Site 2	2022	Completed testing and commissioning activities, for issuance of Accreditation Certificate by NGCP.
4	Mahabang Parang, Batangas	Batangas	2022	Completed engineering and design of facility. Procured major equipment such as batteries, inverters, etc.
5	San Rafael, Bulacan	Bulacan	2023	Preparation and consolidation of documentary requirements (i.e., land acquisition, conversion, environmental impact assessment, etc.) are ongoing prior securing of necessary permits.
6	Mexico, Pampanga Phase 3	Pampanga Site 2	2023	Completed engineering and design of facility. Procured major equipment such as batteries, inverters, etc.
7	Magapit, Cagayan	Cagayan	2022	Completed civil works and equipment installation. Testing and commissioning are ongoing, for completion in July 2022.
8	Laoag, Ilocos Norte	Ilocos Norte	2023	Preparation and consolidation of documentary requirements (i.e., land acquisition, conversion, environmental impact assessment, etc.) are ongoing prior securing of necessary permits.
9	Gamu, Isabela	Isabela	2022	Civil works and equipment installation completed. Testing and commissioning are ongoing, for completion in July 2022.
10	Bauang, La Union	La Union	2023	Preparation and consolidation of documentary requirements (i.e., land acquisition, conversion, environmental impact assessment, etc.) are ongoing prior securing of necessary permits.
11	Lumban, Laguna	Laguna	2022	Civil works and equipment installation completed. Target to commence testing and commissioning in Q3 2022.
12	Labo, Camarines Norte/ Navotas	Camarines Norte	2023	Preparation and consolidation of documentary requirements (i.e., land acquisition, conversion, environmental impact assessment, etc.) are ongoing prior securing of necessary permits.
13	Cabanatuan, Nueva Ecija	Nueva Ecija	2023	Preparation and consolidation of documentary requirements (i.e., land acquisition, conversion, environmental impact assessment, etc.) are ongoing prior securing of necessary permits.
14	Mexico, Pampanga	Pampanga Site 1	2022	Civil works and equipment installation completed. Testing and commissioning are ongoing, for completion in Q3 2022.
15	San Manuel, Pangasinan	Pangasinan Site 1	2022	Completed testing and commissioning activities, for issuance of Accreditation Certificate by NGCP.
16	Labrador, Pangasinan	Pangasinan Site 2	2023	Preparation and consolidation of documentary requirements (i.e., land acquisition, conversion, environmental impact assessment, etc.) are ongoing prior securing of necessary permits.
17	Concepcion, Tarlac	Tarlac	2022	Civil works and equipment installation completed. Testing and commissioning are ongoing, for completion in July 2022.
18	Masinloc Power Plant	Zambales	2022	Civil works and equipment installation completed. Testing and commissioning are ongoing, for completion in July 2022.
19	Hermosa, Bataan	Bataan Site 3	2023	Preparation and consolidation of documentary requirements (i.e., land acquisition, conversion, environmental impact assessment, etc.) are ongoing prior securing of necessary permits.
20	Kabankalan, Negros Occidental	Kabankalan Phase 1	2021	Commenced commercial operations in January 2022.
		Kabankalan Phase 2	2022	Completed testing and commissioning activities, Accreditation Certificate for issuance by NGCP
21	Ubay, Bohol	Bohol	2022	Completed testing and commissioning activities, secured Accreditation Certificate from NGCP.
22	Toledo, Cebu	Cebu Site 1	2022	Completed testing and commissioning activities, secured Accreditation Certificate from NGCP.

	PROJECT SITES	PROJECT SITES	COMPLETION	STATUS
23	Samboan, Cebu	Cebu Site 2	2023	Preparation and consolidation of documentary requirements (i.e., land acquisition, conversion, environmental impact assessment, etc.) are ongoing prior securing of necessary permits.
24	Compostela, Cebu	Cebu Site 3	2023	Preparation and consolidation of documentary requirements (i.e., land acquisition, conversion, environmental impact assessment, etc.) are ongoing prior securing of necessary permits.
25	Dingle, Iloilo	Iloilo	2022	Completed engineering and design. Procured major equipment such as batteries, inverters, etc.
26	Ormoc, Leyte	Leyte Site 1	2022	Civil works and equipment installation completed. Testing and commissioning are ongoing, for completion in July 2022.
27	Tabango, Leyte	Leyte Site 2	2022	Civil works and equipment installation completed. Testing and commissioning are ongoing, for completion in Q3 2022.
28	Malita Power Plant	Davao Site 1	2021	Completed testing and commissioning activities, secured Accreditation Certificate from NGCP.
29	Maco, Davao	Davao Site 2	2022	Completed testing and commissioning activities, secured Accreditation Certificate from NGCP.
30	Tagum, Davao del Norte	Davao del Norte	2022	Completed engineering and design of facility. Procured major equipment such as batteries, inverters, etc. Civil works are ongoing.
31	Jasaan, Misamis Oriental	Misamis Oriental Site 1	2022	Civil works and equipment installation completed. Testing and commissioning are ongoing, for completion in July 2022.
32	Tagaloan (Phividec)	Misamis Oriental Site 2	2022	Civil works and equipment installation completed. Testing and commissioning are ongoing, for completion in July 2022.

IMPACT OF COVID-19 AND RECENT DEVELOPMENTS

The COVID-19 Pandemic

COVID-19, an infectious disease that was first reported to have been transmitted to humans in late 2019, has spread globally over the course of 2020, and in March 2020 it was declared as a pandemic by the World Health Organization. As of the date of this Prospectus, there have been over 550 million confirmed cases worldwide according to the World Health Organization and over 3.7 million confirmed cases in the Philippines according to the Department of Health of the Philippines. Countries have taken measures in varying degrees to contain the spread, including social distancing measures, community quarantine, suspension of operations of non-essential businesses and travel restrictions.

The Government issued a series of directives and social distancing measures as part of its efforts to contain the outbreak in the Philippines. On March 16, 2020, Presidential Proclamation No. 929 was issued, declaring a State of Calamity throughout the Philippines for a period of six months and an enhanced community quarantine ("**ECQ**") was imposed on the island of Luzon, including Metro Manila. Initially, the ECQ was set to end by April 12, 2020 but was subsequently extended for two-week periods until May 15, 2020 (the period from March 16, 2020 through May 15, 2020, the "**ECQ period**"). Under the ECQ guidelines, restrictions on movement outside of the residence were set in place (ranging from stay-at-home orders to total lockdowns), mass transport facilities were suspended, schools were closed and alternative work arrangements were implemented. The COVID-19 pandemic affected most daily activities and forced many businesses to suspend operations or shut down for the duration of the ECQ. Only essential businesses as well as essential sectors such as hospitals, power and water utilities were allowed to operate, subject to certain conditions and limitations on operating capacity.

After the ECQ was lifted in certain areas, a modified ECQ ("**MECQ**"), general community quarantine ("**GCQ**") or modified GCQ ("**MGCQ**") was implemented. The graduated lockdown schemes from ECQ, MECQ, GCQ, and MGCQ imposed varying degrees of restrictions on travel and business operations. The Philippine government continued to calibrate the imposition of lockdown or community quarantine measures across the country depending on the situation in specific localities. On August 26, 2021, the Department of Interior and Local Government of the Philippines announced that the Government will phase out the large-scale community quarantine measures and replace the same with granular lockdowns. While the Government had initially intended to implement pilot testing of granular lockdowns in Metro Manila commencing on September 8, 2021 to September 30, 2021, the Government announced on September 7, 2021 that Metro Manila would remain under MECQ until September 15, 2021 or until the pilot GCQ with alert level system was implemented. On September 16, 2021, Metro Manila adopted the new alert level system and was placed under Alert Level 4 until October 15, 2021, after which it was lowered to Alert Level 3 from October 16, 2021 to November 14, 2021, and further lowered to Alert Level 2 from November 15, 2021 to December 31, 2021. As of the date of this Prospectus, Metro Manila is under Alert Level 1 until July 15, 2022. Under the new alert level system, classifications are based on virus transmission rate, hospital bed utilization rate and intensive care utilization rate of a city or municipality. Under Alert Level 5, cases are alarming and hospital bed and intensive care utilization is at critical levels. Under Alert Level 4, cases are high and/or increasing, and hospital bed and intensive care utilization are high. Alert Level 3, meanwhile, will be raised in areas where cases are high and/or increasing and hospital bed and intensive care utilization is increasing. Under Alert Level 2, case transmission is low and decreasing, healthcare utilization is low, or cases are low but increasing, or cases are low and decreasing but bed utilization and intensive care utilization is increasing. The most permissive of all alert levels, Alert Level 1, will be raised where virus transmission is low and decreasing, total bed utilization rate and intensive care utilization rate are low, and 70% of senior citizens, people with comorbidities and eligible population have been vaccinated.

The day-to-day operations of the Company, being primarily engaged in power generation, are not significantly affected by the ECQ or other graduated quarantine measures because the Government considers power generation as an essential service and operations related thereto continue to be permitted. As a result, the Company’s power generation activities and the ongoing repairs and preventive maintenance works remain generally unhampered.

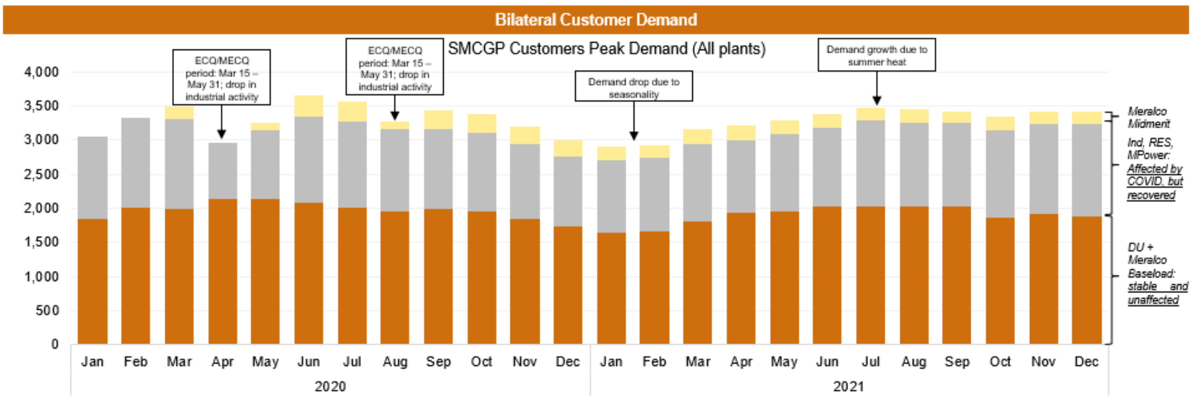
Impact on the Company

The demand from industrial customers in the Luzon grid decreased significantly during the initial ECQ period in 2020, as a result of the cessation or suspension of business operations, but demand gradually increased with the easing of quarantine restrictions and the gradual reopening of economic activities in the National Capital Region. While Metro Manila was placed under ECQ from March 29 to April 11, 2021 and MECQ from April 12 to May 14, 2021, the Company did not experience any material reduction in demand from its customers. In contrast, the demand from most of the Company’s utility customers remained stable and at times increased compared to their historical demand, which more than compensated for the reduction of industrial demand. Notably, a significant portion of utility demand represents residential and small-scale industrial customers and commercial businesses, which had consistent and levelled load profiles throughout the quarantine periods, resulting in improved fuel and operational efficiencies in the Company’s power plants. From the Company’s perspective, its bilateral energy volumes were derived mainly from contracted capacity with utility companies. Their respective PSAs mostly require a take-or-pay arrangement or impose minimum offtake volumes, which thus allow the Company to continuously bill these customers at the relevant contracted volumes even during the various community quarantine periods.

The Company’s PSAs with distribution utilities and Meralco baseload were generally unaffected by the various community quarantine measures, as these comprise mostly demand from residential customers and small-scale industrial customers and commercial businesses, which generally have steady load profiles and as such, are not susceptible to peaks and drops in demand. These distribution utilities and Meralco baseload comprise more than 50% of the Company’s bilateral demand and have maintained a steady load factor of around 70% to 75% throughout the community quarantine in 2021. Meralco’s nominations under the Company’s various PSAs continue to be high on average, particularly for baseload contracts which were dispatched from 63% to 86% in 2021. Meralco midmerit contracts were dispatched at 46% to 62% for the same period due primarily to relatively higher prices, peaking dispatch and lower minimum dispatch requirements, while Meralco-RES (Mpower contracts) comprising 600 MW were primarily dispatched as baseload for 435 MW, with the remainder as midmerit. The Company proactively coordinates with Meralco for its nominations to optimize plant dispatch and maintain plant reliability. During the initial ECQ period in 2020, the Company's customer groups representing commercial and industrial customers registered a 39% drop in demand due to government-mandated restrictions on their industrial activities. The Company mitigated the impact of this drop in demand by optimizing maintenance outage schedules, generation portfolio bids and dispatch, and bilateral volume nominations to maintain WESM exposure at ideal levels given the low prevailing spot prices. For example, the Company sourced up to 14% of its bilateral volume from WESM when the ECQ was first declared in the first half of 2020, compared to less than 5% of volume requirements prior to the ECQ. The Company also reduced its exposure by selling less energy to the WESM (about 3% spot sales) when spot prices were low. Demand from industrial customers recovered substantially when the quarantine protocols were relaxed in June 2020 and have remained stable throughout the various community quarantine measures imposed since then. Total aggregate demand significantly recovered in 2021. Demand steadily picked up through the summer 2021 months, reaching the highest demand of over 3,500 MW at peak in June 2021. There was a 7% increase in overall average system demand in 2021 as industrial activities gradually increased as COVID-19 quarantine regulations were not as restrictive compared to 2020.

The chart below sets out the Company's bilateral customer demand data.

Company bilateral customers demand data



Source: Company data

In terms of fuel and inventory, the Company believes that it has sufficient inventory to meet the requirements of its power plants. Access to fuel shipments have not been adversely affected by the COVID-19 travel restrictions and there have been no cases of delivery disruptions on coal, even during the height of the ECQ period. The Company maintained a physical inventory equivalent to 26 days operations in aggregate for its coal-fired power plant portfolio as of March 31, 2022. Another contributor to achieving targeted margins was the low price of coal in the past year. In 2020, Newcastle ("**NewC**") was approximately US$60/MT and was approximately US$137/MT in 2021. The Company has entered into fixed price contracts for coal in the past, allowing the Company to have competitive coal fuel costs, particularly for the plants that the Company owns and operates. Of the 77 panamax shipments contracted for the third quarter to the fourth quarter of 2022, about 8% were contracted on a fixed price basis.

Measures Taken to Ensure Safety and Well-being

To ensure a safe return to work, the SMC Group purchased polymerase chain reaction ("**PCR**") testing kits to cover the estimated 70,000 employees, consultants, partners and service providers in the SMC Group's system, including SMC Global Power's employees. On July 3, 2020, San Miguel Corporation opened its own COVID-19 testing center which can process up to 4,000 tests daily. SMC Global Power has been cautiously allowing employees to return to the workplace and has provided protective gear and vitamins to employees as well as certain incentives in addition to regular pay.

In November 2020, San Miguel Corporation was among 30 private sector representative who signed a tripartite agreement with AstraZeneca and the National Task Force Against COVID-19 securing three million doses of COVID-19 vaccines for Filipinos. San Miguel Corporation is also in talks with Moderna to obtain additional doses for the SMC Group. In January 2021, San Miguel Corporation created the "*Ligtas Lahat*" COVID-19 Task Force in charge of developing a plan to inoculate all employees and members of its extended workforce. SMC has partnered with local government units and the IATF which allowed immediate vaccination to its employees even prior to the arrival of its procured vaccines. As of March 3, 2022, SMC has already vaccinated nearly 99% of its over 70,000 employees and extended workforce. Within SMC Global Power, 96% or 5,027 out of 5,250 employees and extended workforce have been vaccinated as of March 3, 2022.

The Company has also taken measures to ensure employee safety and well-being and to protect its facilities, which include, but are not limited to, checking the temperature of employees and other persons when they enter its offices and facilities, maintaining an adequate supply of alcohol and hand sanitizers for use at the premises, requiring employees to wear masks and other protective clothing as appropriate, minimizing in-person meetings, and implementing additional cleaning and sanitization routines.

In addition and as a critical safety measure to prevent the spread of COVID-19 cases and ensure operational resiliency, power plant personnel stay in the plant premises and are provided with the necessary accommodations, including food and other essential supplies during the relevant quarantine periods. During the ECQ period and at the height of the pandemic, a "No RT-PCR Test, No Entry" policy was also implemented for all employees and third-party contractors working in the company's power plants. In addition, support functions were placed under flexible work arrangements (i.e., work from home, skeletal work force); with the implementation of lower alert levels, the Company is gradually shifting to return to office. These measures allow the Company to operate its power plant portfolio continuously and at levels sufficient to meet its bilateral volume commitments to its customers notwithstanding economic and logistical challenges faced in the ongoing pandemic. In respect of plant personnel and third-party contractors, among other safety protocols, the Company continues to require personnel to take antigen or RT-PCR tests, depending on the vaccination status of the relevant individual. The Company has ensured that all employees who have tested positive are cared for and has taken steps in protecting all employees by strictly following safety protocols. To date, all these employees have either fully recovered or are recovering well.

The Company continues to review and will implement the necessary changes to its operations and business processes as well as its capital expenditure plans in view of the global and local economic factors as a result of the COVID-19 pandemic. SMC Global Power places equal importance to maintaining and, in certain aspects, even improving its financial position and financial performance during the community quarantine period and for the rest of the year.

Competitive Strengths

SMC Global Power believes its competitive strengths are the following:

- industry leader with a strong growth platform;
- well-positioned to capture future demand growth;
- stable and predictable cash flows;
- flexible and diversified power portfolio;
- established relationships with world class partners;
- a member of the San Miguel Corporation group of companies;
- experienced and highly competent management team; and
- strong commitment to stringent environmental policies and pollution controls.

Business Strategies

The principal strategies of SMC Global Power are set out below:

- optimize the installed capacity of its power portfolio and strategically contract capacity to enhance margins;
- well-positioned as a leading baseload power generator utilizing clean power technologies;
- to be a leading player in the ancillary reserve market and renewable energy initiatives through strategic establishment of battery energy storage systems across the Philippines;
- continue to grow its power portfolio through the development of greenfield power projects, acquisition of power generation capacity in line with regulatory and infrastructure developments and development of renewable energy projects;
- vertically integrate complementary businesses in order to diversify its energy portfolio;
- continue to pursue and develop measures to reduce emissions and operate power plants within and below applicable environmental compliance standards; and
- leverage operational synergies with San Miguel Corporation group of companies.

Risk of Investing

Prospective investors should also consider the following risks of investing in the Offer:

- Macroeconomic risks, including the current and immediate political and economic factors in the Philippines and the experience of the country with natural catastrophes, as a principal risk for investing in general;
- Risks relating to San Miguel Corporation, its subsidiaries and their business and operations; and
- The nature, the absence of a liquid secondary market and volatility, and other risks relating to the Offer.

For a more detailed discussion, see "*Risk Factors and Other Considerations*" in this Prospectus.

CORPORATE INFORMATION

SMC Global Power is incorporated under the laws of the Philippines. The registered office and principal place of business of SMC Global Power is located at SMC Global Power Holdings Corp., 5th Floor, C5 Office Building Complex, 100 E. Rodriguez Jr. Ave., C5 Road, Pasig City, Philippines. The telephone number of SMC Global Power is (632) 5317 1000.

Summary of Financial Information

Prospective purchasers of the Bonds should read the summary financial data below together with the financial statements, including the notes thereto, included in this Prospectus and "Management's Discussion and Analysis of Results of Operations and Financial Condition". The summary financial data for the three years ended December 31, 2021, 2020 and 2019 are derived from the audited financial statements of SMC Global Power, including the notes thereto, which are found as Annex "B" of this Prospectus. The detailed financial information for the three years ended December 31, 2021, 2020 and 2019 are found on Annex "B" of this Prospectus and the three months ended March 31, 2022 and 2021 are found on Annex "A" of this Prospectus.

*The summary of financial and operating information presented below as of and for the years ended December 31, 2021, 2020 and 2019 were derived from the consolidated financial statements of SMC Global Power, audited by R.G. Manabat & Co. and prepared in compliance with the Philippine Financial Reporting Standards ("**PFRS**"). The financial and operating information presented below as of and for the three months ended March 31, 2022 and 2021 were derived from the unaudited consolidated financial statements of SMC Global Power prepared in compliance with Philippine Accounting Standards ("**PAS**") 34, "Interim Financial Reporting". The information below should be read in conjunction with the consolidated financial statements of SMC Global Power and the related notes thereto, which are included in Appendices "A" and "B" of this Prospectus. The historical financial condition, results of operations and cash flows of SMC Global Power are not a guarantee of its future operating and financial performance.*

CONSOLIDATED STATEMENTS OF INCOME DATA

	For the years ended December 31,			For the three months ended March 31,	
	2019	**2020**	**2021**	**2021**	**2022**
	(Audited)			**(Unaudited)**	
	(in millions of ₱ except per share data)				
Revenues	135,060.1	115,028.7	133,710.2	27,365.9	43,036.1
Costs and Expenses					
Cost of power sold:					
Coal, fuel oil and other consumables	31,362.5	23,954.7	39,108.9	5,327.3	19,137.4
Power purchases	21,434.8	12,918.3	25,304.4	3,948.5	7,182.6
Energy fees	26,417.1	20,365.3	17,762.4	4,794.6	5,621.2
Depreciation and amortization	9,651.5	10,130.4	10,795.0	2,676.8	2,786.5
Plant operations and maintenance, and other fees	2,892.3	4,526.9	3,937.7	983.0	1,079.4
Operating expenses	7,348.2	6,210.2	4,915.3	1,212.4	1,158.1
	99,106.4	**78,105.8**	**101,823.7**	**18,942.7**	**36,965.2**
	35,953.7	36,922.9	31,886.5	8,423.2	6,070.9
Interest expense and other financing charges	(19,720.7)	(18,582.9)	(18,269.2)	(4,595.2)	(4,092.1)
Interest income	1,585.5	1,007.2	617.1	124.7	216.8
Equity in net earnings (losses) of an associate and joint ventures – net	(391.1)	(472.7)	(117.3)	36.7	60.4
Other income – net	4,199.3	7,922.5	3,761.5	2,083.3	1,085.0
Income before income tax	21,626.6	26,797.0	17,878.5	6,072.7	3,341.0
Income tax expense (benefit) – net	7,263.1	7,923.5	1,900.2	(1,704.1)	1,413.3
Net Income	**14,363.5**	**18,873.5**	**15,978.3**	**7,776.8**	**1,927.7**
Attributable to:					
Equity holders of SMC Global Power	14,370.5	18,840.2	16,058.1	7,786.9	1,896.0
Non-controlling interest	(7.0)	33.4	(79.8)	(10.1)	31.7
	14,363.5	**18,873.5**	**15,978.3**	**7,776.8**	**1,927.7**
Basic/diluted earnings per share	₱5.21	₱5.80	₱0.88	₱3.17	(₱1.79)

CONSOLIDATED STATEMENTS OF FINANCIAL POSITION DATA

	As of December 31,			As of March 31,	
	2019	2020	2021	2021	2022
	(Audited)			(Unaudited)	
	(in millions of ₱)				
ASSETS					
Current Assets					
Cash and cash equivalents	79,954.2	110,717.7	67,690.2	93,927.7	59,023.3
Trade and other receivables – net	29,989.4	36,162.3	47,272.3	34,091.9	57,874.5
Inventories	5,085.4	5,582.1	10,017.8	5,434.3	9,678.8
Prepaid expenses and other current assets	23,589.6	24,916.1	31,489.9	26,438.3	31,069.8
Total Current Assets	**136,618.7**	**177,378.1**	**156,470.2**	**159,892.2**	**157,646.3**
Noncurrent Assets					
Investments and advances – net	11,000.8	9,956.8	10,838.8	10,002.0	10,945.2
Property, plant and equipment – net	150,344.0	171,415.4	211,858.5	176,894.7	221,075.0
Right-of-use assets – net	166,517.3	162,313.1	157,159.7	161,053.0	156,728.2
Deferred exploration and development costs	710.8.	714.7	719.4	715.5	722.3
Goodwill and other intangible assets – net	72,771.3	72,858.2	72,943.1	72,846.1	73,779,6
Deferred tax assets	1,128.8	1,645.9	1,447.4	1,353.6	1,578,1
Other noncurrent assets	16,027.4	13,733.6	24,287.0	12,762.3	23,815.0
Total Noncurrent Assets	**418,500.3**	**432,637.8**	**479,254.0**	**435,627.1**	**488,643.4**
	557,119.0	**610,015.8**	**635,724.2**	**595,519.3**	**646,289.8**
LIABILITIES AND EQUITY					
Current Liabilities					
Loans payable.	2,278.6	1,680.8	1,530.0	1,698.6	776.1
Accounts payable and accrued expenses	35,402.9	40,279.5	56,055.2	41,847.8	60,221.0
Lease liabilities – current portion	23,085.1	24,006.6	21,677.0	24,566.8	19,809.0
Income tax payable	214.8	10.1	24.8	169.5	24.6
Current maturities of long term debt – net of debt issue costs.	6,036.2	22,721.7	30,185.4	13,226.7	63,733.6
Total Current Liabilities	**67,017.5**	**88,698.7**	**109,472.4**	**81,509.4**	**144,564.3**
Noncurrent Liabilities					
Long-term debt – net of current maturities and debt issue costs	220,762.9	196,831.1	192,736.0	206,043.5	169,597.3
Deferred tax liabilities	13,197.7	19,456.1	20,182.6	17,184.8	21,560.3
Lease liabilities – net of current portion	101,117.6	75,504.5	56,536.3	69,714.3	53,400.3
Other noncurrent liabilities.	1,598.6	3,221.4	5,068.2	3,562.5	5,214.3
Total Noncurrent Liabilities	**336,676.7**	**295,013.2**	**274,523.2**	**296,505.0**	**249,772.2**
Total Liabilities	**403,694.2**	**383,711.8**	**383,995.6**	**378,014.5**	**394,336.5**
Equity					
Capital stock	1,062.5	1,062.5	1,062.5	1,062.5	1,062.5
Additional paid-in capital	2,490.0	2,490.0	2,490.0	2,490.0	2,490.0
Senior Perpetual Capital Securities	65,885.6	132,199.7	167,767.4	132,199.7	167,767.4
Redeemable perpetual securities.	32,751.6	32,751.6	32,751.6	32,751.6	32,751.6
Undated subordinated capital securities	13,823.5	13,823.5	-	-	-
Equity reserves.	(2,568.4)	(4,228.1)	(1,536.3)	(4,611.1)	(1,519.2)
Retained earnings	38,987.4	47,178.9	48,247.9	52,596.3	48,426.2
	152,432.2	**225,278.1**	**250,783.1**	**216,489.0**	**250,978.5**
Non-controlling interest	992.6	1,026.0	945.5	1,015.8	974.8
Total Equity	**153,424.8**	**226,304.0**	**251,728.6**	**217,504.8**	**251,953.3**
	557,119.0	**610,015.8**	**635,724.2**	**595,519.3**	**646,289.8**

CONSOLIDATED STATEMENTS OF CASH FLOWS DATA

	For the years ended December 31,			For the three months ended March 31,	
	2019	2020	2021	2021	2022
	(Audited)			(Unaudited)	
	(in millions of ₱)				
Net cash provided by (used in):					
Operating activities	29,959.0	28,968.6	25,438.7	11,909.2	1,208.8
Investing activities	(18,515.2)	(25,129.3)	(52,725.6)	(5,398.3)	(10,619.8)
Financing activities	40,282.5	28,455.2	(19,973.9)	(23,637.2)	341.5
Effect of exchange rates changes on cash and cash equivalents	(284.1)	(1,531.0)	4,233.2	336.3	402.5
Net increase (decrease) in cash and cash equivalents	51,442.3	30,763.5	(43,027.5)	(16,790.0)	(8,666.9)
Cash and cash equivalents at beginning of year	28,511.9	79,954.2	110,717.7	110,717.7	67,690.2
Cash and cash equivalents at end of period	**79,954.2**	**110,717.7**	**67,690.2**	**93,927.7**	**59,023.3**

ADDITIONAL FINANCIAL AND OPERATING DATA

The table below provides summary additional financial and operating data for the periods indicated.

	For the years ended December 31,			For the three months ended March 31,	
	2019	2020	2021	2021	2022
	(Audited)			(Unaudited)	
	(in millions of ₱)				
Net income	14,363.5	18,873.5	15,978.3	7,776.8	1,927.7
EBITDA[(1)]	34,995.1	41,450.8	33,541.8	10,160.4	7,519.6
Net debt[(2)]	217,522.6	159,851.0	184,000.9	169,326.9	197,644.0
Net debt to Consolidated total equity ratio[(3)]	1.44	0.71	0.74	0.79	0.80
Interest coverage ratio[(4)]	2.35	3.06	2.50	3.17	2.38

Notes:

(1) *Calculated as (a) net income (excluding items between any or all of the Company and its subsidiaries) plus (b) income tax expense (benefit), finance cost (less interest income) and depreciation less (c) foreign exchange gain (loss) and gain on sale of investment, in each case excluding amounts attributable to Ring-fenced Subsidiaries. EBITDA should not be viewed in isolation or as an alternative to financial measures calculated in accordance with PFRS. See "Presentation of Financial Information" and "Non-PFRS Financial Measures."*

(2) *Net debt represents the consolidated debt of the Company and its subsidiaries — net of debt issue costs less cash and cash equivalents and including PSALM finance lease liabilities, in each case, excluding amounts attributable to Ring-fenced Subsidiaries' project finance debt. The Ring-fenced Subsidiaries are SCPC, SMCPC and PVEI.*

(3) *The Company maintains a Net debt to Consolidated total equity ratio of not more than 3.25x. The Net debt to Consolidated total equity ratio is computed by dividing Net debt over Consolidated total equity. Consolidated total equity is Equity as adjusted to exclude Retained earnings (deficit) of Ring-fenced Subsidiaries.*

(4) *The Company maintains an Interest coverage ratio of not less than 2.25x. The Interest coverage ratio is computed by dividing the most recent four quarterly period consolidated EBITDA (excluding Ring-fenced Subsidiaries) over the most recent four quarterly period consolidated interest expense (excluding Ring-fenced Subsidiaries).*

	For the years ended December 31,			For the three months ended March 31,	
	2019	2020	2021	2021	2022
		(Audited)		(Unaudited)	
Electricity sold (GWh)	28,224.6	26,115.8	27,221.5	6,344.3	6,991.4
of which: bilateral offtake agreements	26,246.1	23,900.4	24,708.7	5,653.4	6,531.5
of which: WESM sales	1,978.5	2,215.4	2,512.8	690.9	459.9
Electricity bought on WESM (GWh)	1,972.9	1,876.2	2,520.4	416.2	637.6
Average realized/paid electricity price (₱/MWh)					
For electricity sold under bilateral offtake agreements	4,806.6	4,578.4	4,942.9	4,474.3	6,185.3
For electricity sold on WESM	4,135.2	2,350.7	4,465.6	2,889.9	5,543.7
For electricity purchased on WESM	5,712.7	2,490.2	6,660.9	3,181.1	7,737.0

CALCULATION OF EBITDA

The following table presents a reconciliation of net income to EBITDA for each of the periods indicated.

	For the years ended December 31,			For the three months ended March 31,	
	2019	2020	2021	2021	2022
		(Audited)		(Unaudited)	
			(in millions of ₱)		
Net income[(1)]	9,539.2	14,514.0	9,046.8	6,356.4	856.0
Add:					
Income tax expense	7,218.9	7,985.9	1,775.9	(1,672.6)	1,399.0
Finance cost	15,558.5	14,254.3	13,774.1	3,481.0	3,063.3
Interest income	(1,428.3)	(930.8)	(582.7)	(112.6)	(208.9)
Depreciation	6,959.2	7,251.8	7,961.7	1,938.1	2,061.4
Less:					
Foreign exchange gains (loss)	2,852.4	1,624.4	(1,566.0)	(170.1)	(348.8)
EBITDA	34,995.1	41,450.8	33,541.8	10,160.4	7,519.6

Note:

(1) Amounts exclude items attributable to Ring-fenced Subsidiaries. Subsidiaries with project debts were nominated as Ring-fenced Subsidiaries. If the amounts from the Ring-fenced Subsidiaries were to be included, the EBITDA would amount to ₱46,846.7 million, ₱53,757.0 million and ₱48,183.9 million for the years ended December 31, 2019, December 31, 2020 and December 31, 2021, respectively, and ₱13,446.6 million and ₱10,504.6 million for the three months ended March 31, 2021 and 2022, respectively.

Summary of the Offering

A discussion containing the "Summary of the Offering" shall be set out in the relevant Offer Supplement. However, any such summary should be read as an introduction to, and is qualified in its entirety by reference to, the more detailed information appearing elsewhere in this Prospectus and such Offer Supplement, including, but not limited to, the discussion on the "Description of the Offer Bonds" and "Plan of Distribution", and agreements executed in connection with a particular offer of Bonds as a whole. Such overview may not contain all of the information that prospective investors should consider before deciding to invest in the Bonds. Accordingly, any decision by a prospective investor to invest in the Bonds should be based on a consideration of this Prospectus, such Offer Supplement and agreements executed in connection with a particular offer of Bonds as a whole.

Risk Factors and Other Considerations

General Risk Warning

An investment in the Bonds involves a number of risks. The price of securities can and does fluctuate, and any individual security may experience upward or downward movements and may even become valueless. There is an inherent risk that losses may be incurred rather than profit made as a result of buying and selling securities. Past performance is not a guide to future performance. There may be a large difference between the buying price and the selling price of these securities. The occurrence of any of the following events, or other events not currently anticipated, could have a material adverse effect on the business, financial condition, and results of operations and cause the market price of the Bonds to decline. All or part of an investment in the Bonds could be lost. Investors deal with a range of investments, each of which may carry a different level of risk.

The means by which the Company plans to address the risks discussed herein are principally presented in the sections of this Prospectus entitled "Description of the Business – Strengths of the Company," "Description of the Business – Business Strategies" and "Management's Discussion and Analysis of Results of Operations and Financial Condition."

Prudence Required

This section entitled "Risk Factors and Other Considerations" does not purport to disclose all of the risks and other significant aspects of investing in these securities.

Investors should undertake independent research and study the trading of securities before commencing any trading activity. Investors may, at their own cost, request publicly available information on the Bonds and the Company from the SEC and PDEx.

Professional Advice

Each Investor should seek professional advice if he or she is uncertain of, or has not understood any aspect of, the securities to be invested in or the nature of risks involved in the trading of securities.

Risk Factors

This Prospectus contains forward-looking statements that involve risks and uncertainties. SMC adopts what it considers conservative financial and operational controls and policies to manage its business risks. The actual results may differ significantly from the results discussed in the forward-looking statements. See section "Forward-Looking Statements" of this Prospectus. Factors that might cause such differences, thereby making the offering speculative or risky, may be summarized into those that pertain to the business and operations of SMC, in particular, and those that pertain to the over-all political, economic, and business environment, in general. These risk factors and the manner by which these risks shall be managed are presented below. The risk factors discussed in this section are of equal importance and are only separated into categories for easy reference.

Prospective investors should carefully consider the risks described below, in addition to the other information contained in this Prospectus, including the consolidated financial statements of SMC Global Power and notes relating thereto included in this Prospectus, before making any investment decision relating to the Bonds. The occurrence of any of the events discussed below and any additional risks and uncertainties not currently known to SMC Global Power or that are currently considered immaterial could have a material adverse effect on the business, results of operations, financial condition and prospects of SMC Global Power and prospective investors may lose all or part of their investment.

RISKS RELATING TO SMC GLOBAL POWER

Increased competition in the Philippine power industry.

The Government has sought to implement measures designed to enhance the competitive landscape of the power market, particularly for the unregulated sectors of the industry. These measures include the privatization of NPC- owned and -controlled power generation assets, the establishment of the WESM, the start of the Retail Competition and Open Access ("**RCOA**"), implementation of mandatory competitive selection process ("**CSP**") for distribution utilities, the implementation of the green energy option, which allows contestable customers to directly contract with a renewable energy supplier, the implementation of the Renewable Portfolio Standards, which mandates electricity suppliers to source an agreed portion of their energy supply from eligible renewable energy ("**RE**") resources, and the establishment of the Renewable Energy Market ("**REM**"), a venue for the trading of Renewable Energy Certificates ("**RECs**") and for the compliance of electricity suppliers with their Renewable Portfolio Standards obligations. Further, Republic Act No. 10667 or the Philippine Competition Act was enacted to enhance economic efficiency and promote free and fair competition in trade, industry and all commercial economic activities, prevent economic concentration which will manipulate or constrict the discipline of free markets, and penalize all forms of anti-competitive agreements, abuse of dominant position and anti-competitive mergers and acquisitions, with the objective of protecting consumer welfare and advancing domestic and international trade and economic development.

The move towards a more competitive environment could result in the emergence of new and numerous competitors. These competitors may have greater financial resources and may have more extensive experience than SMC Global Power, giving them the ability to respond to operational, technological, financial and other challenges more quickly than SMC Global Power. These competitors may therefore be more successful than SMC Global Power in acquiring existing power generation facilities or in obtaining financing for and the construction of new power generation facilities, or in successfully bidding at CSPs conducted by distribution utilities. The type of fuel that competitors use for their generation facilities may also allow them to produce electricity at a lower cost and to sell electricity at a lower price. In addition, other sources for the provision of ancillary services may arise, including technological developments or establishment of new market regimes, which may increase competition and reduce prevailing prices for these services. Moreover, a decline in oil and gas prices, which reduces the cost of producing electricity from fossil fuels, could make energy storage solutions integrated with renewable energy sources less competitive against other solutions including conventional generation. SMC Global Power may therefore be unable to meet the competitive challenges it will face.

As a result of increased competition, SMC Global Power could also come under pressure to review or renegotiate the terms of existing offtake agreements with customers, which may lead to a downward adjustment of tariffs, and could adversely affect the business, financial performance and results of operations of SMC Global Power. To the extent that distribution utilities or industrial offtakers agree to purchase from other generation companies instead of purchasing from SMC Global Power, or the Company is unable to participate or otherwise successfully compete in bids for supply contracts, the ability of SMC Global Power to increase its sales and sell additional electricity to distribution utilities or industrial offtakers through its generation facilities would be adversely affected.

SMC Global Power, through its subsidiaries, has a diversified portfolio which allows it to be more competitive with its supply offers. It is also managed by an experienced management team composed of experts with extensive knowledge of the Philippine power industry. Coupled with the strong shareholder support from SMC, this will enable SMC Global Power to sustain its position as one of the major players in the industry. Moreover, SMC Global Power also continues to engage cultivate its good working relationship with its offtakers which ensures continuity of its customer base.

The COVID-19 pandemic, or the future outbreak of any other highly infectious or contagious diseases, could materially and adversely affect the operations, financial condition, and cash flows of the Company's power generation facilities and other businesses. Further, the continuing impacts of the COVID-19 pandemic are highly unpredictable and uncertain and has caused and will continue to cause disruptions in the Philippine and global economy and financial markets, and the Company's financial performance, among others.

The COVID-19 pandemic has created significant public health concerns as well as economic disruption, uncertainty, and volatility, all of which have impacted and may continue to impact the Company's businesses. While the Company has taken numerous steps to mitigate the impact of the pandemic on its results of operations, there can be no assurance that these efforts will be successful. As of the date of this Prospectus, certain areas continue to be placed under levels of community quarantine based on the alert level system and there is no assurance that areas that are or were currently under lower alert levels will not be put under more stringent community quarantine in the future or if the Government will revert to previous quarantine classifications. In view of improvements in the management of COVID-19 cases in the Philippines, on September 13, 2021, the Government announced that the alert level system would be implemented in Metro Manila starting September 16, 2021 and would begin the phase out of the previous quarantine classifications used since March 2020. On October 20, 2021, the Government extended the implementation of the alert level system beyond Metro Manila, and on November 11, 2021, the Government announced the nationwide rollout of the alert level system starting on November 22, 2021. On February 27, 2022, the Government announced that quarantine restrictions in varying areas of the country will be eased to Alert Level 1 or 2 in view of the decline in the number of COVID-19 cases. As of the date of this Prospectus, Metro Manila and majority of provinces across the Philippines are under Alert Level 1. There is no assurance that such areas will not be put under more stringent community quarantine in the future, in the event that the number of COVID-19 cases rise significantly or as circumstances may warrant.

Due to numerous uncertainties and factors beyond its control, the Company is unable to predict the impact that COVID-19 will have going forward on its businesses, results of operations, cash flows, and financial condition. These factors and uncertainties include, but are not limited to:

- the severity and duration of the pandemic, including whether there is a future waves or other additional periods of increases or spikes in the number of COVID-19 cases in future periods in areas in which the Company operates;
- the duration and degree of governmental, business or other actions in response to the pandemic, including but not limited to quarantine, stay-at-home or other lockdown measures as well as measures taken by the Company's regulators;
- restrictions on operations up to and including complete or partial closure of offices, plants and other facilities;
- economic measures, fiscal policy changes, or additional measures that have not yet been effected;
- the health of, and effect of the pandemic on, the Company's personnel and the Company's ability to maintain staffing needs to effectively operate its power generation portfolio;
- evolving macroeconomic factors, including general economic uncertainty, unemployment rates, and recessionary pressures;
- impacts—financial, operational or otherwise—on the Company's supply chain, including manufacturers, suppliers and third party contractors, particularly for ongoing maintenance and construction of certain plants and facilities;
- volatility in the credit and financial markets during and after the pandemic;
- the impact of any litigation or claims from customers, suppliers, regulators or other third parties relating to COVID-19 or the Company's actions in response thereto;

- the pace of recovery when the pandemic subsides; and
- the long-term impact of the pandemic on the Company's businesses.

The above factors and uncertainties, or others of which the Company is not currently aware, may result in adverse impacts to the Company's businesses, results of operations, cash flows, and financial condition due to, among other factors:

- decline in customer demand as a result of general decline in business activity;
- further destabilization of the markets and decline in business activity negatively impacting customers' ability to pay for the Company's services when due or at all, including downstream impacts, whereby the utilities' customers are unable to pay monthly bills or receive a moratorium from payment obligations, resulting in inability on the part of utilities to make payments for power supplied by our generation companies;
- decline in business activity causing our industrial customers to experience declining revenues and liquidity difficulties that impede their ability to pay for power supplied by our generation companies;
- government moratoriums or other regulatory or legislative actions that limit changes in pricing, delay or suspend customers' payment obligations or permit extended payment terms applicable to customers of our utilities or to our offtakers under power purchase agreements. For example, the ERC allowed residential end-users to defer payments of their electric bills due to DUs such as Meralco during the ECQ period and amortize such payments over a period of up to four months. Accordingly, Meralco was permitted to defer the corresponding payments to its power suppliers, including SMEC and SPPC, for a similar period;
- increases or declines in spot electricity prices due to market volatility;
- delays or inability to access, transport and deliver fuel to our generation facilities due to restrictions on business operations or other factors affecting us and our third-party suppliers;
- delays or inability to access equipment or the availability of personnel to perform planned and unplanned maintenance, which can, in turn, lead to disruption in operations;
- further delays to our construction projects, and the timing of the completion of ongoing projects;
- delay or inability to receive the necessary permits for our development projects due to delays or shutdowns of government operations;
- increased volatility in foreign exchange and commodity markets;
- deterioration of economic conditions, demand and other related factors resulting in impairments to goodwill or long-lived assets; and
- delay or inability in obtaining regulatory actions and outcomes that could be material to our business.

In particular, while it would be premature to predict the overall impact of the pandemic, the Company expects continuing adverse impacts in the year 2022. After the significant Philippine energy demand drop in 2020 due to COVID-19, the economy sharply rebounded in 2021 and demand for the first six months of 2021 returned to 2019 levels. This sharp increase in demand, coupled with a significant number of unplanned outages in April and May 2021, resulted in a supply deficit which caused high and volatile WESM prices. WESM had high spikes from April to July 2021 reaching up to averages of ₱7.1/KWh, and grid alerts caused rotating blackouts in June 2021. Average WESM prices continued to remain high for the second half of the year, despite cooler weather and additional volume from the newly commissioned 600 MW plant of another power provided in the fourth quarter of 2021. The year ended with an average WESM price of ₱5.1/KWh in November 2021 and ₱6.3/KWh in December 2021, higher than the historical cold-weather prices of below ₱3.0/KWh during these months.

On September 11, 2020, President Rodrigo Duterte signed into law Republic Act No. 11494, otherwise known as "Bayanihan to Recover as One Act" ("**Bayanihan II**"), which extends the emergency powers of the President granted by its predecessor law, Republic Act No. 11469, otherwise known as the "Bayanihan to Heal as One Act" which ceased to be effective on June 25, 2020. Section 4 of the Bayanihan II authorizes the President to exercise powers necessary and proper to undertake and implement COVID-19 response and recovery measures such as directing institutions providing electric, water, telecommunications, and other similar utilities to implement a minimum 30-day grace period for the payment of utilities falling due within the period of ECQ or MECQ, without incurring interests, penalties, and other charges; provided that after the grace period, unpaid residential; micro-, small and medium-sized enterprises; and cooperative utility bills may be settled on a staggered basis payable in not less than three monthly installments, subject to the procedural requirements of the concerned regulatory agencies in the imposition of such installment plan without interests, penalties and other charges. In case of the electric power sector, the minimum 30-day grace period and staggered payment without interests, penalties and other charges will apply to all payments due within the period of community quarantine in the entire electric power value chain to include generation companies, transmission utility and distribution utilities. Bayanihan II remained in effect until June 30, 2021.

On October 29, 2020, the ERC issued an advisory implementing the provisions of Bayanihan II. Under the advisory, distribution utilities are directed not to implement any disconnection on account of non-payment of bills until December 31, 2020 for consumers with monthly consumption not higher than twice the ERC approved maximum lifeline consumption level. For all other customers, distribution utilities and retail electricity suppliers are directed to implement a minimum of 30-day grace period on all payments falling due within the period of ECQ and MECQ without incurring interests, penalties, and other charges. Any unpaid balance after the lapse of the 30-day grace period shall be payable in three equal monthly installments, without incurring interests, penalties, and other charges. Generation companies, PSALM, NPC, Transco, NGCP, independent power producers, IPPAs, and WESM are likewise directed to extend the same no disconnection policy, 30-day grace period, and staggered payment to distribution utilities, retail electricity suppliers and other customers.

The extent to which the COVID-19 pandemic will continue to impact the Company will depend on future developments, including the timeliness and effectiveness of actions taken or not taken to contain and mitigate the effects of COVID-19, both in the Philippines and internationally by governments, central banks, healthcare providers, health system participants, other businesses and individuals, which are highly uncertain and cannot be predicted. To the extent the COVID-19 pandemic adversely affects the business and financial results of the Company, it may also have the effect of heightening many of the other risks described in this Prospectus.

SMC Global Power is in constant consultation with relevant government agencies and other approving bodies to ensure that all requirements, permits and approvals are anticipated and obtained in a timely manner. The Company also continues to engage in comprehensive discussions and maintains good working relationship with its employees and other contractual counterparties. Further, the Company maintains a strong compliance culture and has processes in place in order to manage adherence to laws, regulations and contractual commitments.

Suspension of issuance and renewal of RES licenses.

In June 2015, the DOE through its Department Circular ("**DC**") 2015-06-0010 enjoined the ERC to immediately issue the supporting guidelines including the revised rules for issuance of RES licenses. In compliance with the department circular, the ERC issued the following resolutions to govern the issuance of new RES licenses and renewal of existing RES licenses and the registration of retail customers (collectively, the "**2016 ERC RES Issuances**"):

- Resolution No. 5, Series of 2016, entitled "A Resolution Adopting the 2016 Rules Governing the Issuances of the Licenses to Retail Electricity Suppliers (RES) and Prescribing the Requirements and Conditions Therefor" (the "**RES License Guidelines**")

- Resolution No. 10, Series of 2016, entitled "A Resolution Adopting the Revised Rules for Contestability"

- Resolution No. 11, Series of 2016, entitled "A Resolution Imposing Restrictions on the Operations of Distribution Utilities and Retail Electricity Suppliers in the Competitive Retail Electricity Market"

- Resolution No. 28, Series of 2016, entitled "Revised Timeframe for Mandatory Contestability, Amending Resolution No. 10, Series of 2016 Entitled Revised Rules for Contestability"

However, in February 2017, the Philippine Supreme Court ("**SC**"), acting on a petition filed by certain entities, issued a temporary restraining order on the implementation of DC 2015-06-0010 and the 2016 ERC RES Issuances. In response to the temporary restraining order, and to provide guidance to relevant power industry players, the DOE issued DC 2017-12-0013 and DC 2017-12-0014 encouraging eligible contestable customers to voluntarily participate in RCOA. In 2019, the DOE issued DC 2019-07-0011, amending various issuances on the implementation of the RCOA. DC 2019-07-0011 provides that registration of contestable customers as trading participant in the WESM shall be on a voluntary basis and that contestable customers shall source its electricity supply requirements from ERC-licensed/authorized suppliers. On March 2, 2021, the Philippine SC promulgated its decision, a copy of which was made publicly available on September 24, 2021, finally declaring DC 2015-06-0010 and the 2016 ERC RES Issuances, void for being bereft of legal basis. As a result, the temporary restraining order issued by the Philippine SC in February 2017, which enjoined the DOE and ERC from implementing DC 2015-06-0010 and the 2016 ERC RES Issuances, has been made final. In the same decision, the Philippine SC also directed the ERC to promulgate the supporting guidelines to DC 2017-12-0013 and DC 2017-12-0014.

In 2020, the ERC resumed the processing of RES license applications on the basis of a 2011 ERC resolution on RES licensing (the "**2011 ERC Resolution**")which, according to the ERC, is not covered by the above-mentioned temporary restraining order. As of date of this Prospectus, the ERC continues to process RES license applications on the basis of the 2011 ERC Resolution as it has yet to issue supporting guidelines to DC 2017-12-0013 and DC 2017-12-0014 in compliance with the directive of the SC. As the ERC has been mandated by the Philippine SC to issue new supporting guidelines (including guidelines relating to licensing of RES) pursuant to DC 2017-12-0013 and DC 2017-12-0014, reliance by the ERC on the 2011 ERC Resolution to process ERC licenses may be open to question.

SMC Global Power's subsidiaries, SMELC, SCPC and MPPCL were granted RES licenses originally expiring in August 2021. The Company submitted RES license renewal applications for SCPC and MPPCL in May and June 2021, respectively. As of the date of this Prospectus, the Company has not renewed the RES license for SMELC, to streamline its business and for cost-efficiency objectives of the Company. Pending the completion of the final evaluation of the renewal applications, the ERC has extended the validity of SCPC's and MPPCL's RES licenses until September 29, 2022.

The ability of SMC Global Power to directly contract with contestable customers may be limited if (a) the existing RES licenses are not timely renewed, or (b) the authority of the ERC to issue ERC licenses on the basis of the 2011 ERC Resolution, and the RES licenses issued and renewed by the ERC on such basis, are questioned.

Such limitation on the ability of SMC Global Power to directly contract with contestable customers could have a material adverse effect on the business, financial condition and results of operations of SMC Global Power.

SMC Global Power is in constant consultation with relevant government agencies and other approving bodies to ensure that all requirements, permits and approvals are anticipated and obtained in a timely manner. Further, SMC Global Power maintains a strong compliance culture and has processes in place in order to manage adherence to laws and regulations.

Disruptions and fluctuations in fuel supply.

The operations of the Sual Power Plant, Ilijan Power Plant, Masinloc Power Plant, Limay Greenfield Power Plant and Davao Greenfield Power Plant depend on the availability of fuel, in particular coal and natural gas. SMC Global Power, through its subsidiaries, is responsible, at the cost of the latter, for supplying the fuel requirement of the Sual Power Plant, Masinloc Power Plant, Limay Greenfield Power Plant and Davao Greenfield Power Plant. SMC Global Power, through its subsidiaries, has entered into fuel supply agreements (see *"Power Generation Facilities—Fuel Supply*" for information on the sources and names of major fuel suppliers) for its power plants and, subject to regulatory approval, is able to pass on the fuel cost to its customers particularly for distribution utilities and electric cooperatives. Certain PSAs with Meralco covering an aggregate capacity of 1,290 MW entered into by certain of the Company's subsidiaries, (see "*Description of the Business—Competitive Strengths and Business Strategies—Competitive Strengths—Stable and Predictable Cash Flows*"), have fixed price escalation mechanisms rather than tariff adjustment based on current fuel prices as a result of the latter's CSP conducted in September 2019. Consequently, the Company may no longer pass-through the impact of fuel price fluctuations and may have positive benefits or negative exposures should fuel prices increase or decrease, respectively. As of the date of this Prospectus, the Company does not have plans to switch fuel sources of the respective plants.

There is no assurance that there will not be any interruption or disruption in, or change in terms of, the fuel supplies to these power plants, or that there will be sufficient fuel in the open market at competitive prices or sufficient transportation capacity available to ensure that these power plants receive sufficient fuel supplies required for their operations on a timely basis or at all. Moreover, the recent geopolitical tensions and uncertainties caused by events such as the Russian invasion of Ukraine, changes in foreign policy or regulatory requirements, trade restrictions, higher tariffs and changes to existing tariffs, or the imposition of additional regulations relating to the import or export of products such as fuel supplies could impact global trade and supply chains and adversely affect the Company's ability to access fuel supplies at competitive prices or in sufficient amounts for the operations of its power plants.

The Company is implementing price risk mitigation measures to counter the impact of rising indices, primarily for coal fuel, through the fuel price pass-through mechanism or the periodic tariff rate review allowed under its PSAs 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. In the future and should there be a need to further mitigate fuel supply risk in the event of further escalation of events in Europe, the Company could consider operationalizing its coal mining assets in southern Mindanao.

There is also no assurance that the Company, through its subsidiaries, will be able to purchase all of its required fuel supplies from its regular suppliers that produce fuel of acceptable and known quality. Consequently, SMC Global Power could experience difficulties ensuring a consistent quality of fuel, which could negatively affect the stability and performance of these power plants.

For example, the Ilijan Power Plant sources natural gas for its operations from the Malampaya gas facility in Palawan ("**Malampaya**"). According to the DOE, Malampaya's natural gas output is estimated to decline substantially by 2022 as the Malampaya gas supply is depleted. SMC Global Power believes that it is well placed to secure access to alternative sources of fuel, and has executed a binding term sheet covering the use of a hybrid terminal composed of onshore regasification units and onshore and offshore storage technologies, to be constructed in Ilijan, Batangas and which is expected to allow the Company to receive, store, and process LNG from the global market. Alternatively, the Ilijan Power Plant may also be reconfigured to be a diesel or an LNG-type facility in the future. There can be no assurance that the planned Batangas LNG terminal will be completed within the expected time frame or at all, or that the Company will be able to access natural gas it requires for its operations. The Ilijan Power Plant serves only one customer, Meralco, through three separate contracts covering 1,130MW in total supply. Of such total supply, 960 MW contracted capacity is subject to a fixed contract price with a guaranteed escalation of 3.5% per annum and is subject to a minimum energy offtake volume, while the recently awarded 170MW (net) capacity has a fixed tariff of over ₱7/KWh if the volume of Meralco is within the minimum energy offtake.

SMC Global Power has invested in circulating fluidized bed ("**CFB**") or supercritical power plants (for the Limay Greenfield Power Plant, Davao Greenfield Power Plant, and Units 3, 4 and 5 of the Masinloc Power Plant) that can use low-grade coal and has retrofitted its existing pulverized coal ("**PC**") power plants (Masinloc Units 1 and 2) to use low-grade coal, which is also less expensive and relatively more abundant compared to high-grade coal (i.e., coal of 6,000 Kcal upwards). There can be no assurance that the Company will be able to obtain the quality of coal in such quantities that it requires for its operations.

The Indonesian government imposed a coal export ban in January 2022, which was gradually lifted as its domestic power plants stock-piled their coal inventories. While coal sourced from Indonesia accounts for approximately 80% to 90% of the Company's coal supply, the ban did not adversely impact plant operations. The Company has a contract with an international trader-supplier that can source coal supply from other countries such as Australia, if needed. Coal inventory levels during the period runs at about one to one and a half months. If necessary, inventory from the portfolio if its power plants can be allocated to those plants urgently needing replenishment. The Company also sourced domestic suppliers to potentially cover its coal requirements to mitigate the impact of the restriction. Reduced supply of high-grade coal may also cause disruptions in the Company's fuel supply. Following recent developments and easing of the coal export ban, the Company has received certain Indonesian coal shipments from its suppliers to date. The Company has been able to pass-through the increase in coal prices in more than 70% of its contracted capacity. About 30% to 35% of SMC Global Power's bilateral volumes have fuel pricing provisions that allow it to fully pass-on its fuel price exposure to its customers. Most of these volumes are assigned to the Sual, Masinloc and the Davao Greenfield Power Plants. Approximately 35% of the bilateral volumes are with Meralco with a guaranteed rate escalation of 3.5% per annum.

Such factors, which may include events which are beyond the control of SMC Global Power, could affect the normal operation of these power plants or incur significant costs to source replacement power or to reconfigure its plants, which could have material adverse effect on the business, financial condition and results of operations of SMC Global Power.

SMC Global Power, through its subsidiaries, has fuel supply agreements with reputable and reliable international coal suppliers, such as but not limited to, Vitol, Banpu, Bayan and KPC for its power plants. The diversity of coal suppliers of the Company provides assurance of fuel supply limiting any issues with any specific region or supplier. For natural gas, NPC/PSALM is contractually obligated to deliver supply of fuel to the Ilijan Power Plant under the Ilijan IPPA Agreement. Neither SMC Global Power, nor SPPC, has direct relationship with the supplier of natural gas. However, events of shutdown or gas restrictions can be interpreted as force majeure or may be covered by the outage provisions of the downstream offtake agreements of SPPC, limiting any adverse effects of disruptions in the supply of natural gas to SPPC.

SMC Global Power also believes that the size and diversity of the fuel supply of its power portfolio reduces the exposure of the Company and its customers to fuel-type specific risks such as variations in fuel costs, and regulatory concerns that are linked to any one type of power plant or commodity price.

Reliance on Independent Power Producers for the operation and maintenance of the IPPA Power Plants.

Power generation involves the use of highly complex machinery and processes and the success of SMC Global Power depends on the effective maintenance of equipment for its power generation assets. IPPs associated with the respective IPPA Power Plants are responsible for the operation and maintenance of their respective IPPA Power Plants.

Although the energy conversion agreement (“**ECA**”) for Sual, the Ilijan ECA and the San Roque ECA contain bonus and penalty provisions, and the Company monitors the IPPs’ adherence to the minimum operating protocols specified in the IPPA and ECAs, there is still a risk that the IPPs will fail to satisfactorily perform their respective operations and maintenance obligations. Any failure on the part of such IPPs to properly operate and/or adequately maintain their respective power plants could have a material adverse effect on the business, financial condition and results of operations of SMC Global Power.

In addition, if SMC Global Power, through its subsidiaries, fails to generate or deliver electricity beyond contractually agreed periods due to the failure of the IPPs to operate and maintain the power facilities, the counterparties of SMC Global Power in its power supply contracts (“**PSCs**”) may have a right to terminate those contracts for outages beyond applicable outage allowances in the PSCs, and replacement contracts may not be entered into on comparable terms or at all. Any of the foregoing could have a material adverse effect on the financial and operating performance of SMC Global Power.

SMC Global Power leverages on the strengths and track record of its world-class IPP partners in operating its existing power portfolio while monitoring their adherence to the minimum operating protocols specified in the IPPA and ECAs in line with international best practices.

Market limitations under the Electric Power Industry Reform Act of 2001 (“EPIRA”).

Based on the total installed generating capacities in the ERC Resolution on Grid Market Share Limitation under ERC Resolution No. 01 Series of 2022 dated March 9, 2022 (*A Resolution Setting the Installed Generating Capacity and Market Share Limitation er Grid and National Grid for 2022*), the Company believes that its combined installed capacity comprises approximately 19% market share of the National Grid, 26% of the Luzon Grid and 7% of the Mindanao Grid, in each case as of March 31, 2022. The EPIRA limits the market share of a participant to 30% per grid and 25% of the National Grid by installed capacity. Even though SMC Global Power is currently within its market share cap (taking into account the greenfield power plants and expansion projects under construction), it may not receive permission to increase its capacity and market share further if this would result in exceeding the permitted capacity or market share prescribed by the EPIRA. Such inability to expand and grow the power business could materially and adversely affect the business prospects of SMC Global Power.

SMC Global Power seeks to capitalize on regulatory and infrastructure developments by scheduling the construction of greenfield power projects to coincide with the growth of the Philippine power industry. Pursuant to the EPIRA limits, SMC Global Power may still expand by as much as 1,429.1 MW nationwide, but limited to the following capacities per grid: 724.5 MW in Luzon, 991.8 MW in Visayas and 945.3 MW in Mindanao. In implementing the foregoing expansion targets, the Company shall take into account, and shall ensure compliance with, any and all applicable market share or market capitalization restrictions. At the current levels, SMC Global Power is within the market share capitalization even with the addition of its greenfield power projects under construction today.

Development of greenfield power projects and expansion projects of existing plants involves substantial risks.

The development of greenfield power projects and expansion projects of existing power plants involves substantial risks that could give rise to delays, cost overruns or unsatisfactory construction or development in the projects. Such risks include the inability to secure adequate financing, inability to negotiate acceptable offtake agreements, and unforeseen engineering and environmental problems, among others. Any such delays, cost overruns, unsatisfactory construction or development could have a material adverse effect on the business, financial condition, results of operation and future growth prospects of SMC Global Power.

Project risks could emanate from various sources such as poor project planning, execution and contractor/subcontractor issues. If not addressed in a timely manner, these issues may negatively impact the project which would ultimately affect the Company's financial condition and results of operations, such as revenue loss resulting from delay in commercial operations. For example, under the Company's EPC contract for Unit 3 of the Masinloc Power Plant, commercial operations were scheduled to begin in April 2019. As a result of various delays incurred by the EPC contractor, Unit 3 completed commissioning and commenced commercial operations on September 26, 2020. In view of the delay in the commercial operations of Unit 3, the Company received a settlement from its EPC contractor on account of damages arising from the latter's non-fulfillment of obligations under procurement-related contracts.

Further, any delay in the receipt of the relevant permits will also delay the completion of a project. Any of these project risks could have a material adverse effect on the business, financial condition, results of operations, and future growth prospects of the Company.

To manage these risks, the Company has strong credit lines to avail external financing and sufficient internally generated funds to finance its projects. Also, the Company has entered into offtake agreements with various distribution utilities and industrial users that has substantially contracted the projects' commercial capacity, such as the PSA of EERI with Meralco for the supply of 1,200 MW Contract Capacity from the planned Batangas Combined Cycle Power Plant and the PSA of MPPCL to supply 600 MW Contract Capacity from the Masinloc Power Plant expansion Units 4 and 5, both contracts having a term of 20 years.

The Company has contracted world-class and industry-leading EPC contractors to construct its projects. Under the EPC contracts, the Company will be indemnified in the event of delay and/or default of the EPC contractor. To ensure timely delivery and performance, the EPC contracts provide for a schedule of payments of the contract price based on agreed milestones. SMC Global Power checks on the accomplishments of the EPC contractor prior to the release of the corresponding payment per milestone.

Adverse effect of WESM price fluctuations.

From the time the WESM for Luzon began operating in June 2006, market prices for electric power have fluctuated substantially. Unlike many other commodities, electric power can only be stored on a very limited basis and generally must be produced concurrently with its use. As a result, power prices are subject to significant volatility from supply and demand imbalances. Long-term and short-term power prices may also fluctuate substantially due to other factors outside of the control of SMC Global Power, including:

- increases and decreases in generation capacity in the markets, including the addition of new supplies of power from existing competitors or new market entrants as a result of the development of new generation power plants or expansion of existing power plants or additional transmission capacity;
- changes in power transmission or fuel transportation capacity constraints or inefficiencies;
- electric supply disruptions, including power plant outages and transmission disruptions;
- changes in the demand for power or in patterns of power usage, including the potential development of demand-side management tools and practices;
- the authority of the ERC to review and, if warranted under applicable circumstances, adjust the prices on the WESM;
- climate, weather conditions, natural disasters, wars, embargoes, terrorist attacks and other catastrophic events;
- availability of competitively priced alternative power sources;
- development of new fuels and new technologies for the production of power; and

- changes in the power market and environmental regulations and legislation.

These factors could have a material adverse effect on the business, financial condition and results of operations of SMC Global Power.

On March 3, 2014, the ERC issued an order (the "**March 3, 2014 ERC Order**") declaring the prices in the WESM for the November and December 2013 billing months, as null and void, and ordered the PEMC, the operator of the WESM, to calculate and issue adjustment bills using recalculated prices. Subsequent orders were issued by the ERC setting the period for compliance of the March 3, 2014 ERC Order (collectively, the "**2014 ERC Orders**"). Certain parties including SMEC, SPPC, SPDC and MPPCL filed a request with the ERC for the reconsideration of the 2014 ERC Orders. Other generators also requested the SC to stop the implementation of the 2014 ERC Orders. On June 26, 2014, certain parties including SMEC, SPPC and SPDC filed with the Court of Appeals ("**CA**") a Petition for Review of these orders. On the other hand, MPPCL filed its Petition for Review with the CA on December 12, 2014. After consolidating the cases, the CA, in its decision dated November 7, 2017, granted the Petition for Review filed by SMEC, SPPC, SPDC and MPPCL declaring the 2014 ERC Orders null and void and accordingly reinstated and declared as valid the WESM prices for Luzon for the supply months November to December 2013. The CA affirmed this decision in its March 29, 2019 Omnibus Resolution. The ERC appealed the decision and resolution of the CA, which nullified and set aside the 2014 ERC Orders declaring the WESM prices for November and December 2013 void. The case is currently pending with the SC.

In the event that the prices initially set by the WESM are upheld, then the relevant subsidiaries of the Company may file a claim for refund with the PEMC for an amount of up to ₱2,322 million, plus interest.

The strategy of the Company is to source majority of its revenues from bilateral offtake agreements. This ensures cash flows while minimizing the exposure of the Company to any unfavorable fluctuations in WESM prices. Revenue from bilateral contracts with offtakers contributed 94%, 95% and 92% of total revenue for the years ended December 31, 2019, 2020 and 2021, respectively, and 93% and 94% for the three months ended March 31, 2021 and 2022, respectively.

Non-renewal of or non-compliance with offtake agreements.

SMC Global Power, through its subsidiaries, has offtake agreements with various distribution utilities, electric cooperatives and large industrial and commercial users. In respect of the IPPA Power Plants, some offtake agreements will expire before the termination of the applicable IPPA Agreement, although they may be renewed by mutual agreement of the parties. The IPPA Agreements provide that the amounts of payment obligations of SMC Global Power will increase over time. While SMC Global Power intends to renew the offtake agreements upon expiration to provide stable and predictable revenue streams, there is no assurance that SMC Global Power will be able to renew or enter into new offtake agreements for similar volumes or at similar prices, or that SMC Global Power will be able to enter into new offtake agreements. If SMC Global Power is unable to enter into new offtake agreements, SMC Global Power will be further exposed to fluctuations in electricity prices in the WESM, which could materially and adversely affect the profitability of SMC Global Power.

When the current offtake agreements with Meralco expire or are otherwise renegotiated, they may be renewed for lower electricity volumes than in the past or on different terms, including under different pricing terms. In addition, there can be no assurance that Meralco and other offtakers will be able to meet their future payment obligations under their agreements with SMC Global Power. For the Company's greenfield power plants, there is no assurance that the Company, through its subsidiaries, will be awarded contracts pursuant to any CSP conducted by Meralco or other distribution utilities or electric cooperatives, or will successfully negotiate with various contestable customers or RES.

The business, cash flows, earnings, results of operations and financial condition of SMC Global Power could be materially and adversely affected if SMC Global Power is unable to successfully participate and bid for supply contracts with Meralco and other offtakers under favorable terms or at all, or if Meralco and other offtakers are unable to meet their payment obligations under existing agreements, and SMC Global Power is unable to find new customers to replace Meralco and other offtakers.

In September 2019, Meralco conducted a CSP for its power supply, in accordance with the requirements under DOE Circular No. DC2018-02-0003 (the "**DOE CSP Policy**"). SPPC was awarded two offtake contracts to supply an aggregate of 960 MW from the Ilijan Power Plant. The first contract is for the supply of 670 MW for baseload power requirements for a period of 10 years from December 26, 2019 and the second contract is for the supply of 290 MW mid-merit power requirements for a period of five years from December 26, 2019. In addition, SMEC was also awarded a contract to supply 330 MW for baseload power requirements from the Sual Power Plant for a period of 10 years from December 26, 2019. The three contracts have been executed between Meralco and the relevant IPPAs (the "**2019 Meralco PSCs**"). The 2019 Meralco PSCs have been implemented under the provisional authority and are pending final approval from the ERC.

In another CSP conducted by Meralco in January 2021 for its 1,800 MW (net) power requirements, EERI and MPPCL were awarded the following 20-year PSAs after emerging as the winning bidders: (i) PSA with EERI for the supply and delivery of 1,200 MW contract capacity with commercial operations date on November 26, 2024 and expiring on November 25, 2044; and (ii) PSA with MPPCL for the supply and delivery of 600 MW contract capacity with commercial operations date on April 26, 2025 and expiring on April 25, 2045. These PSAs have been executed by the relevant parties and were filed with the ERC on March 23, 2021 for approval.

On February 2, 2022, SPPC won the CSP conducted by Meralco for the supply of 170 MW (net) contract capacity for a five-month period which will commence upon the issuance of approval by the ERC of the relevant PSA. As of the date of this Prospectus, the PSAs are pending ERC approval.

The Company manages a large, reliable and diverse portfolio of power plants that allows it to supply at competitive rates and terms. Considering the increasing electricity requirements of the country underpinned by a strong GDP and population growth rate, the Company believes that its bilateral offtake agreements will be renewed or it will be able to expand its customer base. Further, the Company has an experienced sales and marketing team that actively markets to its existing and new financially capable prospective customers and intends to continuously participate in CSPs to be conducted by distribution utilities. In addition, the Company maintains good working relationships with its offtakers and has cultivated a long history of reliability and good customer service.

Administration of the output of the Company's power portfolio necessarily involves significant risks.

The administration of the output of power generation facilities necessarily involves significant risks, including:

- breakdown or failure of power generation equipment, transmission lines, pipelines or other equipment or processes, leading to unplanned outages and operational issues;
- flaws in the equipment design or in power plant construction;
- issues with the quality or interruptions in the supply of key inputs, including fuel or water;
- material changes in legal, regulatory or licensing requirements;
- operator error;
- performance below expected levels of output or efficiency;
- industrial actions affecting power generation assets owned or managed by the subsidiaries of SMC Global Power or its contractual counterparties;

- pollution or environmental contamination affecting the operation of power generation assets;
- planned and unplanned power outages due to maintenance, expansion and refurbishment;
- inability to obtain or the cancellation of required regulatory, permits and approvals;
- opposition from local communities and special interest groups; and
- force majeure and catastrophic events including fires, explosions, earthquakes, volcanic eruptions, floods and terrorist acts that could cause forced outages, suspension of operations, loss of life, severe damage and plant destruction.

There is no assurance that any event similar or dissimilar to those listed above will not occur or will not significantly increase costs or decrease or eliminate sales derived by SMC Global Power from its power generation assets. While the IPPA Agreements of the Company provide certain reliefs in the event the IPPA Power Plants cannot produce or dispatch electricity, if any of the power generation assets of the Company is unable to generate or deliver electricity to customers for an extended period of time which may be due to the aforementioned risks, its customers may be exempt from making certain payments so long as any such events continue. In addition, if the subsidiaries of SMC Global Power fail to generate or deliver electricity beyond the contractually agreed outage periods, its counterparts in its PSCs may have a right to terminate those contracts, and replacement contracts may not be entered into on comparable terms. Any of the foregoing could have a material adverse effect on the financial and operating performance of SMC Global Power.

SMC Global Power leverages on the strengths and track record of its partners in operating its existing power portfolio by monitoring their adherence to the minimum operating protocols specified in their respective IPPA Agreements or operations and maintenance agreements in line with international best practices.

Operating and other risks leading to network failures, equipment breakdowns, planned or unplanned outages.

Power generation is vulnerable to human error in operation, equipment failure, catastrophic events, natural disasters, sabotage, terrorist attacks or other events which can cause service interruptions, network failures, breakdowns or unplanned outages. There is no assurance that accidents will not occur with the Company’s power plants or that the preventive measures taken by the Company will be fully effective in all cases, particularly in relation to external events that are not within its control. Moreover, any loss from such events may not be recoverable under the Company’s insurance policies. The Company’s income and cash flows will be adversely affected by any disruption of operations of its plants due to any of the foregoing risks. Any unplanned plant shutdowns for an extended period of time will have a material adverse effect on the Company’s ability to sell power and the Company’s results of operations could suffer. For example, from September 16, 2020 to May 12, 2021, the Sual Power Plant Unit 2 experienced an outage due to major turbine repairs to improve its reliability moving forward. In the event of a service disruption, the Company would typically seek to purchase replacement power, which may be at a significantly greater cost than power generated by it or than it is able to recover. SMC Global Power is also entitled to reduction in the IPPA payments to PSALM for fixed and generation fees of the IPPA Power Plants that will compensate it for any loss in margins from prolonged outages. Nevertheless, any of these factors may be beyond the Company’s control, and their occurrences could have a material adverse effect on the Company’s business, financial condition or results of operations.

SMG Global Power undertakes necessary precautions to minimize impact of any significant operational problems in its subsidiaries through effective maintenance practices.

Insufficient insurance coverage for generation plants.

The IPPs of the IPPA Power Plants are responsible for maintaining insurance for all of the facilities, equipment and infrastructure for those power plants, with the exception of the dam and spillway of the San Roque Power Plant, for which NPC is obligated to maintain insurance coverage. The IPPA of these IPPA Power Plants, namely SMEC, SPDC and SPPC, however, are not beneficiaries of any of these insurance policies. These IPPAs have no business interruption insurance coverage and are therefore uninsured for liabilities or any direct or indirect costs and losses which may be incurred, as a result of any business interruption that their respective IPPA Power Plant may experience. SMC Global Power believes that there is no business interruption insurance available for the IPPA business model under which its IPPA- subsidiaries are currently operating. Accordingly, any uninsured liabilities or direct or indirect losses, including any third-party claims that result from an interruption to the business of these IPPAs, could have a material adverse effect on its financial condition and results of operations.

For the power plants of SMC Global Power, SCPC, SMCPC and MPPCL secure the necessary insurance for their respective power plants, the terms of which are reviewed regularly and cover industrial all risks, business interruption, marine cargo insurance, sabotage and terrorism, physical material loss or damage caused by natural disasters, breakdowns or other events that could affect the facilities and processes used by its businesses. The business interruption insurance policies of these entities however do not cover any declines in production or adverse publicity that SCPC, SMCPC, or MPPCL may suffer as well as any significant resource that SCPC, SMCPC, or MPPCL may invest to address such losses.

In addition, there is no assurance that the Company will be able to renew these policies on similar or otherwise acceptable terms, or at all, or that the Company will not experience a material increase in the premiums payable under its insurance policies. If one or more of the Company's power projects were to incur a serious uninsured loss, a loss that significantly exceeds the limits of its insurance policies or any unexpected losses against which these subsidiaries are not fully insured, this could have a material adverse effect on their businesses, financial condition and results of operations.

While the Company has not experienced any major downturn in the operations of the IPPA Power Plants brought about by unexpected losses caused by natural disasters or other events that could affect its facilities, the Company believes that it can withstand such events with its business strategies in place. SMC Global Power also has a system of financial prudence and corporate governance that provides the foundation for its risk management initiatives. For further discussion on the business strategy of the Company, please refer to "Competitive Strength and Business Strategy" portion below.

No direct contractual and operational relationship.

SMC Global Power is dependent on the operators of the IPPA Power Plants to generate power from the IPPA Power Plants, and for the IPPs to comply with their contractual obligations to NPC under their IPP Agreements. SMC Global Power does not have a direct contractual relationship with the IPPs and cannot directly enforce the IPP Agreements against the IPPs. Failure by an IPP to comply with its obligations under its IPP Agreement may significantly reduce or eliminate power generation volumes or increase costs, thereby decreasing or eliminating revenues that the IPPA subsidiaries of SMC Global Power can derive from selling the power generated by the IPPA Power Plants. Any claims for damages for breach, or other entitlement, benefit or relief under the IPPA Agreement arising from the breach, by the IPP, of its IPP Agreement obligations must be claimed by SMC Global Power against PSALM through specified claim mechanisms. The IPPA Agreements do not permit set-off of claims, and the IPPA subsidiaries of SMC Global Power are only entitled to payment of their claim after PSALM has received payment from the IPP of its corresponding claim. Accordingly, the IPPA subsidiaries of SMC Global Power bear the risks associated with the lack of direct recourse against the IPPs, delays in the enforcement of their claims and other risks related to pursuing claims or legal proceedings against a state-owned entity such as PSALM. Any of these factors could have a material adverse effect on the business, financial condition and results of operations of SMC Global Power.

The Company believes this risk can be managed by leveraging on the Company's strengths and strategies. For a more detailed discussion please refer to the Company's *Description of the Business — Competitive Strengths and Business Strategies*" section on page 88 of this

Prospectus. However, there is no assurance that the Company can provide an effective mitigation to such risk.

Foreign exchange risk.

While most of the offtake agreements of SMC Global Power allow adjustments for foreign exchange rate fluctuations, SMC Global Power remains subject to foreign exchange risk. A substantial amount of revenue from sales of power by SMC Global Power is denominated in Philippine Pesos, while a portion of its expenses and obligations are denominated in U.S. dollars. The scheduled payment obligations to PSALM pursuant to the IPPA Agreements of the IPPA subsidiaries with PSALM are denominated in both U.S. dollars and Pesos. The proportion of U.S. dollars to Pesos payable under the IPPA Agreements is approximately 50% at the exchange rates prevailing as of the dates of the respective IPPA Agreements. SMC Global Power, through its subsidiaries, also purchases coal as fuel for the Sual Power Plant and its greenfield power projects using U.S. dollars.

In addition, a significant portion of the capital expenditures required for its greenfield power projects are denominated in U.S. dollars. In March 2018, SMC Global Power obtained US$1,200 million term facilities from various foreign financial institutions for the acquisition of the Masinloc Power Plant, of which US$500 million remains outstanding as of December 31, 2021. In March 2021, the Company executed a US$200 million term loan facility from various foreign financial institutions that refinanced a maturing obligation for the same amount. In May 2014 and August 2015, SMC Global Power issued undated subordinated capital securities amounting to US$300 million for each issuance, which the Company has since redeemed on the relevant step up dates of November 7, 2019 and February 26, 2021, respectively. In addition, the Company issued redeemable perpetual securities amounting to US$650 million for the acquisition of the Masinloc Power Plant in March 2018. On April 25, 2019, the Company issued US$500 million senior perpetual capital securities. On July 3, 2019, the Company issued an additional US$300 million senior perpetual capital securities, which were consolidated into and form a single series with the US$500 million senior perpetual capital securities issued on April 25, 2019. On November 5, 2019, the Company issued US$500 million senior perpetual capital securities and on January 21, 2020, the Company issued US$600 million senior perpetual capital securities. On October 21, 2020, the Company issued the US$400 million senior perpetual capital securities, followed by an issuance of US$350 million senior perpetual capital securities on December 15, 2020, which were consolidated into and form a single series with the US$400 million senior perpetual capital securities issued on October 21, 2020. On April 12, 2021, the Company drew US$50 million on its term loan facility with a foreign bank executed on October 12, 2020, and on May 21, 2021, the Company executed a US$100 million syndication agreement relating to the US$200 million facility agreement dated March 9, 2021. On June 9, 2021, the Company issued the US$600 million senior perpetual capital securities followed by an issuance of US$150 million senior perpetual capital securities on September 15, 2021, which were consolidated into and form a single series with the US$600 million senior perpetual capital securities issued on June 9, 2021. On January 21, 2022, the Company availed of US$200 million from a three-year term loan facility agreement executed with foreign banks on September 8, 2021. The initial loan amount under the facility agreement of US$100 million was increased to US$200 million on December 16, 2021.

In addition, the PSAs entered into with Meralco as a result of the latter's CSP conducted in September 2019 (see "*Description of the Business—Competitive Strengths and Business Strategies—Competitive Strengths—Stable and Predictable Cash Flows*"), with an aggregate capacity of 1,290 MW starting 2020, have fixed price escalation mechanisms rather than tariff adjustment based on current foreign exchange rates. Consequently, the Company may no longer pass-through the impact of foreign exchange fluctuations and may have positive benefits or negative exposures should the Peso appreciate or depreciate, respectively.

A depreciation of the Peso, particularly with respect to the U.S. dollar, increases the Peso equivalent value of the foreign currency-denominated costs and obligations of SMC Global Power. This could adversely affect the results of operations of SMC Global Power and its ability to service its foreign currency-denominated liabilities.

SMC Global Power actively evaluates combinations of natural hedges, such as holding U.S. dollar-denominated assets and liabilities and foreign exchange adjustments in the pricing for certain offtake contracts and derivative instruments to manage its exchange rate risk exposure. SMC Global Power has entered into derivative contracts covering its net foreign currency denominated monetary liabilities. As a general policy, SMC Global Power may hedge up to 50% of its exposure and subject to management approval, for more than 50% of its exposure if necessary. Less than 10% of the consolidated net foreign currency-denominated monetary liabilities has been hedged as of March 31, 2022. SMC Global Power also considers redenomination of U.S. dollar-denominated obligations to Philippine Peso to minimize exposure to foreign exchange fluctuations. Nonetheless, there can be no assurance that the Peso will not depreciate significantly against the U.S. dollar or other currencies in the future or that such depreciation will not have an adverse effect on the growth of the Philippine economy or the financial condition of SMC Global Power.

Variations in hydrological conditions and irrigation requirements.

Hydroelectric generation is dependent on the amount and location of rainfall and river flows, which vary widely from quarter to quarter and from year to year. NPC owns and operates the dam and the dam-related facilities of the San Roque Power Plant and has obtained a water permit allowing it to use the water flow from the Agno River to generate power from the San Roque Power Plant with an allowable volume dictated by downstream irrigation requirements set by the National Irrigation Administration ("**NIA**").

The facilities of AHEPP are located within the Angat Watershed Reservation, which is managed by and is under the jurisdiction of NPC. NPC was issued a water permit dated November 28, 1979 by then National Water Resources Council pursuant to which NPC has authority to extract water from the Angat River for power generation purposes. In a resolution dated April 4, 2016, the National Water Resources Board ("**NWRB**") granted KWPP Holdings Corporation's petition for the transfer of the said water permit to itself and authorized its lease to AHC. The water discharged by the AHEPP is used for the following purposes: (i) the water outflow of the three Auxiliary Units of 6 MW capacity each (each, an "**Auxiliary Unit**" or collectively, "**Auxiliary Units**") flows to the Ipo Dam and is conveyed by Metropolitan Waterworks and Sewerage System ("**MWSS**") to Metro Manila for domestic use; and (ii) the water outflow of the four Main Units of 50 MW capacity each (each a "**Main Unit**" or collectively, "**Main Units**") flows to the Bustos Dam and is conveyed by NIA to the province of Bulacan for irrigation purposes.

The levels of hydroelectric production can therefore vary from period to period depending on the water levels in the reservoir and downstream irrigation and water supply requirements. In years of less favorable hydrological conditions, such as periods of drought or when the El Niño weather phenomenon occurs, the reservoir has low water levels, which reduces the amount of power that the San Roque Power Plant and the AHEPP are able to generate. This could reduce the revenues from the sale of power from the San Roque Power Plant and the AHEPP, which could have a material adverse effect on SMC Global Power's business, financial condition and results of operations. Conversely, if too much rainfall occurs at any one time, such as during a typhoon, water may flow too quickly and at volumes in excess of the water intake capacity of the San Roque Power Plant and AHEPP, which may cause release of water using the spillway.

SMC Global Power, through its subsidiaries, actively manages the water supply of the hydro power plants to optimize generation while ensuring that the irrigation supply requirements are met in coordination with the relevant government agencies.

Challenges in successfully implementing its growth strategy.

Implementing the growth strategy of SMC Global Power involves: (i) substantial investments in new power generation facilities such as LNG power plants and expansion of existing power generation facilities; (ii) acquisitions of existing power generation capacity; (iii) entering into alliances with strategic partners; (iv) entering into new and developing technologies and services, such as energy storage solutions, particularly BESS and ancillary services, such as frequency regulating reserves; and (v) targeting new markets, such as the renewable energy market. The success in implementing the strategy of the Company will depend on, among other things, its ability to identify and assess investment and acquisition opportunities as well as potential partners, its ability to successfully finance, close and integrate investments, acquisitions and relevant technologies for the production of power, its ability to manage construction of planned greenfield and expansion power projects within technical, cost and timing specifications, its ability to establish BESS projects and integrate these with the grid and support renewable energy sources, its ability to secure offtake agreements through CSP, its ability to control costs and maintain sufficient operational, financial and internal controls, the strength of the Philippine economy (including overall growth and income levels), the growth of the relevant target markets, and the overall levels of business activity in the Philippines.

SMC Global Power is also contemplating several additional potential investments and acquisitions, but has not entered into any definitive commitment or agreement for any such contemplated investment or acquisition. If general economic and regulatory conditions or market and competitive conditions change, or if operations do not generate sufficient funds or other unexpected events occur, SMC Global Power may decide to delay, modify or forego some of its planned or contemplated projects or alter aspects of its growth strategy, and its future growth prospects could be materially and adversely affected. For example, the Company may consider alternative technologies for planned power projects that will improve efficiencies and lower emissions.

The growth strategy of SMC Global Power will also place significant demands on its management, financial and other resources. In particular, continued expansion will increase the challenges for financial and technical management, recruitment, training and retention of sufficient skilled technical and management personnel and developing and improving its internal administrative infrastructure. In addition, expansion into new markets will necessitate recruitment and development of expertise in new technologies, including natural gas and BESS technologies. Any inability to meet these challenges could disrupt the business of SMC Global Power, reduce its profitability and adversely affect its results of operations and financial condition.

To manage these risks, SMC Global Power: (i) maintains a highly experienced management team composed of experts with extensive knowledge of the Philippine power industry; (ii) has in place a system of financial prudence and corporate governance; and (iii) strengthens the competencies of its employees specifically those in the succession pipeline of key personnel, provides training to prepare employees to take on higher responsibilities, and pursues strategic hiring for identified critical positions.

SMC Global Power also undertakes prudent review and due diligence and evaluates the viability of any acquisition or investment. In addition, the Company is guided by metrics when assessing possible investments, which include, but are not limited to, financial returns and possible synergies, with an overall objective of maximizing returns.

Interest rate risk.

While SMC Global Power intends, whenever appropriate, to enter into hedging transactions which may mitigate its interest rate exposure, any such hedging policy may not adequately cover its exposure to interest rate fluctuations and such fluctuations may result in a high interest expense and an adverse effect on its business, financial condition and results of operations.

Availability of financing and significant long-term debt as well as perpetual capital securities.

SMC Global Power expects to fund its expansion and growth plans through a combination of internally generated funds and external financing. The continued access to debt and equity financing of the Company is subject to factors, many of which are outside of the control of SMC Global Power. Political instability, economic downturn, social unrest, or changes in the Philippine regulatory environment could increase the cost of borrowing, decrease the price of its securities, or restrict the ability of SMC Global Power to obtain debt or equity financing. In addition, recent disruptions in global capital and credit markets may continue indefinitely or intensify. Disruptions in the global capital and credit markets, including as a result of geopolitical tensions and uncertainties caused by events such as the Russian invasion of Ukraine, rising tensions between Russia and the European Union and the U.S., as well as the potential for the continuation of global trade wars between key economic powers could adversely affect the Company's ability to access the liquidity needed to maintain its business and pursue its growth plans.

Other factors affecting the ability of SMC Global Power to borrow include (i) Philippine regulations limiting bank exposure (including single borrower limits) to a single borrower or related group of borrowers; (ii) compliance by the Company with existing debt covenants, which include debt to equity ratio and debt service coverage ratio covenants; and (iii) the ability of SMC Global Power to service new debt. The inability of SMC Global Power to obtain financing from banks and other financial institutions or from capital markets would adversely affect its ability to execute its expansion and growth strategies and have a material adverse effect on the business, financial condition, and results of operations of SMC Global Power.

In addition, SMC Global Power has significant long-term debt, finance lease obligations, and perpetual capital securities.

As of March 31, 2022, the long-term debt of SMC Global Power consists of the following: ₱74 billion fixed rate bonds listed on the PDEx, ₱14 billion and ₱5 billion fixed rate 7-year and 5-year term loan facilities, respectively, US$1,050 million term loans, ₱37 billion term loan of SCPC and ₱17 billion term loan of SMCPC under a 12-year Omnibus Loan and Security Agreement ("**OLSA**"), US$172 million loan of MPPCL under an Omnibus Refinancing Agreement ("**ORA**"), and US$473 million loan of MPPCL under an Omnibus Expansion Financing Agreement ("**OEFA**"). As of March 31, 2022, the noncurrent liabilities of SMC Global Power included lease liabilities (net of current portion) of ₱53,400 million and long-term debt (net of current maturities and debt issue costs) of ₱169,597 million. As of March 31, 2022, the current liabilities of SMC Global Power included accounts payable and accrued expenses of ₱60,221 million and lease liabilities (current portion) of ₱19,809 million.

In May 2014 and August 2015, SMC Global Power issued undated subordinated capital securities amounting to US$300 million for each issuance, which the Company has since redeemed on the relevant step up dates of November 7, 2019 and February 26, 2021, respectively. In addition, the Company issued redeemable perpetual securities amounting to US$650 million for the acquisition of the Masinloc Power Plant in March 2018. On April 25, 2019, the Company issued US$500 million senior perpetual capital securities. On July 3, 2019, the Company issued an additional US$300 million senior perpetual capital securities, which were consolidated into and form a single series with the US$500 million senior perpetual capital securities issued on April 25, 2019. On November 5, 2019, the Company issued US$500 million senior perpetual capital securities and on January 21, 2020, the Company issued US$600 million senior perpetual capital securities. On October 21, 2020, the Company issued the US$400 million senior perpetual capital securities, followed by an issuance of US$350 million senior perpetual capital securities on December 15, 2020, which were consolidated into and form a single series with the US$400 million senior perpetual capital securities issued on October 21, 2020. On June 9, 2021, the Company issued the US$600 million senior perpetual capital securities followed by an issuance of US$150 million senior perpetual capital securities, on September 15, 2021, which were consolidated into and form a single series with the US$600 million senior perpetual capital securities issued on June 9, 2021. On January 21, 2022, the Company availed of US$200 million from a three-year term loan facility agreement executed with foreign banks on September 8, 2021. The initial loan amount under the facility agreement of US$100 million was increased to US$200 million on December 16, 2021.

There is no assurance that the Company will be able to refinance or obtain additional financing when needed on commercially acceptable terms or at all. Any additional debt financing may place restrictions on the Company, which may, among others:

- increase vulnerability to general adverse economic and industry conditions;
- limit ability to pursue growth plans;
- limit ability to raise additional financing and access credit or equity markets to satisfy its repayment obligations as they become due on favorable terms, or at all;

- require the Company to dedicate a substantial portion of cash flow from operations to payments on debt and capital securities, thereby reducing the availability of its cash flow to fund capital expenditure, working capital requirements and other general corporate purposes; and/or

- limit its flexibility in planning for, or reacting to, changes in its business and its industry, either through the imposition of restrictive financial or operational covenants or otherwise.

The Company employs a system of financial prudence and good corporate governance to manage the risks relating to debt and equity financing. The Company can also rely on its strengths to navigate and have continual access to financing. For further discussions on these strengths, please refer to "*Competitive Strengths and Business Strategy*" portion below.

Dependence on the existence of transmission infrastructure.

The transmission infrastructure in the Philippines continues to experience constraints on the amount of electricity that can be delivered from power plants to customers, as well as limited interconnectivity between the Luzon-Visayas grid and the lack of any interconnectivity between the Visayas-Mindanao grid.

The Company and its subsidiaries are in constant consultation and communication with NGCP and other relevant Government institutions to address the transmission infrastructure requirements of the Company and its subsidiaries. The DOE is mandated by law to prepare a Transmission Development Plan to be implemented by NGCP which aims to address projected infrastructure limitations and interconnectivity of sub-grids.

If these transmission constraints continue, the ability of SMC Global Power to supply electricity from the IPPA Power Plants of its subsidiaries and its operating and planned greenfield power projects, as well as the ability of SMC Global Power to increase its geographical reach, will be adversely affected. This could have a material adverse effect on the business and revenue growth of the Company from the sale of power.

Changes in taxation and certain tax exemptions and tax incentives.

On September 9, 2019, the House of Representatives approved House Bill No. 304 entitled "Passive Income and Financial Intermediary Taxation Act" ("**PIFITA**"). The PIFITA bill provides for, among others, a reduction in the tax rates on interest income from yield or any other monetary benefit earned or received from bank deposits, deposit substitutes, trust fund and similar arrangements from the current 20% to 15%, and an increase in the tax rate on cash and/or property dividends from the current 10% to 15%. In addition, the PIFITA bill provides for the rationalization of documentary stamp taxes. In the event the PIFITA bill is enacted, the amount required to be grossed up by the Company will increase. As of the date of this Prospectus, the House of Representatives is awaiting the Senate's action on the PIFITA bill.

On March 26, 2021, President Rodrigo Duterte signed into law Republic Act No. 11534, otherwise known as the "Corporate Recovery and Tax Incentives for Enterprises Act" ("**CREATE Law**") which introduces reforms to the corporate income tax and incentives systems. Effective July 1, 2020, corporate income tax rate on domestic corporations is reduced from 30% to 25%, while domestic corporations with net taxable income not exceeding ₱5 million and total assets (excluding land on which the corporation's office, plant, and equipment are situated) not exceeding ₱100 million are subject to 20% corporate income tax. The CREATE Law further enhanced certain incentives that investment promotion agencies may grant to business enterprises, such as additional deductions, increased net-operating loss carry-over, VAT exemption on importation and VAT zero-rating of local purchases of goods and services directly and exclusively used in the registered project or activity, among others. In view of the effectivity of the CREATE Law, registered business enterprises with incentives granted prior to the effectivity of the CREATE Law shall be subject to the following rules:

(i) registered business enterprises whose projects or activities were granted only an income tax holiday ("**ITH**") prior to the effectivity of the law shall be allowed to continue to avail of the

ITH for the remaining period specified in the terms and conditions of their registration, provided that enterprises that have been granted the ITH but have not yet availed of such incentive upon the effectivity of the law may use the ITH for the period specified in the terms and conditions of their registration;

(ii) registered business enterprises whose projects or activities were granted an ITH prior to the effectivity of the law and that are entitled to the 5% tax on gross income earned incentive after the ITH shall be allowed to avail of the 5% tax on gross income incentive subject to the 10-year limit provided under the CREATE Law; and

(iii) registered business enterprises currently availing of the 5% gross income earned incentive granted prior to the effectivity of the law shall be allowed to continue to avail of such tax incentive for 10 years.

Registered subsidiaries of SMC Global Power with incentives granted prior to the effectivity of the CREATE Law may continue to avail of the same, subject to the rules prescribed under the said law. One of the incentives retained is the continued use of ITH for the original periods specified in the terms and conditions of their respective registrations. However, the entitlement to 5% gross income tax after the ITH (granted to MPGC by the Authority of the Freeport Area of Bataan or "**AFAB**"), subject to the 10-year limit for both incentives reckoned from the effectivity of the CREATE Law, instead of the original period of 21 years.

As of March 31, 2022, certain subsidiaries of SMC Global Power, namely, SCPC for the Limay Greenfield Power Plant, SMCPC for the Davao Greenfield Power Plant, MPPCL for the Masinloc Power Plant and Masinloc BESS, EERI for the Batangas Combined Cycle Power Plant, SMCGP Philippines Energy for the Kabankalan BESS and UPSI for the various BESS projects were registered with the BOI as new operators with pioneer status and non-pioneer status for its greenfield projects. BOI-registered entities are granted certain tax exemptions and tax incentives, deductions from taxable income subject to certain capital requirements and duty-free importation of capital equipment, spare parts and accessories.

For those plants currently availing of these incentives, if these tax exemptions or tax incentives expire, are revoked, or are repealed, the income from these sources will be subject to the applicable corporate income tax rate, which would be 25% of net taxable income as of March 31, 2022. As a result of a loss in any tax exemptions or tax incentives, the tax expense of SMC Global Power would increase and its profitability would decrease. The expiration, non-renewal, revocation or repeal of these tax exemptions and tax incentives, and any associated impact on SMC Global Power, could have a material adverse effect on the business, financial condition and results of operations of SMC Global Power. Furthermore, there can be no assurance that any pending tax legislation or future changes in the tax regime, including changes in fiscal incentives, in the Philippines would not have a material and adverse effect on the Company's business, financial condition, and results of operations.

The Company believes this risk can be managed by leveraging on the Company's strengths and strategies. For a more detailed discussion please refer to the Company's "*Competitive Strengths and Business Strategy*" portion on page 88 of this Prospectus. However, there is no assurance that the Company can provide an effective mitigation to such risk.

Regulatory Risks.

The business of SMC Global Power is subject to extensive government regulation, particularly for its greenfield power plants and retail supply business. Moreover, as the Company expands its BESS capabilities and projects, it will be subject to applicable regulations under ancillary services and energy storage systems. See "*Description of the Business – Safety, Health and Environmental Regulations and Incentives*." To conduct its businesses, SMC Global Power and its subsidiaries must obtain various licenses, permits and approvals. Even when SMC Global Power and its subsidiaries obtain the required licenses, permits and approvals, their operations are subject to continued review under the applicable regulations, and the interpretation or implementation of such regulations is subject to change. For example, in October 2020, DOE Secretary Alfonso G. Cusi announced that the periodic assessment of the country's energy requirements has led the

DOE to declare a moratorium on endorsements for greenfield coal power plants and subsequently clarified that the moratorium would not apply to those greenfield power plants in the pipeline for which endorsements had already been previously issued (the Company's planned Masinloc Power Plant Units 4 and 5 expansion project, the Mariveles Greenfield Power Plant under construction and the planned Pagbilao Greenfield Power Plant (which the Company has decided to no longer pursue) have already obtained the relevant DOE endorsement). The DOE subsequently issued "Advisory on the Moratorium of Endorsements for Greenfield Coal-Fired Power Projects In Line with Improving the Sustainability of the Philippines' Electric Power Industry" on January 11, 2021, which was dated as of December 22, 2020, to implement the moratorium. Under this advisory, effective October 27, 2020, the DOE would no longer process applications for greenfield coal-fired power generation facility projects requesting for endorsements. However, existing and operational coal-fired power generation facilities as well as any coal-fired power project which comply with the following parameters will not be affected by the moratorium: (i) committed power projects; (ii) existing power plant complexes which already have firm expansion plans and existing land site provision; and (iii) indicative power project with substantial accomplishments, specifically those with signed and notarized acquisition of land or lease agreement for the project, and with approved permits or resolutions from the relevant local government units and the relevant regional development council where the power plant will be located.

The operations of the Company's greenfield power plants are subject to a number of national and local laws and regulations, including safety, health and environmental laws and regulations. These laws and regulations impose controls on air and water discharges, on the storage, handling, discharge and disposal of waste, location of facilities, employee exposure to hazardous substances, site clean-up, groundwater quality and availability, plant and wildlife protection, and other aspects of the operations of the business of SMC Global Power and its subsidiaries. Failure to comply with relevant laws and regulations may result in monetary penalties or administrative or legal proceedings against SMC Global Power or its subsidiaries, which may cause or result in the termination or suspension of the licenses or operation of their facilities.

SMC Global Power and its subsidiaries have incurred, and expect to continue to incur, operating costs to comply with such laws and regulations. In addition, SMC Global Power and its subsidiaries have made, and expect to continue to make, capital expenditures on an ongoing basis to comply with safety, health, and environmental laws and regulations.

While the Company believes that it has, at all relevant times, materially complied with all applicable laws, rules and regulations, there can be no assurance that SMC Global Power and its subsidiaries will be able to remain in compliance with applicable laws and regulations or will not become involved in future litigation or other proceedings or be held liable in any future litigation or proceedings relating to safety, health, mining and environmental matters, the costs of which could be material. In addition, safety, health, mining and environmental laws and regulations in the Philippines have become increasingly stringent. There can be no assurance that the adoption of new safety, health, mining and environmental laws and regulations, new interpretations of existing laws, increased governmental scrutiny of safety, health, mining and environmental laws or other developments in the future will not result in SMC Global Power and its subsidiaries from being subject to fines and penalties or having to incur additional capital expenditures or operating expenses to upgrade, supplement or relocate its facilities. Moreover, in the event that future laws are enacted imposing restrictions on operations and refinancing, particularly in relation to power plants utilizing fossil fuels, then certain capital expenditures or expenses may not be recovered.

For example, the implementing rules and regulations issued by the DOE on "Renewable Portfolio Standards" mandates electric power industry participants (such as generation companies, distribution utilities and electric cooperatives) to source or produce a fraction of their electricity requirements from eligible renewable energy resources and undertake CSP in sourcing renewable energy. While activities related to sourcing renewable energy are presently favored by certain public policies, these policies can be altered or reversed, which could reduce or slow demand for renewable energy sources and energy storage technologies, including BESS.

The Philippines is also a party to the 2015 Paris Agreement, which aims to keep the increase in global average of temperature to well below 2°C above pre-industrial levels and to limit the increase to 1.5°C, since this would substantially reduce the risks and effects of climate change. As a party to the agreement, the Philippines may impose more stringent regulations, particularly on coal-fired power plant emissions, requiring expensive pollution controls on coal-fired power plants, among other measures. These measures may significantly increase costs of coal-fired power plants and, at the same time, increase the cost competitiveness of renewable energy. A significant portion of the captive market may shift away from coal and other hydrocarbon fuels, which may expose the coal-fired power plants of the Company to stranded-asset risk (i.e., hazard of an asset suffering from an unanticipated write-down, devaluation, or conversion to liability).

The Company has been compliant with and continues to perform its obligations under applicable laws and regulations relevant to its businesses.

If SMC Global Power and its subsidiaries fail to comply with all applicable regulations or if the regulations governing its business or their implementation change, SMC Global Power or its subsidiaries may incur increased costs or be subject to penalties, which could disrupt its operations and have a material adverse effect on its business and results of operations.

SMC Global Power and its subsidiaries are in constant consultation with relevant government agencies and other approving bodies to ensure that all requirements, permits and approvals are anticipated and obtained in a timely manner. The Company and its subsidiaries maintain a strong compliance culture and have processes in place in order to manage adherence to laws and regulations.

With respect to the ongoing trend and shift towards renewables, SMC Global Power believes that, given the various uncertainties on future sources of reliable and cost-effective energy, its existing power asset portfolio and pipeline of power plant projects are well suited and readily available to contract, at viable terms, a significant portion of the continuously increasing demand whether from the captured or the contestable markets. Nevertheless, SMC Global Power continues to pursue a diversified power portfolio which includes renewable energy plants and is confident that it can leverage on its existing network of partners should the need arise to source energy from eligible renewable energy sources.

It is also unlikely for the power generation assets of the Company to be stranded because a substantial portion of its existing capacity are contracted to qualified offtakers on a long-term basis. Moreover, in view of the ongoing market liberalization of the local power industry, the Company has open access to potential offtakers whether from the captured or contestable markets as long as it remains competitive in its pricing and quality of service.

Equally important is the Company’s constant vigilance and awareness of the carbon footprint and potential environmental hazards associated with fossil fuel-fired power plants and how this may influence certain offtakers willingness to purchase power from such facilities. As such, SMC Global Power closely supervises and controls the operations of its power generation assets to ensure that emissions are well below international and local environmental compliance standards. For example, the Limay Greenfield Power Plant and Davao Greenfield Power Plant of the Company uses the circulating fluidized bed technology in addition to other facilities such as fine coal grinders, limestone injections, and electrostatic precipitators, to transform coal into a fuel source that is relatively low in pollutant emissions.

Compliance with and renewal of licenses, permits and other authorizations

SMC Global Power and its subsidiaries are required to maintain licenses, permits, and other authorizations for the operations of their respective businesses, including business permits and permits concerning, for example, health and safety, and environmental standards. These licenses, permits, and other authorizations contain various requirements that must be complied with to keep the same valid. If SMC Global Power and its subsidiaries fail to meet the terms and conditions of any of their respective licenses, permits or other authorizations necessary for operations, these operations may be suspended or terminated.

While the Company believes, to the best of its knowledge, that it has, at all relevant times, materially complied with all applicable laws, rules and regulations and has established a strong compliance culture to ensure that all requirements, permits, and approvals are obtained in a timely manner, there is no assurance that changes in laws, rules or regulations or the interpretation thereof by relevant government agencies, will not result in the Company having to incur substantial additional costs or capital expenditures to upgrade or supplement its existing facilities, or being subject to fines and penalties. The measures implemented by SMC Global Power and its subsidiaries to comply with laws and regulations may also be deemed insufficient by governmental authorities. If SMC Global Power and/or its subsidiaries fail to comply, or is deemed to be non-compliant with any applicable laws or regulations, SMC Global Power and/or its subsidiaries, as the case may be, may be subject to penalties, which could disrupt their operations and have a material adverse effect on their businesses and results of operations. Potential liabilities for such non-compliance with the legal requirements or violations of prescribed standards and limits under these laws include administrative, civil, and criminal proceedings by governmental authorities, as well as civil proceedings by environmental groups and other individuals, that could limit or affect its operations such as orders for the suspension and/or revocation of permits or licenses or suspension and/or closure of operations. There can be no assurance that SMC Global Power and its subsidiaries will not become involved in future litigation or other proceedings or be held responsible in any such future litigation or proceedings, the costs of which could be material. In the event that SMC Global Power and its subsidiaries become involved in any future litigation or other proceedings or is subject to any adverse rulings or decisions, such events may materially and adversely affect the business, financial condition, and results of operations of SMC Global Power and its subsidiaries.

There can be no assurance that SMC Global Power and its subsidiaries will continue to be able to renew the necessary licenses, permits, and other authorizations as necessary or that such licenses, permits, and other authorizations will not be revoked. If SMC Global Power and its subsidiaries are unable to obtain or renew them or are only able to do so on unfavorable terms, this could have an adverse effect on the business, financial condition, and results of operations of SMC Global Power and its subsidiaries.

SMC Global Power and its subsidiaries are in constant consultation with relevant government agencies and other approving bodies to ensure that all requirements, permits and approvals are anticipated and obtained in a timely manner. The relevant compliance officers of the SMC Global Power and its subsidiaries monitor, review, evaluate, and ensure compliance by each of SMC Global Power and its subsidiaries with the rules and regulations and all governance issuances of regulatory agencies. Such compliance officers also identify, monitor, and control compliance risks and possible areas of compliance issues. Further, SMC Global Power and its subsidiaries maintain a strong compliance culture and has processes in place in order to manage adherence to laws and regulations.

Climate change policies.

SMC Global Power is currently invested in certain coal-fired power plants in the Philippines. Policy and regulatory changes, technological developments and market and economic responses relating to climate change may affect the Company’s business and the markets in which it operates. The enactment of an international agreement on climate change or other comprehensive legislation focusing on greenhouse gas emissions could have the effect of restricting the use of coal and available financing arrangements for coal-related projects. Other efforts to reduce greenhouse gas emissions and initiatives in various countries to use cleaner alternatives to coal such as natural gas may also affect the use of coal as an energy source.

In addition, technological developments may increase the competitiveness of alternative energy sources, such as renewable energy, which may decrease demand for coal-generated power. Other efforts to reduce emissions of greenhouse gases and initiatives in various countries to encourage the use of natural gas or renewable energy may also discourage the use of coal as an energy source. The physical effects of climate change, such as changes in rainfall, water shortages, rising sea levels, increased storm intensities and higher temperatures, may also disrupt the Company's operations. As a result of the above, the Company's business, financial condition, results of operations and prospects may be materially and adversely affected.

SMC Global Power continues to pursue a diversified power portfolio which includes renewable energy plants and is confident that it can leverage on its existing network of partners should the need arise to source energy from eligible renewable energy sources.

ERC Regulation of electricity rates of distribution utilities could have a material adverse effect on the Company.

The imposition of more stringent regulations and similar measures by the ERC could have a material adverse effect on the business, financial conditions and results of operations of SMC Global Power.

Sales to distribution utilities account for the majority of the consolidated sales volume of SMC Global Power for the year ended 2021 and the three months ended March 31, 2022. While rates charged by SMC Global Power through its subsidiaries under their offtake agreements, including those with distribution utilities, are not regulated by the ERC, the rates that distribution utility customers charge to their customers are subject to review and approval by the ERC. Accordingly, the ability of distribution utility customers to pay the subsidiaries of SMC Global Power largely depends on their ability to pass on their power costs to their customers. There is also no assurance that the current laws, regulations, and issuances affecting the industry, particularly the EPIRA and the issuances of the ERC, will not change or be amended in the future.

There is no assurance that the ERC will permit the distribution utility customers of the subsidiaries of SMC Global Power to pass on or increase their rates or that subsequent reviews by the ERC will not result in the cancellation of any such increases or require such distribution utility customers to refund payments previously received from their customers. In addition, there is no assurance that any rate increases approved by the ERC will not be overturned by Philippine courts on appeal. For example, SMC Global Power and other generation companies are parties to a petition filed in the SC by special interest groups against Meralco in relation to the increase in generation rates for the billing months of November and December 2013. In particular, the ERC issued the March 3, 2014 ERC Order, which voided the WESM prices for the November and December 2013 billing months, and imposed prices to be recalculated by the PEMC. However, the CA, in its decision dated November 7, 2017, declared the March 3, 2014 ERC Order null and void and accordingly reinstated and declared as valid the WESM prices for Luzon for the supply months of November to December 2013. Upon finality, a claim for refund may be made with the PEMC. See "*Description of the Business—Certain Legal Proceedings—ERC Order voiding WESM prices*."

In May 2019, the SC issued a ruling in respect of the following ERC resolutions:

- Resolution No. 13, Series of 2015, entitled "A Resolution Directing All Distribution Utilities to Conduct a Competitive Selection Process in the Procurement of their Supply to the Captive Market" ("**CSP Guidelines**"); and
- Resolution No. 1, Series of 2016, entitled "A Resolution Clarifying the Effectivity of ERC Resolution No. 13, Series of 2015" ("**ERC Clarificatory Resolution**").

The CSP Guidelines and the ERC Clarificatory Resolution were issued by the ERC to implement the CSP, pursuant to the DOE's Department Circular No. DC 2015-06-0008 mandating all distribution utilities to undergo CSP in securing PSAs.

In its decision, the SC, acting on a petition filed by certain entities, declared as void the first paragraph of Section 4 of the CSP Guidelines and the ERC Clarificatory Resolution. Consequently, all PSAs filed with the ERC on or after June 30, 2015 were directed to comply with the CSP in accordance with prevailing rules and regulations. The power purchase cost resulting from the CSP (the "**CSP Power Purchase Cost**") would be the generation cost which the relevant distribution utility may pass on to its customers commencing on June 30, 2015. In a resolution dated July 23, 2019, the SC denied with finality all motions for reconsideration filed by various parties. In consideration of the foregoing, the PSA between Meralco and MPGC, and the PSA between Meralco and CLPPC, were voluntarily terminated by mutual agreement of the relevant parties. The Company intends to participate in the power supply requirements of Meralco estimated to be up to 4,200 MW and for which bidding is expected over the next few years, following the CSP bidding of 1,800 MW in greenfield capacity in January 2021 in which the entire 1,800 MW was awarded to the Company's subsidiaries, EERI and MPPCL. The notices of award were issued on February 6, 2021 and the PSAs with Meralco were executed on March 2, 2021. As of the date of this Prospectus, the PSAs are pending ERC approval.

Further, as a result of the decision, the ERC released orders to the joint applicants of various PSA applications (the "**Joint PSA Applications**") filed during the affected period requiring them to comply with the CSP requirements under the DOE CSP Policy and to submit the necessary DOE certifications attesting their compliance to the said circular (the "**2019 ERC Orders**"). The lack of the necessary DOE certifications could result in the dismissal of the relevant Joint PSA Applications.

In October 2019, the Company, together with certain distribution utilities and electric cooperatives, filed motions for reconsideration of the 2019 ERC Orders claiming that the DOE CSP Policy should not apply to such Joint PSA Applications primarily on the ground that these were entered into before the implementation of the DOE CSP Policy in 2018. As of the date of this Prospectus, these motions for reconsideration are pending before the ERC. The ERC or the DOE may still require the relevant distribution utilities and/or the relevant generation companies of the Joint PSA Applications to refund the difference between the generation cost actually passed on to customers and the applicable CSP Power Purchase Cost that could be passed on to customers, accruing from June 30, 2015 until the effectivity of the relevant CSP Power Purchase Cost under applicable regulations.

The ERC in the exercise of its regulatory powers may also impose fines, penalties, or sanctions on SMC Global Power in appropriate cases. Any such fines, penalties, sanctions or restriction on the ability of distribution utilities and/or generation companies to pass on such costs or any intervention in such rates could have a material adverse effect on the business, financial conditions and results of operations of SMC Global Power.

The Company continues to engage in comprehensive discussions and maintains good working relationship with the ERC to obtain proper resolution of its pending applications for tariff approval.

Trading on the WESM is affected by market volatility.

While the subsidiaries of SMC Global Power only sell a small amount of power through the WESM, volatile market conditions on the WESM may nevertheless pose risks to SMC Global Power regardless of whether there is a shortage or a surplus of energy available. When the WESM experiences a shortage, there is little risk to suppliers in terms of their value-position being destroyed. However, such a suppliers' market exposes these suppliers to the risk that regulatory agencies may intervene (directly or indirectly) to dictate prices and dispatch of power plants. Consumer outrage, triggered by high prices, could precipitate attempts to suspend the WESM and return to subsidized rates regimes. Regardless of whether such a suspension ultimately comes to pass, market anticipation of such an occurrence could lead to value-destructive market distortions. On the other hand, a surplus market tends to cause spot market prices to reflect the marginal cost of producing power. One of the main features of the WESM is a merit-order dispatch scheme wherein the cheapest sources of power, such as power produced from geothermal and hydroelectric energy, are dispatched first, before the more expensive power providers. While a supplier can mitigate its exposure to surplus risks by contracting the bulk of its capacity to offtakers to protect against low spot prices, as the subsidiaries of SMC Global Power have done, this also caps a supplier's ability to take advantage of price spikes caused by temporary market shortages.

As of March 31, 2022, the ERC has maintained a reduced primary bid cap of ₱32,000 per MWh. In addition, a permanent secondary price cap limits spot prices to ₱6,245 per MWh for as long as cumulative spot prices breach a certain threshold. Prices are automatically capped at ₱6,245 per MWh for hours where the average price for the last 72-hours exceeds ₱9,000 per MWh.

The occurrence of such events could have a material adverse effect on the business, financial condition and results of operations of SMC Global Power.

Majority of the capacity of the subsidiaries of the Company is contracted through PSAs with various offtakers. In addition, the Company continues to engage in comprehensive discussions and maintains good working relationship with the PEMC to align its trading strategies with reasonable and acceptable standards and best practices.

Possible conflicts of interest.

San Miguel Corporation is the sole shareholder of SMC Global Power, controls the board of directors of the Issuer and exerts significant influence over the policies, management and affairs of the Issuer. As a result, San Miguel Corporation is able to exercise significant control and influence over many corporate actions of the Issuer. The interests of San Miguel Corporation may differ from those of the Issuer which may adversely affect the interests of the Bondholders. There can be no assurance that conflicts of interest between the Issuer and San Miguel Corporation will be resolved in favor of the Issuer or the Bondholders.

The Issuer continues to have comprehensive discussions and strong harmonious relationship with its stakeholders working towards a common goal of expanding the business, increasing profitability, and maximizing shareholder value, guided by the manual of good corporate governance.

The Bonds will be issued in tranches in one or more series for each tranche. In any issuance of the Bonds, SMC Global Power may appoint Bank of Commerce, an affiliate of SMC Global Power through San Miguel Corporation, as one of the underwriters.

The Issuer believes that any possible conflict of interest that may arise from the appointment of Bank of Commerce as one of the underwriters should be addressed by pricing based on bookbuilding. In addition, the Issuer intends to appoint several underwriters per tranche issuance as joint or co-underwriters. The terms and conditions shall be negotiated on arms-length basis with all such joint or co-underwriters. Accordingly, since Bank of Commerce will merely be one of the joint or co-underwriters, Bank of Commerce will be subject to the same terms and conditions as the other underwriters appointed in the relevant tranche issuance.

Dependence on the support of San Miguel Corporation.

SMC Global Power relies upon San Miguel Corporation for certain shared services such as, but not limited to, human resources, corporate affairs, legal, finance and treasury functions. There is no guarantee that San Miguel Corporation will continue to provide these services or obtain its power requirements from SMC Global Power in the future. Should San Miguel Corporation cease to provide these services, and if SMC Global Power is unable to secure alternative sources of such services or enter into other PSAs, the Company's business, financial condition and results of operations could be adversely affected.

While SMC Global Power relies on certain shared services from San Miguel Corporation, these are all done at arm's length transaction basis. The Company likewise strives to strengthen the competencies of its employees and pursues strategic hiring for identified critical positions to minimize its dependence of support from San Miguel Corporation on certain services.

Legal and other proceedings arising out of its operations.

The Company and its subsidiaries, from time to time, may be involved in disputes with various parties involved in the generation, supply and sale of electric power, including contractual disputes with subcontractors, suppliers and government agencies including those matters discussed in "*Description of the Business—Certain Legal Proceedings*." For example, 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, the parties have arrived at different computations regarding the subject payments. Pending resolution of the dispute, there are no restrictions or limitations on the ability of SPPC to supply power from the Ilijan Power Plant and

SPPC continues to be the IPP Administrator for the Ilijan Power Plant. See "*Description of the Business—Certain Legal Proceedings—Ilijan IPPA Agreement Dispute*." Regardless of the outcome, these disputes may lead to legal or other proceedings and may result in substantial costs and delays in the operations of SMC Global Power. The Company may also have disagreements with regulatory bodies in the ordinary course of its business, which may subject it to administrative proceedings and unfavorable decisions that will result in penalties and/or delay the development of its greenfield projects and its current operations. See "*Risk Factors—Risks Relating to SMC Global Power—ERC regulation of electricity rates of distribution utilities*." In such cases, the business, financial condition, results of operations and cash flows of SMC Global Power could be materially and adversely affected.

SMC Global Power is in constant consultation with relevant government agencies and other approving bodies to ensure that all requirements, permits and approvals are anticipated and obtained in a timely manner. The Company also continues to engage in comprehensive discussions and maintains good working relationship with its employees and other contractual counterparties. Further, the Company maintains a strong compliance culture and has processes in place in order to manage adherence to laws, regulations and contractual commitments.

RISKS RELATING TO THE PHILIPPINES

Political instability

The Philippines has, from time to time, experienced political and military instability. In the last few years, there has been political instability in the Philippines, including impeachment proceedings against two (2) former presidents, two (2) Chief Justices of the SC of the Philippines, and public and military protests arising from alleged misconduct by current and previous administrations. In addition, a number of officials of the Philippine government are currently under investigation on corruption charges stemming from allegations of misuse of public funds. There can be no assurance that acts of political violence will not occur in the future and any such events could negatively impact the Philippine economy. An unstable political environment, whether due to the imposition of emergency executive rule, martial law or widespread popular demonstrations or rioting, could negatively affect the general economic conditions and operating environment in the Philippines, which could have a material adverse effect on the business, operations, and financial condition of SMC Global Power.

To address the long-standing armed conflict in Mindanao, a new version of a law intended to establish the Bangsamoro political entity in the Philippines and provide for its basic structure of government was crafted under the Duterte administration. The Bangsamoro Organic Law ("BOL") which abolished the Autonomous Region in Muslim Mindanao, and created the Bangsamoro Autonomous Region in Muslim Mindanao ("BARMM") was signed into law by President Rodrigo Duterte on July 26, 2018. The BARMM is parliamentary-democratic in form, and is headed by a chief minister presiding over an 80-member parliament. The plebiscite to ratify the BOL was scheduled to be held on two separate dates, January 21, 2019 and February 6, 2019. On January 25, 2019, the Commission on Elections en banc, sitting as the National Plebiscite Board of Canvassers proclaimed the BOL as deemed ratified considering that the majority of the votes cast in all provinces and cities of the present ARMM voting as one geographical area is in favor of approval of the said law. The National Plebiscite Board of Canvassers also proclaimed that Cotabato City shall form part of the BARMM considering that the majority of the votes cast in the city is in favor of the city's inclusion. However, Isabela City, Basilan shall not be part of BARMM for the majority of the votes cast is not in favor of inclusion.

No assurance can be given that the future political or social environment in the Philippines will be stable or that current and future governments will adopt economic policies conducive for sustaining economic growth. Political or social instability in the Philippines could negatively affect the general economic conditions and business environment in the Philippines, which could have a material adverse effect on the business, operations, and financial position of the Company.

In addition, national and local elections were held throughout the Philippines on May 9, 2022. This may exert additional pressure on the current political environment of the country. There can be no assurance that the newly elected officials after the election will continue to implement social and economic policies favored by the current administration. A major deviation from the policies of the current administration or fundamental change of direction, including with respect to Philippine foreign policy, may lead to an increase in political or social uncertainty and instability. Any potential instability could have an adverse effect on the Philippine economy, which may impact the Company's businesses, prospects, financial condition and results of operations.

Acts of terrorism, clashes with separatist groups and violent crimes

Historically, the Philippines has been subject to a number of terrorist attacks and localized armed conflict. For example, on May 23, 2017, a clash erupted in Marawi, Lanao del Sur between government security forces and the ISIS affiliated-Maute group, following the government's offensive to capture alleged ISIS leader in Southeast Asia, Isnilon Hapilon, who was believed to be in the city. President Duterte immediately declared Martial Law in Mindanao amid protests from the opposition and sectors of civil society. In a special joint session convened on July 22, 2017, both Houses of Congress voted to extend Martial Law until the end of 2017. On October 17, 2017, President Duterte declared the liberation of Marawi following the death of Maute group leaders Omar Maute and Isnilon Hapilon. The clashes resulted in the loss of lives of civilians, soldiers and ISIS-inspired extremists, as well as damage to property and livelihood of Marawi residents. On December 13, 2017, both Houses of Congress again granted President Duterte's request to extend Martial law in Mindanao until December 31, 2018. For the third time on December 17, 2018, Martial Law was extended by both Houses of Congress until December 31, 2019. Some sectors however are wary of the prolonged extension of Martial Law, citing its negative impact on business, tourism, the country's image (as this relates to the current administration's ability to quickly restore peace and order in Marawi), and investor confidence. In January 2019, members of the House of Representatives' "Magnificent Seven" and Makabayan blocs, human rights lawyers led by Christian Monsod, and Mindanao residents represented by the Free Legal Assistance Group filed separate petitions with the SC questioning the third extension of Martial Law in Mindanao. On February 19, 2019, the SC en banc voted to uphold the constitutionality of the third extension of martial law in Mindanao and to dismiss the petitions. Martial law in Mindanao was lifted on January 1, 2020, however certain areas in Mindanao remain under a state of emergency and law enforcement groups are in heightened security as a measure against potential terror threats. An increase in the frequency, severity or geographic reach of these terrorist acts could destabilize the Philippines, and adversely affect the country's economy. These armed conflict and terror attacks could lead to further injuries or deaths by civilians and members of the military, which could destabilize parts of the country and adversely affect the country's economy.

Territorial and other disputes with neighboring states

Competing and overlapping territorial claims by the Philippines, China and several Southeast Asian nations (such as Vietnam, Brunei and Malaysia) over certain islands and features in the West Philippine Sea (South China Sea) have for decades been a source of tension and conflicts.

China claims historic rights to nearly all of the West Philippine Sea based on its so-called "nine-dash line" and in recent years dramatically expanded its military presence in the sea which has raised tensions in the region among the claimant countries. In 2013, the Philippines became the first claimant country to file a case before the Permanent Court of Arbitration, the international arbitration tribunal based at the Hague, Netherlands to legally challenge claims of China in the West Philippine Sea and to resolve the dispute under the principles of international law as provided for under the United Nations Convention on the Law of the Sea (UNCLOS). In July 2016, the tribunal rendered a decision stating that the Philippines has exclusive sovereign rights over the West Philippine Sea (in the South China Sea) and that the "nine-dash line" claim of China is invalid. The Philippine government, under the Duterte administration, has taken action to de-escalate tensions concerning the territorial dispute with China. Since March 2021, however, increasing tension in the West Philippine Sea has been triggered by the continued presence of Chinese vessels in the Philippines' exclusive economic zone. The Philippines has filed and continues to file diplomatic protests against China and has called on China to recall its ships in Philippine waters. The Armed Forces of the Philippines has also deployed additional naval vessels to protect the territories of the Philippines.

There is no guarantee that the territorial dispute between the Philippines and other countries, including China, would end or that any existing tension will not escalate further, as China has taken steps to exercise control over the disputed territory. In such event, the Philippine economy may be disrupted and its business and financial standing may be adversely affected.

Should territorial disputes between the Philippines and other countries in the region continue or escalate further, the Philippines and its economy may be disrupted and the operations of SMC Global Power could be adversely affected.

Natural catastrophes

The Philippines has experienced a number of major natural catastrophes over the years, including typhoons, floods, volcanic eruptions and earthquakes that may materially disrupt and adversely affect the business operations of the Company. In particular, damage caused by natural catastrophes could result disruptions with respect to the IPPA Power Plants of the Company and its greenfield power plants. There can be no assurance that SMC Global Power is fully capable to deal with such natural catastrophes and that the insurance coverage it currently maintains for its greenfield power plants will fully compensate it for all the damages and economic losses resulting from these catastrophes.

Management of risks related to the Philippines

The Company has been able to survive major economic and political crises brought about by domestic and international developments through the implementation of its core strategies, including least cost formulations, efficiencies improvement, market leadership, innovation and regional diversification. Constant monitoring of market allows the Company to detect risk exposures and react to the external environment appropriately. Although there is no assurance that the Company will be able to fully overcome the adverse effects of any or all crisis, it has in place a system of financial prudence and corporate governance that provides the foundation for its risk management initiatives.

RISKS RELATING TO THE BONDS

Suitability of Investment

Each potential investor in the Bonds must determine the suitability of that investment in light of its own circumstances. In particular, each potential investor should: (i) have sufficient knowledge and experience to make a meaningful evaluation of the Bonds, the merits and risks of investing in the Bonds and the information contained in this Prospectus; (ii) have access to, and knowledge of, appropriate analytical tools to evaluate, in the context of its particular financial situation, an investment in the Bonds and the impact the Bonds will have on its overall investment portfolio; (iii) have sufficient financial resources and liquidity to bear all of the risks of an investment in the Bonds, including where the currency for principal or interest payments is different from the potential investor's currency; (iv) understand thoroughly the terms of the Bonds and be familiar with the behavior of any relevant financial markets; and (v) be able to evaluate (either alone or with the help of a financial adviser) possible scenarios for economic, interest rate, foreign exchange rate and other factors that may affect its investment and its ability to bear the applicable risks.

Liquidity

The Company plans to list the Bonds in the PDEx to provide price transparency and liquidity to the Bondholders. As with other fixed income securities, the Bonds could trade at prices higher or lower than the initial offering price due to prevailing interest rates, the operations of the Company, the overall market for debt securities, political and economic developments in the Philippines and other regions, among others. It is possible that a selling Bondholder would receive sales proceeds lower than his initial investment should a Bondholder decide to sell his Bonds prior to maturity.

In addition, there can be no assurance that an active secondary market for the Bonds will develop or how the Bonds will perform. The liquidity and the market prices for the Bonds can be expected to vary with changes in market and economic conditions, the financial position and prospects of the Company and other factors that generally influence the market prices of securities. There is no assurance that the Bonds may be disposed at prices, volumes or at times deemed appropriate by the Bondholders.

The Bonds entail credit risk from Issuer

The ability of the Issuer to make scheduled principal or interest payment on the Bonds will depend on the Issuer's future performance and the Issuer's ability to generate cash, which to a certain extent is subject to general economic, financial, competitive, legislative, legal, regulatory and other factors, as well as other factors discussed in this "*Risk Factors and Other Considerations*" section, many of which are beyond the Issuer's control.

To mitigate this risk, the Issuer ensures it has a sufficient amount of cash to allow it to timely service the principal and interest payments of the Bonds. In addition, the Issuer together with its subsidiaries, associates and joint ventures is one of the largest power companies in the Philippines. The Issuer believes it will adequately meet its principal and interest payments under the Bonds due to its strong market position and stable and predictable operating cash flows, and high liquidity.

The Bondholder may face possible gain or loss if the Bonds are sold at the secondary market

As with all fixed income securities, the Bonds' market values move (either up or down) depending on the change in interest rates. The Bonds when sold in the secondary market are worth more if interest rates decrease since the Bonds have a higher interest rate relative to the market. Likewise, if the prevailing interest rate increases, the Bonds are worth less when sold in the secondary market. Therefore, holders may either make a gain or incur a loss when they decide to sell the Bonds.

Reinvestment

Prior to the relevant maturity dates of the Bonds, the Issuer shall have the option, but not the obligation, to redeem in whole (and not in part), any series of the outstanding Bonds on the relevant Optional Redemption Dates (see "*Description of the Offer Bonds*" in the relevant Offer Supplement). In the event that the Company exercises this early redemption option, all Bonds will be redeemed and the Company would pay the amounts to which Bondholders would be entitled. Following such redemption and payment, there can be no assurance that investors in the redeemed Bonds will be able to re-invest such amounts in securities that would offer a comparative or better yield or terms, at such time.

Pricing

The market value of the Bonds moves (either up or down) depending on the change in interest rates prevailing in the market. The Bonds when sold in the secondary market may be worth more if such interest rates decrease if the Bonds have a higher interest rate relative to the market. Likewise, if the prevailing interest rates increase, the Bonds may be worth less when sold in the secondary market. Therefore, an investor may sustain losses if he decides to sell.

Retention of Ratings

There is no assurance that the rating of the bonds will be retained throughout the life of the bonds. The rating is not a recommendation to buy, sell, or hold securities and may be subject to revision, suspension, or withdrawal at any time by the assigning rating organization.

Bonds have no Preference under Article 2244(14) of the Civil Code

No other loan or other debt facility currently or to be entered into by the Issuer is notarized, such that no other loan or debt facility to which the Issuer is a party shall have preference of priority over the Bonds as accorded to public instruments under Article 2244(14) of the Civil Code of the Philippines, and all banks and lenders under any such loans or facilities have waived the right to the benefit of any such preference or priority. However, should any bank or Bondholder hereinafter have a preference or priority over the Bonds as a result of notarization, then at the option of the Issuer, either procure a waiver of the preference created by such notarization or equally and ratably extend such preference to the Bonds.

Risk of pre-payment and cancellation of certain loan obligations

The ability to make scheduled payments or interest payments on the Bonds may be affected by the Company's future performance and ability to generate cash, which to a certain extent is subject to general economic, financial, competitive, legislative, legal, regulatory, and other factors such as the terms and conditions of certain loan obligations of SMC Global Power. The terms and conditions of some of these loans may allow the lenders to require certain mandatory pre-payments from the Issuer under circumstances as such lenders and the Company agreed upon. As of March 31, 2022, the Company outstanding loans amounting to ₱73,702,000,000 are covered by some form of pre-payment stipulation.

The Company employs a system of financial prudence and good corporate governance to manage the risks relating to its debt and equity financing and continuously monitors its compliance with the terms and conditions of the Company's loan obligations.

RISKS RELATING TO STATEMENTS MADE IN THIS PROSPECTUS

Certain statistics in this Prospectus relating to the Philippines, the industries and markets in which the business of the Company operates, including statistics relating to market size and market share, are derived from various Government and private publications, including those produced by industry associations and research groups. This information has not been independently verified and may not be accurate, complete, up-to-date or consistent with other information compiled within or outside the Philippines.

Use of Proceeds

The intended use of proceeds for each offer of Bonds being offered shall be set in the relevant Offer Supplement under "Use of Proceeds".

No amount of the proceeds is to be used to reimburse any officer, director, employee, or shareholder for services rendered, assets previously transferred, money loaned or advanced, or otherwise.

The Company undertakes that it will not use the net proceeds from the Offer for any purpose, other than as discussed in the Offer Supplement. The Company's cost estimates may also change as these plans are developed further, and actual costs may be different from budgeted costs. For these reasons, timing and actual use of the net proceeds may vary from the foregoing discussion and the Company's management may find it necessary or advisable to alter its plans. In the event of any substantial deviation, adjustment or reallocation in the planned use of proceeds, the Company shall inform the SEC, the PDEx, and the holders of the Bonds in writing at least 30 days before such deviation, adjustment or reallocation is implemented. Any material or substantial adjustments to the use of proceeds, as indicated above, should be approved by the Board, and disclosed to the PDEx.

Determination of Offer Price

The Bonds shall be issued at 100% of principal amount or face value.

Plan of Distribution

The detailed plan of distribution and underwriting arrangement for each offer of Bonds shall be set out in the relevant Offer Supplement.

Description of the Bonds

The detailed terms and conditions of each Offer shall be set out in the relevant Offer Supplement under "Description of the Offer Bonds". However, any such discussion under "Description of the Offer Bonds" does not purport to be a complete listing of all the rights, obligations, or privileges of the Bonds. Some rights, obligations, or privileges may be further limited or restricted by other documents. Prospective investors are enjoined to carefully review the Articles of Incorporation, By-Laws and resolutions of the Board of Directors of the Company, the information contained in this Prospectus, the relevant Offer Supplement and other agreements relevant to each Offer and to perform their own independent investigation and analysis of the Issuer and the Bonds. Prospective Bondholders must make their own appraisal of the Issuer and the offer, and must make their own independent verification of the information contained herein and the other aforementioned documents and any other investigation they may deem appropriate for the purpose of determining whether to participate in each Offer. They must not rely solely on any statement or on the significance, adequacy or accuracy of any information contained herein. The information and data contained herein are not a substitute for the prospective investor's independent evaluation and analysis. Prospective Bondholders are likewise encouraged to consult their legal counsels and accountants in order to be better advised of the circumstances surrounding the Bonds being offered.

Description of the Business

COMPANY OVERVIEW

SMC Global Power is a holding company which owns subsidiaries that are primarily engaged in the generation, supply and sale of electric power in the Philippines. SMC Global Power, together with its subsidiaries, associates and joint ventures (collectively referred to as the "**Group**"), is one of the largest power companies in the Philippines, controlling 4,734 MW of combined capacity as of March 31, 2022. The Company benefits from a diversified power portfolio, including natural gas, coal, renewable energy such as hydroelectric power and battery energy storage systems. Based on the total installed generating capacities reported in ERC Resolution on Grid Market Share Limitation, the Company believes that its combined installed capacity comprises approximately 19% of the National Grid, 26% of the Luzon Grid and 7% of the Mindanao Grid, in each case**,** as of March 31, 2022. 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 (17,077,537 kW, 4,201,042 kW and 24,651,219 kW, respectively based on data provided under 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.

The following table sets forth selected data in respect of the Company's primary operating power generation assets and interests as of the date of this Prospectus.

	IPPA Power Plants			Greenfield Plants		JV Plant	IPP Plant
	Sual	**Ilijan**	**San Roque**	**Davao**	**Limay**	**Angat**	**Masinloc and Masinloc BESS**
Company Name……….	SMEC	SPPC	SPDC	SMCPC	SCPC	AHC	MPPCL
Date of Incorporation…	May 30, 2003	October 23, 2003	October 30, 2003	August 26, 2011	August 19, 2011	November 15, 2013	June 25, 2007
Operating Segment…...	Power Generation	Power Generation	Power Generation	Power Generation	Power Generation	Power Generation	Power Generation
Type	Coal	Natural Gas	Hydro	Coal	Coal	Hydro	Coal and Battery
Commercial Operations Date	1999	2002	2003	2017 (150 MW); 2018 (150 MW)	2017 (300 MW); 2018 (150 MW); 2019 (150 MW)	1967 (112 MW); 1968 (100 MW); 1978 (6 MW)	1998 (660 MW); 2018 (additional 14 MW)[(5)]; 2018 (10 MWh); 2020 (351.75 MW)[(6)]
Year of Acquisition......	2009	2010	2010	—	—	2014	2018
Capacity (MW).............	1,000	1,200	345	300	600	218	1,035.75[(7)]
Technology	Pulverized Coal	Combined Cycle	Storage Hydropower	Circulating Fluidized Bed	Circulating Fluidized Bed	Storage Hydropower	Pulverized Coal[(8)] and Battery Energy Storage System
Emission Levels[(1)]							
NOx (ppm)..............	192.5	—	—	23.7	68.6	—	133.9
SOx (ppm)	299.3	—	—	41.6	106.3	—	219.1
PM (mg/Nm³)	15.2	—	—	8.3	5.9	—	77.6
Operator	TeaM Sual Corp.	KEILCO	SRPC	Safetech	Mantech	AHC	Mantech
Offtakers[(2)]...................	Meralco, ECs, DUs, DCCs, Third-Party RES, WESM	Meralco, WESM, Inter-company [(4)]	Inter-company[(4)] DU, WESM, RES	ECs, DUs, DCCs	DCCs, ECs, DUs, CCs, WESM	Inter-company,[(4)] WESM	Meralco, DUs, CCs, WESM, NGCP
IPPA Expiry / Asset Transfer Date[(3)].......	2024	2022	2028	N/A	N/A	N/A	N/A

Notes:

(1) See "Description of the Business—Safety, Health and Environmental Regulation" for information on DENR emission standards. Emission levels for the Masinloc Power Plant excludes the Masinloc BESS. Emissions as of March 31, 2022.

(2) DUs: Distribution Utilities; ECs: Electric Cooperatives; CCs: Contestable Customers; DCCs: Directly Connected Customers; RES: Retail Electricity Supplier.

(3) *Under the respective IPPA Agreements of SMEC, SPPC and SPDC, these subsidiaries of SMC Global Power have the right to acquire the Sual Power Plant in October 2024, the Ilijan Power Plant in June 2022 and the San Roque Power Plant in April 2028, respectively. See "Business—IPPA Framework."*

(4) *Within the SMC Global Power group.*

(5) *The retrofit of Masinloc Power Plant Unit 2 completed in 2018 resulted in an increase of its capacity from 330 MW to 344 MW.*

(6) *Masinloc Power Plant Unit 3.*

(7) *Includes the capacity of Units 1, 2 and 3 of Masinloc Power Plant and Masinloc BESS.*

(8) *Masinloc Power Plant Unit 3 utilizes supercritical boiler technology. Units 1 and 2 of the Masinloc Power Plant utilize pulverized technology.*

SMC Global Power 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 in the PSE. 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 (collectively, the "**SMC Group**"). The Company believes that its relationship with San Miguel Corporation allows it to draw on the extensive business networks, local business knowledge, relationships and expertise of San Miguel Corporation and its key executive officers.

For the years ended December 31, 2019, 2020 and 2021 and the three months ended March 31, 2021 and 2022, SMC Global Power sold 26,133 GWh, 24,075 GWh, 24,708 GWh, 5,653 GWh and 6,531 GWh of power pursuant to bilateral offtake agreements and 1,979 GWh, 2,216 GWh, 2,513 GWh, 691 GWh and 460 GWh of power through the WESM, respectively. For the years ended December 31, 2019, 2020 and 2021 and the three months ended March 31, 2021 and 2022, SMC Global Power purchased 1,973 GWh, 1,876 GWh, 2,520 GWh, 416 GWh and 638 GWh of power from the WESM, respectively.

For the year ended December 31, 2021, the total consolidated revenue, net income and EBITDA[1] of SMC Global Power was ₱133,710 million, ₱15,978 million and ₱33,542 million, respectively. For the three months ended March 31, 2022, the total consolidated revenue, net income and EBITDA[2] of SMC Global Power was ₱43,036 million, ₱1,928 million and ₱7,520 million, respectively. As of March 31, 2022, SMC Global Power had total consolidated assets of ₱646,290 million.

IPPA Projects

San Miguel Corporation entered the power industry in 2009 following the acquisition of rights to administer the output produced by IPPs in privatization auctions conducted by the Government through PSALM. The following companies under the San Miguel Corporation group became the IPPA of the following plants: (1) SMEC became the IPPA for the Sual Power Plant, a coal-fired thermal power plant located in Sual, Pangasinan, in November 2009; (2) SPDC became the IPPA for the San Roque Power Plant, a hydroelectric power plant located in San Manuel, Pangasinan in January 2010; and (3) SPPC became the IPPA for the Ilijan Power Plant, a natural gas-fired combined cycle power plant located in Ilijan, Batangas in June 2010 (collectively, the "**IPPA Power Plants**").

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

In September 2010, San Miguel Corporation consolidated its power generation business through the transfer of its equity interests in SMEC, SPDC and SPPC to SMC Global Power. SMC Global

[2] *Amounts exclude items attributable to Ring-fenced Subsidiaries. Subsidiaries with project debts were nominated as Ring-fenced Subsidiaries. If the amounts from the Ring-fenced Subsidiaries were to be included, the EBITDA would amount to ₱48,184 million for the year ended December 31, 2021 and ₱10,505 million for the three months ended March 31, 2022.*

Power also became a wholly-owned subsidiary of San Miguel Corporation. Since then, SMC Global Power has controlled the 2,545 MW combined contracted capacity of the IPPA Power Plants through the IPPA Agreements executed by SMEC, SPDC and SPPC, respectively.

Greenfield, IPP and JV Power Projects

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

SMC Global Power also pursued strategic acquisitions to increase its energy portfolio. In November 2014, SMC Global Power, through its subsidiary, PVEI, acquired a 60% stake in AHC, the owner and operator of the 218 MW Angat Hydroelectric Power Plant (the "**AHEPP**").

In March 2018, SMC Global Power completed the acquisition of 51% and 49% equity interests in SMCGP Masin Pte. Ltd. ("**SMCGP Masin**", formerly Masin AES Pte. Ltd.) from AES Phil Investment Pte. Ltd. ("**AES Phil**") and Gen Plus B.V., respectively. SMCGP Masin indirectly owns, through its subsidiaries, at the time of such acquisition, Masinloc Power Partners Co. Ltd ("**MPPCL**"), and SMCGP Philippines Energy Storage Co. Ltd. ("**SMCGP Philippines Energy**"), formerly AES Philippine Energy Storage Co. Ltd., (SMCGP Masin and its subsidiaries are collectively referred to as the "**Masinloc Group**"). MPPCL owns, operates, and maintains the 1 x 330 MW and 1 x 344 MW coal-fired power plants (Units 1 and 2), and 1 x 351.75 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 Philippines Energy holds the 2 x 20 MWh battery energy storage system facility in Kabankalan, Negros Occidental (the "**Kabankalan BESS**"). The capacity of Phase 1 of Kabankalan BESS is contracted under an Ancillary Service Procurement Agreement with the National Grid Corporation of the Philippines ("**NGCP**") with a term of 5 years which commenced in January 2022. SPESCL is currently offering the capacity of Phase 2 of Kabankalan BESS to NGCP in the ongoing competitive selection process for the procurement of ancillary services. On September 19, 2018, Prime Electric Generation Corporation ("**PEGC**"), and Oceantech Power Generation Corporation ("**OPGC**"), both wholly-owned subsidiaries of SMC Global Power, purchased the entire partnership interests in SMCGP Philippines Energy from subsidiaries of SMCGP Masin. SMC Global Power was admitted as an additional limited partner of SMCGP Masinloc Partners Co. Ltd. in 2019 (a limited partnership under the Masinloc Group) and of MPPCL in June 2020.

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

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

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

Distribution, Retail and Other Interests

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

SMC Global Power has also expanded its sale of power to a broader range of customers, including retail customers. In particular, certain of the Company’s subsidiaries were issued retail electricity supplier (“**RES**”) licenses, allowing it to enter into contracts with contestable customers and expand its customer base. See “*Description of the Business—Distribution and Retail Services—Retail Electric Supply*.”

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

Expansion Projects

Power Plant Portfolio

In December 2020, the board of directors and stockholders of Mariveles Power Generation Corporation (“**MPGC**”) approved the increase in the authorized capital stock of MPGC in which SMC Global Power subscribed to 29,177,717 common shares thereby, increasing its ownership interest in MPGC from 89.54% to 91.98%, as a result of the waiver by Meralco Powergen Corporation, Zygnet Prime Holdings, Inc., and the other stockholders of MPGC, of their right to contribute additional equity. MPGC is currently constructing a 4 x 150 MW circulating fluidized bed coal-fired power plant and associated facilities in Mariveles, Bataan (the “**Mariveles Greenfield Power Plant**”) using high efficiency low emission technologies (“**HELE Technologies**”) with planned installed capacity of 600 MW in Mariveles, Bataan. As of March 2022, all stream turbines and generators for the four units were delivered and the site development of the Mariveles Greenfield Power Plant is approximately 54% complete which is expected to commence commercial operations in 2023.

Unit 3 of the Masinloc Power Plant (351.75 MW) commenced commercial operations on September 26, 2020, increasing the capacity of the Masinloc Power Plant by approximately 50%. The Company intends to further expand the Masinloc Power Plant by constructing additional units utilizing supercritical boiler technology (Units 4 and 5) with a planned gross installed capacity of 350 MW each. The Company has issued Notices of Award and is in the final stage of finalizing the engineering, procurement and construction (“**EPC**”) contract for the construction of Masinloc Power Plant Units 4 and 5 which are targeted for completion in 2025.

In addition and as part of the Company’s diversification of its power portfolio away from traditional coal technologies, the Company, through its subsidiary Excellent Energy Resources Inc. (“**EERI**”), is constructing a 1,313.1 MW combined cycle power plant in Barangays Ilijan and Dela Paz Proper, Batangas City (the “**Batangas Combined Cycle Power Plant**”). The Batangas Combined Cycle Power Plant will utilize regasified liquefied natural gas (“**LNG**”). The EPC contract with Black & Veatch, BVI (Philippines) Corporation and First Balfour, Inc. for this project was signed in December 2021. The projected construction period is expected to be shorter than the typical construction period for coal-fired power plants, with substantial completion of the first blocks expected in one and a half to two years, compared to three to four years for coal-fired power plants historically. The expected output of the Batangas Combined Cycle Power Plant is contracted to the Meralco after EERI won the competitive selection process conducted by Meralco in January 2021 and was awarded the Power Supply Agreement dated March 2, 2021 for the supply of 1,200 MW contract capacity for 20 years effective November 26, 2024.

The Company has access or control over approximately 54 hectares of land adjacent to the Ilijan Power Plant. This includes land area and properties along the shoreline with priority to use the foreshore area over a uniquely deep ocean area (15.5m draught) that is close to shore (220 km). The Company will locate the Batangas Combined Cycle Power Plant on these properties. The Company is also exploring possible improvements to, or retrofitting of, the Ilijan Power Plant. The Company, through SPPC, expects to become the owner and operator of the Ilijan Power Plant by June 2022 pursuant to the Ilijan IPPA Agreement. Simultaneously, the existing gas supply from Malampaya will expire and SPPC will need to procure its own natural gas supply.

In this regard, the Company has executed a binding term sheet covering terminal use agreements ("**TUA**") for the use of an LNG terminal by SPPC and EERI, which is intended to provide regasified LNG and storage solutions to the Ilijan Power Plant and the Batangas Combined Cycle Power Plant, and which will be constructed by AG&P, through its subsidiary AG&P Manila. The TUA will allow terminal customers to receive, store and regasify LNG from the global market through the proposed hybrid LNG Terminal to be constructed by AG&P Manila in Ilijan, Batangas (the "**Batangas LNG Terminal**"). The DOE has issued the Notice to Proceed as well as the Permit to Construct and as of the date of this Prospectus, construction has commenced for the Batangas LNG Terminal and is expected to be completed by June 2022. See "*Description of the Business—LNG Framework*" for further details on the planned Batangas LNG Terminal.

The Company also intends to construct and develop LNG power plants in certain provinces to boost rural electrification. As of the date of this Prospectus, the Company is finalizing the purchase of SGT-800 gas turbines from Siemens Energy AB for all sites. The said gas turbines are an established technology of Siemens Energy and have a rated capacity of approximately 61%, assuming a two-gas turbine and one heat recovery steam generator configuration. Fuel will be sourced through break bulking arrangement from the planned Batangas LNG Terminal using two to three vessels that will ferry the LNG supply across the sites. These LNG plants will have mini regassification facilities of up to 150 mmscfds and small inland storage of up to 50,000 m^3 capability. In addition, the Company is contemplating the construction, operation and maintenance of liquefied combined cycle natural gas plants in Tabango, Leyte and San Carlos City, Negros Occidental, with capacities of 600 MW and 300 MW at estimated costs of ₱41.5 billion and ₱18.5 billion, respectively. It is expected that these facilities will also be contracted with distribution utilities and selected key industrial customers embedded in the local utility distribution network. The Company is evaluating the timing on progressing these projects depending on market conditions, the general state of the Philippine economy and demand, among others. In January 2022, the Company placed advance orders with Siemens Energy AB for the supply of four gas turbine packages for the Cebu and Zamboanga sites with expected initial shipment of the SGT-800 units between the fourth quarter of 2022 and the second quarter of 2023.

In line with the Company's decision to significantly reduce its carbon footprint and transition to cleaner sources of energy, SMC Global Power, through its wholly-owned subsidiary, SMC Global Light and Power Corp. (**"SGLPC"**), is developing a portfolio of solar power projects with an initial aggregate capacity of 800 MWp across various sites in Luzon including in the provinces of Bataan and Isabela. The proposed solar projects will be situated in areas with moderate to high photovoltaic potential. In February 2022, SGLPC obtained a Certificate of Registration from the DOE as a renewable energy ("**RE**") developer for a solar project located in Bataan and has entered into a Solar Energy Operating Contract (130MWp) with the DOE for the development and operation of RE projects using solar energy as a renewable source ("**Bataan Solar Project**"). The lease agreements for the property in Bataan and in Isabela where the solar projects will be located have been executed. Currently, the Bataan Solar Project is in the pre-development stage. The generation output of the proposed solar power projects is intended to be offered to various contestable customers.

Meanwhile, the Company will no longer pursue some of its intended coal facilities, including the previously planned power plant to be located in Pagbilao, Quezon, with planned installed capacity of 600 MW through its wholly-owned subsidiary, Central Luzon Premiere Power Corp. ("**CLPPC**").

The Company continues to participate in the Government-mandated competitive selection processes ("**CSP**") for power supply agreements ("**PSAs**") with distribution utilities ("**DUs**"), and negotiate for retail supply contracts ("**RSCs**") with contestable customers for these expansion plans. In January 2021, the Company, through its subsidiaries EERI and MPPCL, participated in the Meralco CSP bidding for Meralco's 1,800 MW supply requirements starting in 2024. The entire 1,800 MW contract in greenfield capacity was awarded to the Company and it is intended that the output of the planned Batangas Combined Cycle Power Plant will supply 1,200 MW starting November 26, 2024, while Masinloc Power Plant expansion Units 4 and 5 will supply 600 MW starting April 26, 2025, for 20 years. The relevant PSAs were executed with Meralco on March 2, 2021 and were filed with the ERC. As of the date of this Prospectus, the PSAs are pending ERC approval.

BESS Portfolio

The Company, through its subsidiaries Universal Power Solutions, Inc. ("**UPSI**", formerly Limay Power Generation Corporation), MPPCL and SMCGP Philippines Energy, is undertaking the expansion of its portfolio of BESS projects by 1,000 MWh.

As part of these BESS project expansion plans, the Company has already commenced commercial operations in January 2022 as ancillary service provider to the NGCP for the Kabankalan BESS (20 MWh), the largest BESS project in the Philippines as of the date of this Prospectus. Further, the Company is undergoing the completion of construction, testing and commissioning of a total of 690 MWh of BESS capacity across 21 sites within 2022. Of the 21 sites (690 MWh), four sites (80 MWh) have already completed construction and installation as well as the conduct of ancillary services and grid capability compliance tests by NGCP.

In respect of permits, environmental compliance certificates ("**ECCs**") for 24 sites have been secured as of April 28, 2022. For the remaining 8 sites, preparation and consolidation of documentary requirements (i.e., land acquisition, conversion, environmental impact assessment, etc.) are ongoing prior to securing the necessary permits including the ECC. Moreover, BOI registration for 32 sites have been completed, which includes 31 projects that were granted pioneer status by the BOI as of April 28, 2022. Pioneer status provides these projects an extended income tax holiday of six years instead of four years (under non-pioneer status).

In addition, the Company, through its subsidiaries UPSI, MPPCL and SMCGP Philippines Energy, has executed turnkey contracts with leading battery EPC contractors for all of the 1,000 MWh installed power capacity as of February 11, 2022. In connection with this, equipment representing 860 MWh of battery modules, 690 MWh of inverters, 670 MWh of core transformers, 750 MWh of enclosures, and 620 MWh of main power transformers have already been delivered at storage areas. Design, manufacturing and shipment are ongoing for 12 out of 41 power transformers, 144 out of 485 units of core transformers, 19,500 out of 150,000 battery modules, 32 out of 290 containers/enclosures, and 130 out of 485 inverters as of April 28, 2022.

Of these 1,000 MWh BESS projects, 20 MWh have obtained commercial operations, 690 MWh across 21 sites are expected to be substantially complete by 2022, with the remaining 290 MWh across 10 sites expected to be completed in 2023. As of April 28, 2022, overall project completion is approximately 61%. As of the same date, four sites (80 MWh) have already completed while three sites (150 MWh) are ongoing testing and commissioning activities. Further, following the completion of interconnection facilities at the NGCP substation as well as integration works for the next phase of the projects, eight sites (260 MWh) are expected to commence testing and commissioning activities in May 2022. Various activities (i.e., equipment installation, excavation for foundations, site development, pre-engineering studies) by the different contractors are ongoing for six sites (200 MWh).

The Company, through its subsidiaries, executed a Memorandum of Understanding on January 21, 2020 with battery module manufacturer, Samsung SDI Co. Ltd., granting the

Company preferential customer status and competitive pricing, performance guarantees and extended support periods and warranties, among others. Samsung SDI is recognized worldwide as a reputable battery module manufacturer, with a manufacturing process that has a 2,000-point, real-time, quality control system.

The charts below set out the BESS project completion status per site as of April 28, 2022.

	PROJECT SITES	Capacity	Access to site	Site-related permits	BOI registration	Site development	EPC *(construction, delivery of equipment)*	Interconnection	ASPA, ERC, WESM
		720							
1	Albay	40	100%	100%	100%	79%	15%	5%	
2	Bataan Site 1	40	100%	100%	100%	100%	99%	100%	20%
3	Bataan Site 2	50	100%	100%	100%	100%	98%	100%	20%
4	Batangas	40	100%	100%	100%				
5	Bulacan	20	100%		100%		10%		
6	Pampanga Site 2	20	100%	100%	100%	5%	10%		
7	Cagayan	40	100%	100%	100%	100%	96%	94%	20%
8	Ilocos Norte	40	100%		100%		10%		
9	Isabela	40	100%	100%	100%	100%	96%	90%	20%
10	La Union	20	100%		100%				
11	Laguna	50	100%	100%	100%	87%	76%	55%	
12	Camarines Norte	40	100%		100%				
13	Nueva Ecija	20	100%		100%		5%		
14	Pampanga Site 1	50	100%	100%	100%	100%	84%	30%	20%
15	Pangasinan Site 1	50	100%	100%	100%	100%	99%	98%	20%
16	Pangasinan Site 2	40	100%		100%				
17	Tarlac	50	100%	100%	100%	100%	97%	92%	20%
18	Zambales	20	100%	100%	100%	100%	99%	100%	20%
19	Bataan Site 3	50	100%		100%				
		190							
20	Kabankalan Phase 1	20	100%	100%	100%	100%	100%	100%	100%
	Kabankalan Phase 2	10	100%	100%	100%	100%	99%	100%	20%
21	Bohol	20	100%	100%	100%	100%	100%	100%	20%
22	Cebu Site 1	20	100%	100%	100%	100%	100%	100%	20%
23	Cebu Site 2	20	100%		100%				
24	Cebu Site 3	20	100%		100%		41%		
25	Iloilo	20	100%	100%	100%	5%	43%		
26	Leyte Site 1	40	100%	100%	100%	100%	71%	83%	20%
27	Leyte Site 2	20	100%	100%	100%	100%	98%	30%	20%
		90							
28	Davao Site 1	20	100%	100%	100%	100%	100%	100%	20%
29	Davao Site 2	20	100%	100%	100%	100%	100%	100%	20%
30	Davao del Norte	10	100%	100%	100%	93%	5%		
31	Misamis Oriental Site 1	20	100%	100%	100%	100%	98%	73%	20%
32	Misamis Oriental Site 2	20	100%	100%	100%	100%	97%	93%	20%
		1,000							

	PROJECT SITES	PROJECT SITES	COMPLETION	STATUS
1	Daraga, Albay	Albay	2022	Completed engineering and design of facility. Procured major equipment such as batteries, inverters, etc.
2	Limay (BCCPP)	Bataan Site 1	2022	Completed testing and commissioning activities, for issuance of Accreditation Certificate by NGCP.
3	Limay Power Plant (Lamao)	Bataan Site 2	2022	Completed testing and commissioning activities, for issuance of Accreditation Certificate by NGCP.
4	Mahabang Parang, Batangas	Batangas	2022	Completed engineering and design of facility. Procured major equipment such as batteries, inverters, etc.
5	San Rafael, Bulacan	Bulacan	2023	Preparation and consolidation of documentary requirements (i.e., land acquisition, conversion, environmental impact assessment, etc.) are ongoing prior securing of necessary permits.
6	Mexico, Pampanga Phase 3	Pampanga Site 2	2023	Completed engineering and design of facility. Procured major equipment such as batteries, inverters, etc.
7	Magapit, Cagayan	Cagayan	2022	Completed civil works and equipment installation. Testing and commissioning are ongoing, for completion in July 2022.

	PROJECT SITES	PROJECT SITES	COMPLETION	STATUS
8	Laoag, Ilocos Norte	Ilocos Norte	2023	Preparation and consolidation of documentary requirements (i.e., land acquisition, conversion, environmental impact assessment, etc.) are ongoing prior securing of necessary permits.
9	Gamu, Isabela	Isabela	2022	Civil works and equipment installation completed. Testing and commissioning are ongoing, for completion in July 2022.
10	Bauang, La Union	La Union	2023	Preparation and consolidation of documentary requirements (i.e., land acquisition, conversion, environmental impact assessment, etc.) are ongoing prior securing of necessary permits.
11	Lumban, Laguna	Laguna	2022	Civil works and equipment installation completed. Target to commence testing and commissioning in Q3 2022.
12	Labo, Camarines Norte/ Navotas	Camarines Norte	2023	Preparation and consolidation of documentary requirements (i.e., land acquisition, conversion, environmental impact assessment, etc.) are ongoing prior securing of necessary permits.
13	Cabanatuan, Nueva Ecija	Nueva Ecija	2023	Preparation and consolidation of documentary requirements (i.e., land acquisition, conversion, environmental impact assessment, etc.) are ongoing prior securing of necessary permits.
14	Mexico, Pampanga	Pampanga Site 1	2022	Civil works and equipment installation completed. Testing and commissioning are ongoing, for completion in Q3 2022.
15	San Manuel, Pangasinan	Pangasinan Site 1	2022	Completed testing and commissioning activities, for issuance of Accreditation Certificate by NGCP.
16	Labrador, Pangasinan	Pangasinan Site 2	2023	Preparation and consolidation of documentary requirements (i.e., land acquisition, conversion, environmental impact assessment, etc.) are ongoing prior securing of necessary permits.
17	Concepcion, Tarlac	Tarlac	2022	Civil works and equipment installation completed. Testing and commissioning are ongoing, for completion in July 2022.
18	Masinloc Power Plant	Zambales	2022	Civil works and equipment installation completed. Testing and commissioning are ongoing, for completion in July 2022.
19	Hermosa, Bataan	Bataan Site 3	2023	Preparation and consolidation of documentary requirements (i.e., land acquisition, conversion, environmental impact assessment, etc.) are ongoing prior securing of necessary permits.
20	Kabankalan, Negros Occidental	Kabankalan Phase 1	2021	Commenced commercial operations in January 2022.
		Kabankalan Phase 2	2022	Completed testing and commissioning activities, Accreditation Certificate for issuance by NGCP
21	Ubay, Bohol	Bohol	2022	Completed testing and commissioning activities, secured Accreditation Certificate from NGCP.
22	Toledo, Cebu	Cebu Site 1	2022	Completed testing and commissioning activities, secured Accreditation Certificate from NGCP.
23	Samboan, Cebu	Cebu Site 2	2023	Preparation and consolidation of documentary requirements (i.e., land acquisition, conversion, environmental impact assessment, etc.) are ongoing prior securing of necessary permits.
24	Compostela, Cebu	Cebu Site 3	2023	Preparation and consolidation of documentary requirements (i.e., land acquisition, conversion, environmental impact assessment, etc.) are ongoing prior securing of necessary permits.
25	Dingle, Iloilo	Iloilo	2022	Completed engineering and design. Procured major equipment such as batteries, inverters, etc.
26	Ormoc, Leyte	Leyte Site 1	2022	Civil works and equipment installation completed. Testing and commissioning are ongoing, for completion in July 2022.
27	Tabango, Leyte	Leyte Site 2	2022	Civil works and equipment installation completed. Testing and commissioning are ongoing, for completion in Q3 2022.
28	Malita Power Plant	Davao Site 1	2021	Completed testing and commissioning activities, secured Accreditation Certificate from NGCP.
29	Maco, Davao	Davao Site 2	2022	Completed testing and commissioning activities, secured Accreditation Certificate from NGCP.

	PROJECT SITES	PROJECT SITES	COMPLETION	STATUS
30	Tagum, Davao del Norte	Davao del Norte	2022	Completed engineering and design of facility. Procured major equipment such as batteries, inverters, etc. Civil works are ongoing.
31	Jasaan, Misamis Oriental	Misamis Oriental Site 1	2022	Civil works and equipment installation completed. Testing and commissioning are ongoing, for completion in July 2022.
32	Tagaloan (Phividec)	Misamis Oriental Site 2	2022	Civil works and equipment installation completed. Testing and commissioning are ongoing, for completion in July 2022.

IMPACT OF COVID-19 AND RECENT DEVELOPMENTS

The COVID-19 Pandemic

COVID-19, an infectious disease that was first reported to have been transmitted to humans in late 2019, has spread globally over the course of 2020, and in March 2020 it was declared as a pandemic by the World Health Organization. As of the date of this Prospectus, there have been over 525 million confirmed cases worldwide according to the World Health Organization and over 3.7 million confirmed cases in the Philippines according to the Department of Health of the Philippines. Countries have taken measures in varying degrees to contain the spread, including social distancing measures, community quarantine, suspension of operations of non-essential businesses and travel restrictions.

The Government issued a series of directives and social distancing measures as part of its efforts to contain the outbreak in the Philippines. On March 16, 2020, Presidential Proclamation No. 929 was issued, declaring a State of Calamity throughout the Philippines for a period of six months and an enhanced community quarantine ("**ECQ**") was imposed on the island of Luzon, including Metro Manila. Initially, the ECQ was set to end by April 12, 2020 but was subsequently extended for two-week periods until May 15, 2020 (the period from March 16, 2020 through May 15, 2020, the "**ECQ period**"). Under the ECQ guidelines, restrictions on movement outside of the residence were set in place (ranging from stay-at-home orders to total lockdowns), mass transport facilities were suspended, schools were closed and alternative work arrangements were implemented. The COVID-19 pandemic affected most daily activities and forced many businesses to suspend operations or shut down for the duration of the ECQ. Only essential businesses as well as essential sectors such as hospitals, power and water utilities were allowed to operate, subject to certain conditions and limitations on operating capacity.

After the ECQ was lifted in certain areas, a modified ECQ ("**MECQ**"), general community quarantine ("**GCQ**") or modified GCQ ("**MGCQ**") was implemented. The graduated lockdown schemes from ECQ, MECQ, GCQ, and MGCQ imposed varying degrees of restrictions on travel and business operations. The Philippine government continued to calibrate the imposition of lockdown or community quarantine measures across the country depending on the situation in specific localities. On August 26, 2021, the Department of Interior and Local Government of the Philippines announced that the Government will phase out the large-scale community quarantine measures and replace the same with granular lockdowns. While the Government had initially intended to implement pilot testing of granular lockdowns in Metro Manila commencing on September 8, 2021 to September 30, 2021, the Government announced on September 7, 2021 that Metro Manila would remain under MECQ until September 15, 2021 or until the pilot GCQ with alert level system was implemented. On September 16, 2021, Metro Manila adopted the new alert level system and was placed under Alert Level 4 until October 15, 2021, after which it was lowered to Alert Level 3 from October 16, 2021 to November 14, 2021, and further lowered to Alert Level 2 from November 15, 2021 to December 31, 2021. As of the date of this Prospectus, Metro Manila is under Alert Level 1 until June 15, 2022. Under the new alert level system, classifications are based on virus transmission rate, hospital bed utilization rate and intensive care utilization rate of a city or municipality. Under Alert Level 5, cases are alarming and hospital bed and intensive care utilization is at critical levels. Under Alert Level 4, cases are high and/or increasing, and hospital bed and intensive care utilization are high. Alert Level 3, meanwhile, will be raised in areas where cases are high and/or increasing and hospital bed and intensive care utilization is increasing.

Under Alert Level 2, case transmission is low and decreasing, healthcare utilization is low, or cases are low but increasing, or cases are low and decreasing but bed utilization and intensive care utilization is increasing. The most permissive of all alert levels, Alert Level 1, will be raised where virus transmission is low and decreasing, total bed utilization rate and intensive care utilization rate are low, and 70% of senior citizens, people with comorbidities and eligible population have been vaccinated.

The day-to-day operations of the Company, being primarily engaged in power generation, are not significantly affected by the ECQ or other graduated quarantine measures because the Government considers power generation as an essential service and operations related thereto continue to be permitted. As a result, the Company's power generation activities and the ongoing repairs and preventive maintenance works remain generally unhampered.

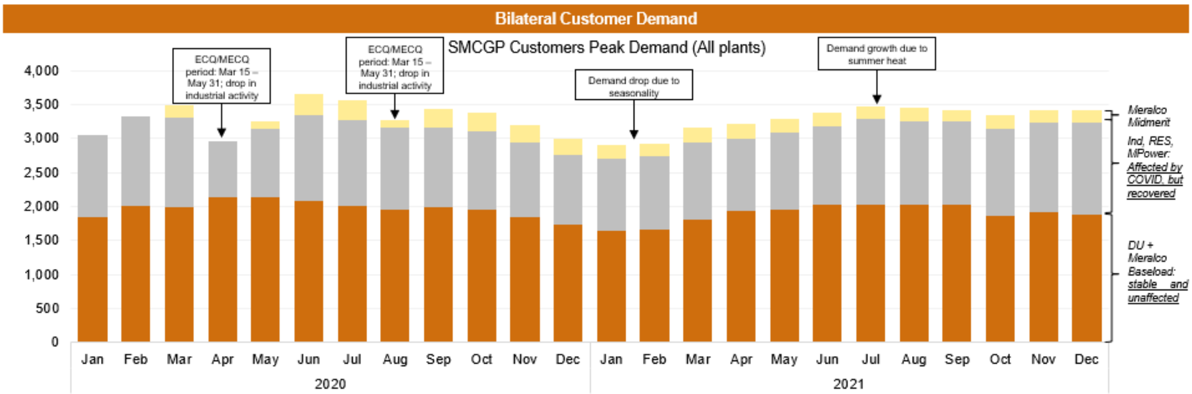
Impact on the Company

The demand from industrial customers in the Luzon grid decreased significantly during the initial ECQ period in 2020, as a result of the cessation or suspension of business operations, but demand gradually increased with the easing of quarantine restrictions and the gradual reopening of economic activities in the National Capital Region. While Metro Manila was placed under ECQ from March 29 to April 11, 2021 and MECQ from April 12 to May 14, 2021, the Company did not experience any material reduction in demand from its customers. In contrast, the demand from most of the Company's utility customers remained stable and at times increased compared to their historical demand, which more than compensated for the reduction of industrial demand. Notably, a significant portion of utility demand represents residential and small-scale industrial customers and commercial businesses, which had consistent and levelled load profiles throughout the quarantine periods, resulting in improved fuel and operational efficiencies in the Company's power plants. From the Company's perspective, its bilateral energy volumes were derived mainly from contracted capacity with utility companies. Their respective PSAs mostly require a take-or-pay arrangement or impose minimum offtake volumes, which thus allow the Company to continuously bill these customers at the relevant contracted volumes even during the various community quarantine periods.

The Company's PSAs with distribution utilities and Meralco baseload were generally unaffected by the various community quarantine measures, as these comprise mostly demand from residential customers and small-scale industrial customers and commercial businesses, which generally have steady load profiles and as such, are not susceptible to peaks and drops in demand. These distribution utilities and Meralco baseload comprise more than 50% of the Company's bilateral demand and have maintained a steady load factor of around 70% to 75% throughout the community quarantine in 2021. Meralco's nominations under the Company's various PSAs continue to be high on average, particularly for baseload contracts which were dispatched from 63% to 86% in 2021. Meralco midmerit contracts were dispatched at 46% to 62% for the same period due primarily to relatively higher prices, peaking dispatch and lower minimum dispatch requirements, while Meralco-RES (MPower contracts) comprising 600 MW were primarily dispatched as baseload for 435 MW, with the remainder as midmerit. The Company proactively coordinates with Meralco for its nominations to optimize plant dispatch and maintain plant reliability. During the initial ECQ period in 2020, the Company's customer groups representing commercial and industrial customers registered a 39% drop in demand due to government-mandated restrictions on their industrial activities. The Company mitigated the impact of this drop in demand by optimizing maintenance outage schedules, generation portfolio bids and dispatch, and bilateral volume nominations to maintain WESM exposure at ideal levels given the low prevailing spot prices. For example, the Company sourced up to 14% of its bilateral volume from WESM when the ECQ was first declared in the first half of 2020, compared to less than 5% of volume requirements prior to the ECQ. The Company also reduced its exposure by selling less energy to the WESM (about 3% spot sales) when spot prices were low. Demand from industrial customers recovered substantially when the quarantine protocols were relaxed in June 2020 and have remained stable throughout the various community quarantine measures imposed since then. Total aggregate demand significantly recovered in 2021. Demand steadily picked up through the summer 2021 months, reaching the highest demand of over 3,500 MW at peak in June 2021. There was a 7% increase in overall average system demand in 2021 as industrial activities gradually increased as COVID-19 quarantine regulations were not as restrictive compared to 2020.

The chart below sets out the Company's bilateral customer demand data.

Company bilateral customers demand data



Source: Company data

In terms of fuel and inventory, the Company believes that it has sufficient inventory to meet the requirements of its power plants. Access to fuel shipments have not been adversely affected by the COVID-19 travel restrictions and there have been no cases of delivery disruptions on coal, even during the height of the ECQ period. The Company maintained a physical inventory equivalent to 26 days operations in aggregate for its coal-fired power plant portfolio as of March 31, 2022. Another contributor to achieving targeted margins was the low price of coal in the past year. In 2020, Newcastle (**"NewC"**) was approximately US$60/MT and was approximately US$137/MT in 2021. The Company has entered into fixed price contracts for coal in the past, allowing the Company to have competitive coal fuel costs, particularly for the plants that the Company owns and operates. Of the 77 panamax shipments contracted for the third quarter to the fourth quarter of 2022, about 8% were contracted on a fixed price basis.

Measures Taken to Ensure Safety and Well-being

To ensure a safe return to work, the SMC Group purchased polymerase chain reaction ("**PCR**") testing kits to cover the estimated 70,000 employees, consultants, partners and service providers in the SMC Group's system, including SMC Global Power's employees. On July 3, 2020, San Miguel Corporation opened its own COVID-19 testing center which can process up to 4,000 tests daily. SMC Global Power has been cautiously allowing employees to return to the workplace and has provided protective gear and vitamins to employees as well as certain incentives in addition to regular pay.

In November 2020, San Miguel Corporation was among 30 private sector representative who signed a tripartite agreement with AstraZeneca and the National Task Force Against COVID-19 securing three million doses of COVID-19 vaccines for Filipinos. San Miguel Corporation is also in talks with Moderna to obtain additional doses for the SMC Group. In January 2021, San Miguel Corporation created the "*Ligtas Lahat*" COVID-19 Task Force in charge of developing a plan to inoculate all employees and members of its extended workforce. SMC has partnered with local government units and the IATF which allowed immediate vaccination to its employees even prior to the arrival of its procured vaccines. As of March 3, 2022, SMC has already vaccinated nearly 99% of its over 70,000 employees and extended workforce. Within SMC Global Power, 96% or 5,027 out of 5,250 employees and extended workforce have been vaccinated as of March 3, 2022.

The Company has also taken measures to ensure employee safety and well-being and to protect its facilities, which include, but are not limited to, checking the temperature of employees and other persons when they enter its offices and facilities, maintaining an adequate supply of alcohol and hand sanitizers for use at the premises, requiring employees to wear masks and other protective clothing as appropriate, minimizing in-person meetings, and implementing additional cleaning and sanitization routines.

In addition and as a critical safety measure to prevent the spread of COVID-19 cases and ensure operational resiliency, power plant personnel stay in the plant premises and are provided with the necessary accommodations, including food and other essential supplies during the relevant quarantine periods. During the ECQ period and at the height of the pandemic, a "No RT-PCR Test, No Entry" policy was also implemented for all employees and third-party contractors working in the Company's power plants. In addition, support functions were placed under flexible work arrangements (i.e., work from home, skeletal work force); with the implementation of lower alert levels, the Company is gradually shifting to return to office. These measures allow the Company to operate its power plant portfolio continuously and at levels sufficient to meet its bilateral volume commitments to its customers notwithstanding economic and logistical challenges faced in the ongoing pandemic. In respect of plant personnel and third-party contractors, among other safety protocols, the Company continues to require personnel to take antigen or RT-PCR tests, depending on the vaccination status of the relevant individual. The Company has ensured that all employees who have tested positive are cared for and has taken steps in protecting all employees by strictly following safety protocols. To date, all these employees have either fully recovered or are recovering well.

The Company continues to review and will implement the necessary changes to its operations and business processes as well as its capital expenditure plans in view of the global and local economic factors as a result of the COVID-19 pandemic. SMC Global Power places equal importance to maintaining and, in certain aspects, even improving its financial position and financial performance during the community quarantine period and for the rest of the year.

COMPETITIVE STRENGTHS AND BUSINESS STRATEGY

Competitive Strengths

***Industry leader with a strong growth platform*.**

SMC Global Power, together with its subsidiaries, associates and joint ventures, is one of the largest power companies in the Philippines, controlling 4,734 MW of combined capacity as of March 31, 2022. SMC Global Power controls the capacities of among the largest baseload plants in the Philippines, including the Sual Power Plant (the largest coal-fired power plant in the Philippines in terms of installed capacity) and the Ilijan Power Plant (the largest natural gas power plant in the Philippines in terms of installed capacity). The subsidiaries of SMC Global Power, namely SMEC, SPDC and SPPC, are the IPPAs for the Sual, San Roque and Ilijan Power Plants, respectively, which have a combined contracted capacity attributable to SMC Global Power of 2,545 MW. SMC Global Power also owns a 60% stake in AHC, the owner and operator of the 218 MW AHEPP, and wholly owns SCPC, SMCPC and MPPCL, the owners of the Limay Greenfield Power Plant, the Davao Greenfield Power Plant and the Masinloc Power Plant and Masinloc BESS, respectively. Based on the total installed generating capacities reported in ERC Resolution on Grid Market Share Limitation, the Company believes that its combined installed capacity comprises approximately 19% of the National Grid, 26% of the Luzon Grid and 7% of the Mindanao Grid, in each case as of March 31, 2022.

The IPPA business model provides SMC Global Power, through the IPPA subsidiaries, with the benefit of having the right to sell electricity generated by the IPPs without having to incur large upfront capital expenditures for power plant construction, or to bear any related development risk or ongoing preventive maintenance capital expenditures. The IPPA subsidiaries of SMC Global Power manage the amount of power to be produced by the IPP for supply to the customers of the IPPA and sell the power generated by the IPPs either pursuant to bilateral offtake agreements directly with customers or through the WESM. This business model provides SMC Global Power the ability to manage both market and price risk by entering directly into bilateral contracts with established customers while capturing potential upside through the sale of excess capacity through the WESM when spot market prices are attractive.

SMC Global Power's experience in acting as IPPA and its history of power plant ownership and operation has enabled it to gain significant expertise in the Philippine power generation industry. With this experience, SMC Global Power embarked on its own greenfield power projects and pursued strategic acquisitions. It believes that it is in a strong position to participate in the expected future growth of the Philippine power market, through both the development of greenfield power projects and the acquisition of existing power generation capacity, including NPC-owned power generation plants that are scheduled for privatization as asset sales or under the IPPA framework, cost competitive baseload plants and renewable energy power plants.

To capitalize on changes in the Philippine regulatory structure, SMC Global Power, through certain subsidiaries, holds RES licenses from the ERC, allowing the entry into offtake agreements with contestable customers. SMC Global Power, through SMEC and its subsidiaries, also maintains coal concession assets which, depending on prevailing global coal prices and the related logistical costs, may be tapped to serve as a back-up fuel source for its greenfield coal-fired power plants. SMC Global Power is expected to expand its market leadership with its ongoing and future expansion that is anchored on cost competitive baseload plants. In addition, SMC Global Power is actively pursuing battery energy storage technology investments and initiatives in the Philippines that will help regulate the transmission grid over the Philippine archipelago, which is inherently prone to voltage and frequency instability.

Well-positioned to capture future demand growth.

Demand for electricity in the Philippines is expected to continue to grow. According to the Philippine Energy Plan 2020-2040 published by the DOE, to meet the projected electricity demand including reserve requirements by 2040, the power system capacity addition that the Philippines will need is 69,420 MW under the reference scenario and an additional 92,320 MW under the clean energy scenario with the expected entry of more renewable energy power projects, which is broken down as follows: 2,641 MW for coal, 20,810 MW for natural gas, 381 MW for oil-based and 45,588 MW for renewable technology under the reference scenario and 2,641 MW for coal, 15,430 MW for natural gas, 381 MW for oil-based and 73,868 MW for renewable technology under the clean energy scenario. Moreover, based on the Company's estimates, despite the continuing build-up of installed capacity, net reliable capacity remains insufficient to meet peak demand. This considers the entry of variable capacities, composed primarily of intermittent renewable energies such as solar and wind, as well as the introduction of flexible technologies, such as BESS, which compensate for the intermittency of the variable capacities.

For the period 2018 to 2022, there is approximately 6,000 MW of private sector-initiated power projects that are either committed or indicative, according to the DOE. Construction of new power plants on average takes a minimum of three years. In addition, the depletion of the supply of natural gas from Malampaya, supplying 25% to 30% of net reliable capacity, may result in a reduction of energy generated by natural gas power plants beginning 2022. Given the gap between projected electricity demand and committed power projects, SMC Global Power expects that there will be a power supply shortage in the medium term until new capacity is built to meet the growing consumption.

SMC Global Power believes it is well-positioned to take advantage of opportunities from continued growth in the Philippine electricity market, as well as from the expected power supply shortage. The latter is exacerbated by an existing base of aging power plants, which will be over 20 years old by 2022 (currently representing 60% of net reliable capacity) and are thus prone to unscheduled shutdowns as well as a large base of seasonal power supply, such as hydropower plants in Mindanao. To meet this need, SMC Global Power has a defined roadmap to increase capacity by developing greenfield power plants and pursuing opportunities to invest in renewable energy projects, particularly in hydroelectric power and solar power projects and complementary technologies such as BESS.

SMC Global Power's expansion projects include the construction and installation of the 1,000 MWh BESS facilities with a leading global battery EPC contractor. SMC Global Power, through MPGC, is currently constructing a 600 MW coal-fired power plant and associated facilities using HELE Technologies in Mariveles, Bataan. The overall project construction is approximately 53% complete as of February 2022 while the steam turbine for Unit 1 and the generator for Unit 2 arrived at the site in July 2020. The Company plans to expand its power portfolio through the development and construction of the 1,313.1 MW Batangas Combined Cycle Power Plant and further expansion of the Masinloc Power Plant (Units 4 and 5) by 700 MW. The Company also intends to construct and develop LNG power plants to boost rural electrification and to develop a portfolio of solar power projects to significantly reduce its carbon footprint. In addition, the Company is contemplating the construction, operation and maintenance of liquefied combined cycle natural gas plants in certain provinces.

SMC Global Power believes that the increase in demand for electricity will also lead to growth in the ancillary reserve requirements of the country, which creates significant opportunities for BESS projects. SMC Global Power believes that it is well-positioned to capture growth in the reserve market through the expertise it has gained from operating the Masinloc BESS, the first of its kind in the Philippines. The Masinloc BESS provides more efficient ancillary services compared to other technologies, particularly for frequency regulating reserves, because of its instantaneous response time and ability to charge and discharge power. SMC Global Power plans to utilize advanced lithium-ion battery technologies such as nickel-cobalt-manganese (NCM) based lithium-ion batteries which generally have longer useful lives (estimated at 8,200 cycles), high voltage capabilities, large storage capacity and improved roundtrip efficiencies.

Finally, as a leading power company in the Philippines with a large customer base, SMC Global Power believes that it is in a strong position to leverage its relationships with its existing customers to service their expected increase in electricity demand.

Stable and predictable cash flows.

SMC Global Power, through its subsidiaries, sells power through offtake agreements directly to customers, including Meralco and other distribution utilities, electric cooperatives and industrial customers, or through the WESM. A substantial portion of the combined installed capacity of SMC Global Power is covered by bilateral contracts that cover the term of the IPPA Agreements, where applicable. Revenue from bilateral contracts with offtakers contributed 94%, 95%, 92%, 93% and 94% of total revenue for the years ended December 31, 2019, 2020 and 2021 and the three months ended March 31, 2021 and 2022, respectively. For the three months ended March 31, 2022, approximately 50% and 43% of the Company's consolidated sales volumes were to (i) Meralco and (ii) other distribution utilities, electric cooperatives, directly connected customers, contestable customers, and ancillary services, respectively. Based on the publicly available disclosures of Meralco, the largest distribution utility in the Philippines, SMC Global Power is one of Meralco's largest power suppliers as of March 31, 2022, supplying approximately 26% of Meralco's power purchases. In addition and based on data obtained from the ERC as of March 2022, the Company believes that it is a major player in the RES markets where it operates.

On September 13, 2019, Meralco issued notices of award to SMEC and SPPC for PSAs for 330 MW and 670 MW, respectively, to supply its baseload power requirements from December 26, 2019 until December 25, 2029. In addition, on September 16, 2019, Meralco issued another notice of award to SPPC for the supply of 290 MW of mid-merit power requirements from December 26, 2019 until December 25, 2024. The three contracts have been executed between Meralco and the relevant IPPAs, and have been granted provisional authority by the ERC. On February 26, 2021, Meralco issued notices of award to EERI and MPPCL for the supply of 1,200 MW from November 26, 2024, and 600 MW from April 26, 2025, for 20 years. The PSAs were executed with Meralco on March 2, 2021 and are pending the approval of the ERC. On February 2, 2022, SPPC won the CSP conducted by Meralco for the supply of 170 MW (net) contract capacity for a five-month period covering the 2022 dry months and the election period and which will commence upon its approval by the ERC.

These contracts were awarded following the SC's decision on May 3, 2019 ruling that all PSAs of distribution utilities and electric cooperatives should undergo CSP. This effectively invalidated certain PSAs of Meralco for its greenfield demand totaling almost 3,600 MW. As a result, the DOE moved to immediately implement the CSP requirement and Meralco proceeded to bid out several power supply requirements requiring brownfield and greenfield power sources totaling 1,700 MW and 1,200 MW, respectively. The Company was awarded an aggregate of 1,290 MW of the 1,700 MW brownfield requirements that were successfully bid out. Meralco, in early 2020, secured the approval of the DOE for the CSP of 1,800 MW greenfield baseload capacity for its requirements in 2024/2025, which includes 1,200 MW capacity from the failed CSP in 2019 and an additional 600 MW from the target 1,500 MW baseload capacity scheduled for bidding in 2020. The 1,800 MW contract capacity was the subject of the CSP conducted by Meralco in January 2021, for which SMC Global Power through its subsidiaries, EERI and MPPCL was awarded the entire 1,800 MW contract.

Meralco is expected to continue to bid out additional greenfield requirements in the next few years. The Company believes this is an opportunity for SMC Global Power to contract its ongoing and planned expansion projects with Meralco and plans to participate in the future bidding of the greenfield requirements.

These offtake agreements provide SMC Global Power, through its subsidiaries, with stable and predictable cash flow by enabling it to manage both market and price risks. Despite the general volatility in market prices for electric power due to supply and demand imbalances, SMC Global Power has been able to manage such risks through the contracted sale prices with offtakers, which also provide a long-term stable source of demand. The majority of the tariffs under these agreements take into account adjustments for fuel, foreign exchange, and inflation, thereby allowing SMC Global Power to pass through these costs to its offtakers. In addition, SMC Global Power's diversified portfolio of baseload and peaking power plants helps mitigate market risks through long-term, intercompany, replacement power contracts.

Flexible and diversified power portfolio.

SMC Global Power has a portfolio that includes some of the newest and largest power plants in the Philippines. The baseload and peaking plants with diversified fuel sources of the Company allow it to manage costs and offer more competitive baseload power rates. In addition, the Company also has capacity from its BESS facilities, which can provide more efficient ancillary services, and has synergistic effects with renewable technologies, among other applications. In particular, BESS technologies can strengthen the stability of a grid, while improving power quality.

As of March 31, 2022, the major power assets of SMC Global Power consist of (i) the IPPA Power Plants administered by the Company, through its subsidiaries, as the IPPA (comprising the Sual Power Plant with SMEC as IPPA representing 21% of SMC Global Power's capacity, the San Roque Power Plant with SPDC as IPPA representing 7% of SMC Global Power's capacity and the Ilijan Power Plant with SPPC as IPPA representing 25% of SMC Global Power's capacity), (ii) the AHEPP, through AHC, which represents 5% of the capacity of SMC Global Power, and (iii) the power plants owned by SMC Global Power, particularly the Limay Greenfield Power Plant of SCPC, which represents 13% of the capacity of SMC Global Power, the Davao Greenfield Power Plant, which represents 6% of the capacity of SMC Global Power, and the Masinloc Power Plant (with the Masinloc BESS), which represents another 22% of the capacity of SMC Global Power.

Power generated by the Sual Power Plant, Ilijan Power Plant, Limay Greenfield Power Plant, Davao Greenfield Power Plant and Masinloc Power Plant, is primarily used as baseload supply and sold to customers pursuant to bilateral offtake agreements. Power generated by the San Roque Power Plant and the AHEPP is used as peaking supply, and sold through the WESM or as replacement power to affiliates. The entire capacity of the 10 MWh Masinloc BESS is contracted to the NGCP and provides regulating reserve ancillary services to the Luzon Grid under an ASPA.

As of March 31, 2022, SMC Global Power's coal-fired plants accounted for approximately 62% of its capacity. In addition to the baseload coal-fired plants, the Company intends to increase its LNG capacities and BESS capacities, which together contribute to increasing the diversity of its generation portfolio. This is guided by the existing energy policy of the Government to provide relatively inexpensive and reliable power to residential and commercial customers without the need for subsidies or escalating tariffs. Feed-in-tariffs for renewable energy projects have been phased out by the Government, which makes it more challenging to embark on large-scale renewable energy projects. SMC Global Power continues to closely monitor all relevant fuel options, including renewables. The planned expansion of its BESS portfolio and gas-fired generation capacity reflects the Company's objective to reduce its overall carbon emissions and support the Government's climate policies and objectives, including the Philippines' commitments under the Paris Agreement.

SMC Global Power believes that the size and diversity of the fuel supply of its power portfolio reduces the exposure of the Company and its customers to fuel-type specific risks such as variations in fuel costs, and regulatory concerns that are linked to any one type of power plant or commodity price. SMC Global Power believes that its management of the capacity of this diverse portfolio of power plants allows it to respond efficiently to market requirements at each point of the electricity demand cycle. This diversity helps it to improve the profitability of its portfolio by flexibly dispatching electricity in response to market demand and fuel cost competitiveness. SMC Global Power and its subsidiaries can enter into bilateral contracts and trade in the WESM for the balance of its contracted capacities and energy. By managing the IPPA Power Plants as a single portfolio and actively managing the energy output of the plants, SMC Global Power seeks to offer more competitive electricity rates compared to other power companies with smaller and less diverse portfolios.

Established relationships with world class partners.

The IPPA Power Plants are owned, operated and maintained by world-class partners, including Marubeni Corporation, Tokyo Electric Power Corporation, Korea Electric Power Corporation and Mitsubishi Corporation. Since entering the power business, SMC Global Power has established relationships with internationally recognized fuel suppliers in Indonesia and Australia, as well as with its customers, including Meralco, its largest customer. The Company also has strong working relationships with world-class EPC providers, such as Formosa Heavy Industries for its greenfield power plants, and battery EPC providers such as Fluence Energy, Inc. ("**Fluence**," a joint venture between Siemens and AES) for the Masinloc BESS and Kabankalan BESS and ABB, Inc. ("**ABB**") and Wartsila Finland Oy ("**Wartsila**") for BESS projects in the pipeline. The Company has also entered into and is forging new and strategic relationships with AG&P, for the Batangas LNG Terminal through the TUA, and other LNG players, particularly for LNG Supply and for EPC of the Batangas Combined Cycle Power Plant. AG&P acted as EPC contractor or technical partner for various LNG Terminal projects across the world such as the Bali Hybrid Terminal, Karaikal Gas Terminal, Osaka Gas and has completed and delivered modular regasification units for multiple projects around the world (including in Singapore, South Korea, Turkey and Africa, among others).

SMC Global Power believes that these well-established relationships provide a strong foundation for its existing business and a platform of potential partners for future expansion.

A member of the San Miguel Corporation group of companies.

The principal shareholder of SMC Global Power, San Miguel Corporation, together with its subsidiaries, is one of the largest and most diversified conglomerates in the Philippines, by revenues and total assets, with sales equivalent to approximately 4.9% of Philippine GDP in 2021.[3] In addition to its power business, San Miguel Corporation has market-leading businesses in vital industries that support the economic development of the country, including food and beverages, packaging, fuel and oil, infrastructure, property development and leasing, cement, car distributorship and banking.

Under the stewardship of San Miguel Corporation, SMC Global Power has become one of the market leaders in the Philippine power industry in a relatively short period of time. San Miguel Corporation provides SMC Global Power with key ancillary and support services in areas that promote operational efficiency, such as human resources, corporate affairs, legal, finance and treasury functions. SMC Global Power believes it will continue to benefit from the extensive business networks of San Miguel Corporation, its in-depth understanding of the Philippine economy and expertise of its senior management to identify and capitalize on growth opportunities. Given the substantial electricity requirements of the other businesses of San Miguel Corporation, SMC Global Power believes that it can benefit from potential revenue and operational synergies and potentially provide a large captive energy demand base for SMC Global Power.

[3] *Based on data from the SMC consolidated revenues in 2021 divided by the Philippines' total revenue sourced from the Philippine Statistics Authority.*

Experienced and highly competent management team.

The senior management of SMC Global Power has extensive experience in the Philippine power industry and has a deep understanding of the Philippine electricity markets with respect to the operational, financial, regulatory, and business development aspects of the operation and management of power plants. The senior management team of SMC Global Power has strong professional relationships with key industry participants, such as the DOE, PSALM, NPC, TransCo, NGCP, PEMC and ERC, as well as other government offices and agencies. The employees of SMC Global Power include experienced energy traders who pioneered WESM trading and marketing executives who have established strong relationships with the extensive customer base of NPC. The members of the Executive Committee of SMC Global Power have an average of more than 25 years of experience in executive management and related government experience in the power industry, including strengths in key areas of engineering and finance. The executive and senior management have displayed a strong track record of growth and delivery since SMC Global Power commenced operations in November 2009.

Strong commitment to stringent environmental policies and pollution controls.

SMC Global Power closely supervises, controls and processes improvements in the power plants it owns and operates to ensure that regulated emissions are within and below applicable environmental compliance standards. For example, the Company uses CFB technology in its Limay Greenfield Power Plant and Davao Greenfield Power Plant. CFB technology is a technology employed to transform coal into a fuel source that is relatively low in pollutant emissions. These low emissions are made possible by processes that are not used in non-CFB coal-fired power plants, such as burning coal at low temperature and pressure, chemically washing minerals and impurities from the coal, gasification, treating the flue gases with steam to remove sulfur dioxide, carbon capture and storage technologies to capture the carbon dioxide from the flue gas and dewatering lower rank coals (brown coals) to improve the calorific value, thereby improving the efficiency of the conversion into electricity. In addition, CFB plants have other elements that reduce emissions, such as fine coal grinders, limestone injections, and electrostatic precipitators to capture dust particles that escape the boiler. See "*—Safety, Health and Environmental Regulation*."

The Company is committed to further reduce its emissions. Masinloc Power Plant Unit 3 uses supercritical boiler technology which, relative to an ordinary PC boiler (subcritical), has a significantly better combustion process resulting to improved heat rate of coal, which means less coal is required to produce a megawatt of electricity. The technology also allows the use of lower calorific value ("**CV**") and lower sulfur coal, which is a key factor to lower SOx emissions.

In 2018, the Company won the following Asian Power Awards: Environmental Upgrade of the Year (Limay Greenfield Power Plant), Power Utility of the Year — Philippines (Davao Greenfield Power Plant) and Innovative Power Technology of the Year Philippines (Masinloc Power Plant). The Asian Power Awards recognize ground-breaking projects and trailblazing initiatives in the power sector in Asia. In 2019, the Davao Greenfield Power Plant was once again awarded by Asian Power Awards as the Power Utility of the Year — Philippines and Environmental Upgrade of the Year — Philippines for its carbon sink and bioindicator project. In the same year, the Masinloc Power Plant also garnered two awards, namely the Power Plant Upgrade of the Year — Philippines for its Ship Unloader Upgrade, and the Information Technology Project of the Year — Philippines for its SAP S4 and ARIBA Migration and Implementation project.

Moreover, SMC Global Power has dedicated teams who monitor environmental compliance with international standards. For example, the Sual Power Plant has an Environmental and Management System Certificate (ISO 14001), Occupational Standard on Health Safety Certificate (ISO 18001) and Quality Management System Certificate (ISO 9001). The same ISO certifications were received by the Davao Greenfield Power Plant and Limay Greenfield Power Plant in 2017 and 2018, respectively, while the Masinloc Power Plant and Masinloc BESS received an Environmental and Management System Certificate and Occupational Standard on Health Safety Certificate in 2014, and the Asset Management System in 2018. The Davao Greenfield Power

Plant was the first power plant in the Philippines to receive an Energy Management System Certificate (ISO 50001) in December 2018. The Davao Greenfield Power Plant also received its certification for Asset Management System (ISO 55001) in October 2019 and certification for Business Continuity Management System in January 2021. In 2018, the Occupational Standard on Health Safety Certificate was replaced by the Occupational Health and Safety Management System (ISO 45001). The Masinloc Power Plant and Masinloc BESS received their certification for Occupational Health and Safety Management System in October 2019, while the Davao Greenfield Power Plant, Limay Greenfield Power Plant and Sual Power Plant received their certifications in April 2020, February 2021 and March 2021, respectively.

Strategies

Optimize the installed capacity of its power portfolio and strategically contract capacity to enhance margins.

SMC Global Power (a) proactively manages its sales in order to achieve a balanced mix of power sales through (i) contractual arrangements with electricity customers including distribution utilities, industrial and commercial customers, and the contestable market and (ii) engaging in power trading through the WESM, and (b) optimizes the operations of its power plant portfolio through maximizing plant utilization, improving individual account and plant margins and minimizing the impact of supply interruptions. This approach provides SMC Global Power with the certainty and predictability of sales from its contracted capacity while being able to realize trading opportunities from the WESM to enhance its margins. The objective of SMC Global Power is to supply power based on the least cost, and to sell available excess power through the WESM at favorable prices.

Specifically, in case of high prices in the WESM, SMC Global Power can optimize its portfolio and take advantage of such pricing and sell the excess output of its power plants to the WESM after delivering the contractual amounts required under its offtake agreements. Alternatively, in case of low prices in the WESM, SMC Global Power can minimize the generation output of its power plants and deliver the contractual amounts required under its offtake agreements either with output from the San Roque Power Plant or with energy purchased from the WESM. In the event of tripping or shutdown of any of its power plants, SMC Global Power can maximize the dispatch of its remaining units by lowering the bid prices so that the bilateral contract quantity requirements will be served without buying at high prices from the WESM.

The Company plans to utilize capacity from its planned BESS for ancillary services to the grid, particularly frequency regulating reserves, through long-term ASPAs, which have terms of up to 10 years. The Company may also contract, as applicable, for other applications such as renewables integration, power quality improvement and arbitrage.

SMC Global Power also leverages on the diversity of its portfolio to create operational synergies and improve its supply offers to offtakers. Having a portfolio of baseload and peaking power plants utilizing different fuel sources allows SMC Global Power to actively respond to the needs of its offtakers and the market, particularly with regard to replacement power and pricing competitiveness.

Well-positioned as a leading baseload power generator utilizing clean power technologies.

The Company's greenfield projects in the pipeline include the planned Batangas Combined Cycle Power Plant as well as clean coal-fired plants utilizing CFB and supercritical coal (e.g., Units 3, 4 and 5 of Masinloc Power Plant) technologies. These technologies generally have lower emissions compared to the applicable benchmarks, as well as higher thermal efficiency levels, particularly for natural gas and supercritical coal plants. Capacities from these greenfield plants are well-suited to providing baseload generation to the Philippines, have high availability factors (with the existing

Ilijan Power Plant registering an availability factor of 92% for the year of 2021), and are generally strong contenders for securing downstream PSAs, which require HELE technologies.

The Company believes that the proposed location of the Batangas Combined Cycle Power Plant adjacent to the existing Ilijan Power Plant will create significant operational benefits given the planned Batangas LNG Terminal. When constructed, the Batangas LNG Terminal will be capable of receiving, storing, and regasifying LNG from the global market and supplying the LNG volume requirements of the Ilijan Power Plant and the Batangas Combined Cycle Power Plant. As the Ilijan Power Plant and Batangas Combined Cycle Power Plant are expected to be its major customers, these plants could negotiate for competitive terminal use rates, as well as preferential treatment and rights for terminal capacity under future TUAs. For example, the Company has already negotiated for certain terms under the TUA which it believes would be advantageous as it expands its portfolio of natural gas power plants. These terms include “foundation customer status”, which would prioritize the Company’s LNG processing requirements, availability guarantees of up to 97%, and a fixed and essentially viable pricing mechanism for 20 years. The Company has also negotiated for the planned Batangas LNG Terminal to be accorded “priority project status” by AG&P over AG&P’s other projects, which will help ensure supply of natural gas to the Ilijan Power Plant beyond its IPPA.

The Company believes that its existing and planned natural gas power plant capacities serve as an anchor to its further diversification into clean power technologies and provide a strong foothold for the growth of natural gas power in the Philippines. The Company, through its subsidiary SPPC expects to become the owner and operator of the Ilijan Power Plant pursuant to the terms of its IPPA Agreement. When the planned 1,313.1 MW Batangas Combined Cycle Power Plant is completed, the Company is expected to have in operation 2,513 MW of natural gas power plants requiring the equivalent of about 2.2 million tons of LNG per annum or approximately three to four full load LNG carriers per month, which LNG can be sourced from the global market. In view of its existing downstream PSAs, including its Meralco contracts for 1,800 MW for which PSAs were executed between the Company and Meralco on March 2, 2021, the Company believes that this volume requirement is significant and firm, and would allow the Company to competitively negotiate for its LNG supply. This could in turn create further operational flexibilities and reduce its downstream electricity tariffs. The Company has secured the long-term supply of LNG commencing in January 2025 and is in the final stage of discussion for interim LNG supply for the period June 2022 to December 2024. The terms would provide for essentially viable and fixed pricing and allow for flexible delivery, including scheduling the delivery of LNG in line with downstream requirements aligned with the relevant PSA.

To be a leading player in the ancillary reserve market and renewable energy initiatives through strategic establishment of battery energy storage systems across the Philippines.

SMC Global Power believes that it has a strong competitive advantage on BESS as ancillary services provider and plans to leverage on its experience operating the Masinloc BESS, the first of its kind in the Philippines, and become a leading BESS player in the Philippines by expanding its portfolio of BESS projects to about 1,000 MWh. Of these 1,000 MWh BESS projects, 20 MWh have obtained commercial operations, 690 MWh across 21 sites are expected to be substantially complete by 2022 and the remaining 290 MWh across 10 sites is expected to be completed in 2023. In addition, 720 MWh are expected to be located in Luzon, 190 MWh in Visayas and 90 MWh in Mindanao. Furthermore, the Company has acquired ownership or has entered into agreements with rights of access or possession of 32 sites out of which one site has already reached commercial operations, and 21 sites are in advanced stages of site development, construction and testing and commissioning activities. NGCP has issued 27 system impact studies and 26 facility studies relating to these projects. In addition, 32 registration certificates have been issued by the BOI. As part of its plan to expand its portfolio of BESS projects, the Company has entered into agreements with its EPC contractors, Fluence, ABB and Wartsila. Notably, Fluence and ABB have agreed to provide their services exclusively to the Company in the Philippines, while Wartsila has agreed to exclusively act as EPC contractor in selected sites in the Philippines.

Integral to this expansion plan is the strategic locations of BESS facilities across Luzon, Visayas and Mindanao. The Company has identified key locations where there are power quality problems or renewable energy projects and plans to install facilities in close proximity to the substations of the grid. For example, the Kabankalan BESS is located in Negros Island in the Visayas region. Negros has a demand of 360 MW, but the majority of the capacity in the island comes from solar plants with a total capacity of 330 MW. In particular, the Company has identified the area next to Kabankalan substation, as an ideal location for the BESS project.

The Company believes that given the increasing entry of renewable energy sources, which by their nature are susceptible to inconsistent and sometimes unreliable output, coupled with the sustained growth of electricity demand over the medium to long term, the market for reserve power and ancillary services will grow significantly. For example, the Masinloc BESS currently provides intra-hour instantaneous frequency regulating reserves to the grid, which helps maintain the grid frequency, or the balance between supply and demand in the electricity networks. Compared to other technologies, BESS provide frequency regulation reserves by charging and discharging from and to the grid, effectively doubling its ability to regulate grid frequencies.

BESS can complement renewable technologies, such as solar and wind, by compensating for sudden drops in generation of these plants due to natural phenomena, or by storing energy from these renewable sources for use during those periods where energy demand from the grid is highest. As such, BESS can support and complement the entry of renewable energy projects. SMC Global Power also envisions maximizing the sites of future BESS projects by evaluating the possibility of establishing renewable technologies such as solar and wind (based on the availability of the resource for the area) alongside the planned BESS facilities. Such integrated renewable energy sources and BESS facilities are expected to provide clean, reliable, and resilient sources of energy and reserves to the grid.

In addition to supporting the entry of renewable energy, the Company plans to develop a variety of battery applications in partnership with leading battery developers in the world. These include the provision of power quality improvement, peak-shaving, energy aggregation, network upgrade deferral, black start, microgrid application, and other ancillary services, such as reactive power support and contingency reserves.

Continue to grow its power portfolio through the development of greenfield power projects, acquisition of power generation capacity in line with regulatory and infrastructure developments and development of renewable energy projects.

SMC Global Power intends to utilize its strong platform, extensive relationships and experienced management team to address the growing demand for power in the Philippines. The Company plans to continue its strategic development of greenfield power projects in parallel with its plan to acquire existing power generation capacity. The Company balances the need for reliable and cost-efficient operations with environmental performance, and views clean coal technologies and LNG power plants as viable and sustainable options for its greenfield power projects.

In addition to its strategy to grow its power portfolio, the Company is focused on further investments in battery technology to add to the existing 10 MWh Masinloc BESS and the 20 MWh Kabankalan BESS. SMC Global Power also actively seeks to identify and pursue renewable energy investments such as hydroelectric power and solar power projects, subject to the outcome of viability and feasibility analysis. The Company, through its wholly-owned subsidiary, SGLPC, is developing a portfolio of solar power projects with an initial capacity of 800 MWp across various sites in Luzon including in the provinces of Bataan and Isabela. The proposed solar projects will be situated in areas with moderate to high photovoltaic potential. In February 2022, the SGLPC obtained a Certificate of Registration from the DOE as a RE developer for a solar project located in Bataan and has entered into a Solar Energy Operating Contract (130 MWp) with the DOE for the development and operation of RE projects using solar energy as a renewable source. This is in line with the Company's objective to operate in an environmentally-responsible manner, while taking into consideration energy security and affordability to its consumers.

SMC Global Power seeks to capitalize on regulatory and infrastructure developments by scheduling the construction of greenfield power projects to coincide with the planned improvements in the interconnectivity of the Luzon Grid and Visayas Grid, as well as the eventual interconnectivity and implementation of WESM in Mindanao. In addition, SMC Global Power seeks to maintain the cost competitiveness of these new projects by strategically locating them in high-demand areas and in areas with the closest proximity to the grid. SMC Global Power is considering the further expansion of its power portfolio of new capacity nationwide through greenfield power plants over the next few years, depending on market demand. See *"—Overview—Expansion Projects*." SMC Global Power plans to carry out the expansion of its power portfolio in phases across Luzon, Visayas and Mindanao. SMC Global Power is confident from its experience in building the Limay and Davao Greenfield Power Plants that it will be able to build new cost competitive plants.

Vertically integrate complementary businesses in order to diversify its energy portfolio.

SMC Global Power continues to expand into businesses along the power sector value chain that complement its current power generation business. The Company has obtained RES licenses, through certain subsidiaries, to expand its customer base and diversify its sales. With the open access and retail competition fully implemented, the RES licenses allow SMC Global Power to enter into retail electricity supply agreements with contestable customers. In addition, SMC Global Power has invested in distribution assets, namely OEDC and APEC, which create a competitive advantage through integrated generation and distribution operations.

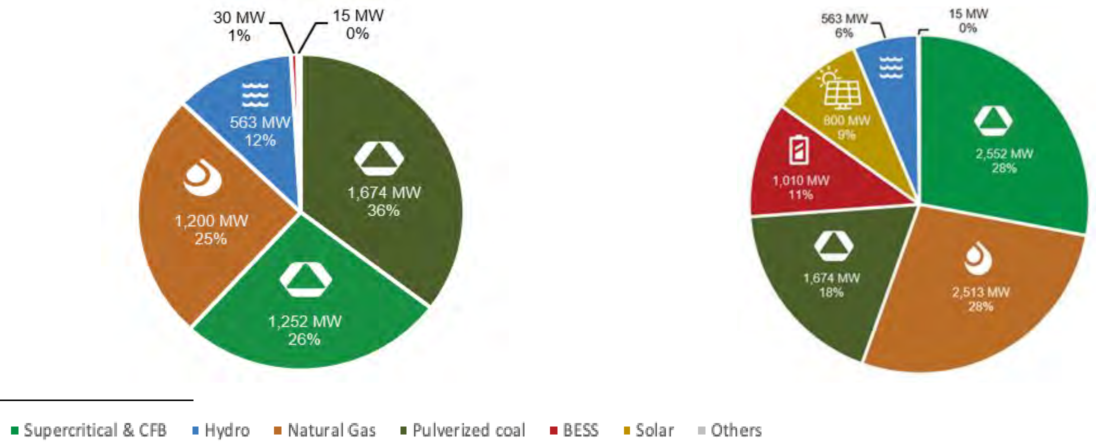
Furthermore, depending on the prevailing global coal prices and the related logistical costs, SMC Global Power could initiate coal exploration, development and production rights over approximately 17,000 hectares of land in Mindanao held through SMEC and its subsidiaries. SMC Global Power could develop these assets, which could potentially provide a significant additional source of coal fuel for its planned and existing greenfield power plants. SMC Global Power believes that the successful integration of viable coal mining operations into its power generation business could provide it with an additional competitive advantage over its competitors in the local power industry.

Continue to pursue and develop measures to reduce emissions and operate power plants within and below applicable environmental compliance standards.

SMC Global Power continuously supervises, controls and improves processes in the power plants it owns and operates to ensure that regulated emissions from operations are within and below applicable environmental compliance standards. With the addition of its BESS capacities, development of renewable energy projects and planned LNG generation capacities, the Company anticipates improvements in its emissions performance, including carbon emissions intensity, on a portfolio basis. Moreover, SMC Global Power has dedicated technical teams to monitor environmental compliance with international standards. See "*—Safety, Health and Environmental Regulation*."

With its current mix of greenfield power projects, the Company anticipates to significantly reduce the proportion of power generated from traditional pulverized coal technologies in its portfolio by 2025 as it transitions towards high growth, low emission, viable frontier technologies, such as its 1,000 MWh BESS projects, planned solar power projects and LNG initiatives. The Company expects this to result in the proportion of power generated from pulverized coal technologies to decrease from 36% to 18% by 2025. Below is the projected combined capacity of the Company from 2022 to 2025.

Current Mix (4,734 MW)[1] *Forecasted Mix (9,127 MW)*[2]



Notes:

(1) *Mix as of March 31, 2022. Masinloc BESS, Kabankalan BESS and Tagum Peaking Power Plant represents 0.21%, 0.42% and 0.32% of installed capacity, respectively.*

(2) *2025 Expected Fuel/Technology Mix of SMC Global Power includes the 600 MW Mariveles, 700 MW Masinloc Units 4 and 5, 1,313.1 MW Batangas Combined Cycle Power Plant, 1,000 MWh BESS expansion projects and 800 MWp solar power projects.*

Projected Combined Capacity

	2022	2023	2024	2025	2026
SMC Global Power	**5,424**	**7,114**	**8,427**	**9,127**	**9,127**
Baseload	4,126	4,726	6,039	6,739	6,739
Others..	1,298	2,388	2,388	2,388	2,388

Leverage operational synergies with San Miguel Corporation group of Companies.

SMC Global Power creates operational synergies within and among its subsidiaries by performing key management functions at the holding company level under management agreements. Key management functions include sales and marketing, energy trading, finance, legal, human resources, and billing and settlement. This allows all the subsidiaries to benefit from the wealth of experience of the management team of SMC Global Power while optimizing initiatives at a portfolio level. SMC Global Power also intends to establish customer relationships with the other subsidiaries and affiliates of San Miguel Corporation for the sale and supply of power. In addition, SMC Global Power, through its subsidiaries, Daguma Agro, Bonanza Energy and Sultan Energy, owns various coal properties that it may develop as a hedge against international coal price fluctuations.

IPPA FRAMEWORK

PSALM, together with NPC, has ECAs or other PPAs in place with various IPPs in the Philippines. Under the EPIRA, PSALM is required to achieve, through open and competitive bidding, the transfer of the management and control of at least 70% of the total energy output of the IPP plants under contract with NPC to IPPAs pursuant to IPPA Agreements, such as those held by SMC Global Power, through SMEC, SPDC and SPPC.

Under IPPA Agreements, the IPPAs have the right to sell the electricity generated by such IPP in the WESM and through PSCs with specific customers. In addition, the IPPAs generally manage the procurement of the fuel supply to the associated IPP where applicable. The IPPA has to pay PSALM a fixed monthly payment and a variable energy or generation fee the amount of which depends on the dispatch and performance of the IPP. IPPA Agreements provide relief for IPPAs such as SMC Global Power, through SMEC, SPDC and SPPC, in the event the associated IPPs are unable to dispatch for a certain period of time not due to the fault of the IPPA.

PSALM/NPC in turn, pays the IPPs capacity and energy payments based on their respective ECAs or PPAs. In some cases, IPPA Agreements provide the IPPA with the right to acquire ownership of the power plants or generation facilities at the end of the terms of the ECAs or PPAs. Under the IPPA Agreements of SMEC, SPDC and SPPC, these subsidiaries of SMC Global Power have the right to acquire the Sual Power Plant in October 2024, the Ilijan Power Plant in June 2022 and the San Roque Power Plant in April 2028 or at an earlier date due to certain events such as changes in applicable law or non-performance by the IPP of its obligations under the ECA or PPA, as the case may be.

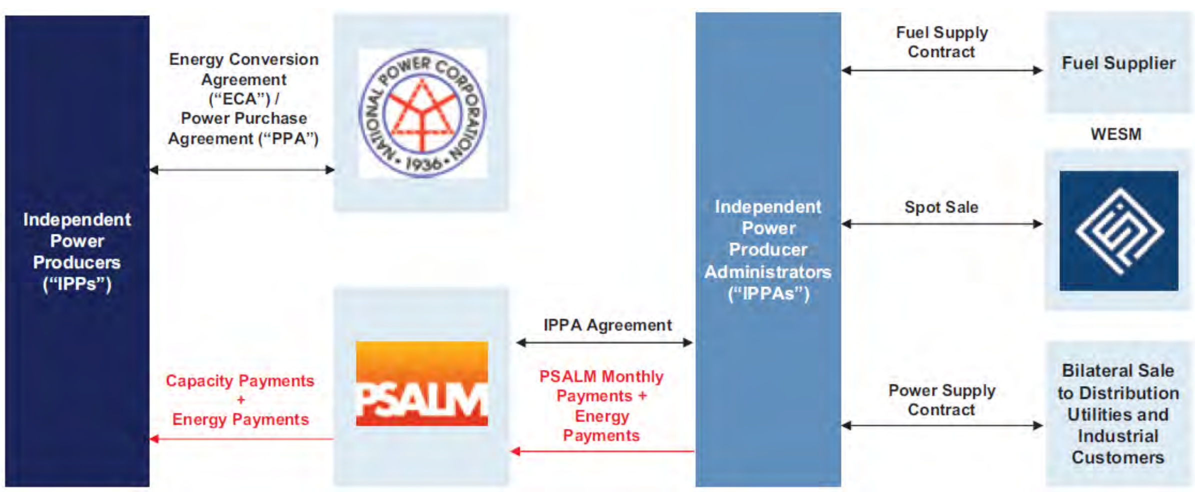
The IPPA framework is intended to provide successful bidders a way to enter and trade in the WESM for a minimal capital outlay without the expense of building a new power plant and for IPPAs to enjoy the benefits normally attributed to owners of power generation plants, including controlling the fuel and its dispatch, trading, and contracting of the power plant, without maintenance costs or capital upgrades, which remain with the IPPs. Also, many of the risks of owning a power plant are explicitly managed through the contract. If there is an extended outage at the power generation plants, for example, there is up to a 50% discount on the monthly fees, and PSALM bears the force majeure risks to the power generation plants. The IPPA framework also permits an IPPA to assume the role of NPC as an offtaker of power generated by IPPs without affecting NPCs underlying agreements with the IPP.

IPPAs are permitted to trade in the WESM, and are also free to enter into bilateral contracts and seek other markets for the balance of their contracted capacities and energy, as well as enter into other forms of financial hedging instruments if desired to manage their position in and exposure to the market.

At the end of the terms of the IPPA Agreements, which normally coincide with the terms of the ECAs and PPAs between NPC and the IPPs, the IPPA Agreements provide the IPPA with the right to acquire ownership of the power plants or generation facilities without additional consideration aside from the IPPA fees paid throughout the term of the IPPA Agreement. Under the respective IPPA Agreements of SMEC, SPDC and SPPC, these subsidiaries of SMC Global Power have the right to acquire the Sual Power Plant in October 2024, the Ilijan Power Plant in June 2022 and the San Roque Power Plant in April 2028, respectively.

The IPPA may exercise the option to acquire the power plants prior to the end of the IPPA Agreement under certain circumstances, such as changes in applicable law or non-performance by the IPP of its obligations under the ECA or the PPA, as the case may be. In this case, the transfer price will be the net present value of the sum of the agreed monthly payments remaining unpaid at the date of termination of the IPPA Agreement.

Set forth below is a general illustration of the IPPA framework.



IPPs	NPC	PSALM	IPPAs
• Construct, operate and maintain plants • Deliver electricity according to the PPA / ECA and dispatch instructions from the IPPA	• IPP counterparty • Become owner and operator of plants if IPP defaults • Plant ownership will be transferred at expiration of ECA	• IPPA counterparty • Extends equivalent relief to IPPA if IPP defaults • Assumed all the assets and liabilities of NPC under the ECA	• Hold rights to sell electricity generated by IPPS • Procure fuel required by IPPs to generate power (only applicable to Sual Power Plant) • IPPA has the option to acquire the power plant at the end of the IPPA

IPPA Asset Transfer Process

At the end of the terms of the IPPA Agreements, which normally coincide with the terms of the ECAs or PPAs between NPC and the IPPs, the IPPA Agreements provide the IPPA with the right to acquire ownership of the power plants or generation facilities without additional consideration aside from the IPPA Fees paid throughout the term of the IPPA Agreement. Under the respective IPPA Agreements of SMEC, SPDC and SPPC, these subsidiaries of SMC Global Power have the right to acquire the Sual Power Plant in October 2024, the Ilijan Power Plant in June 2022 and the San Roque Power Plant in April 2028.

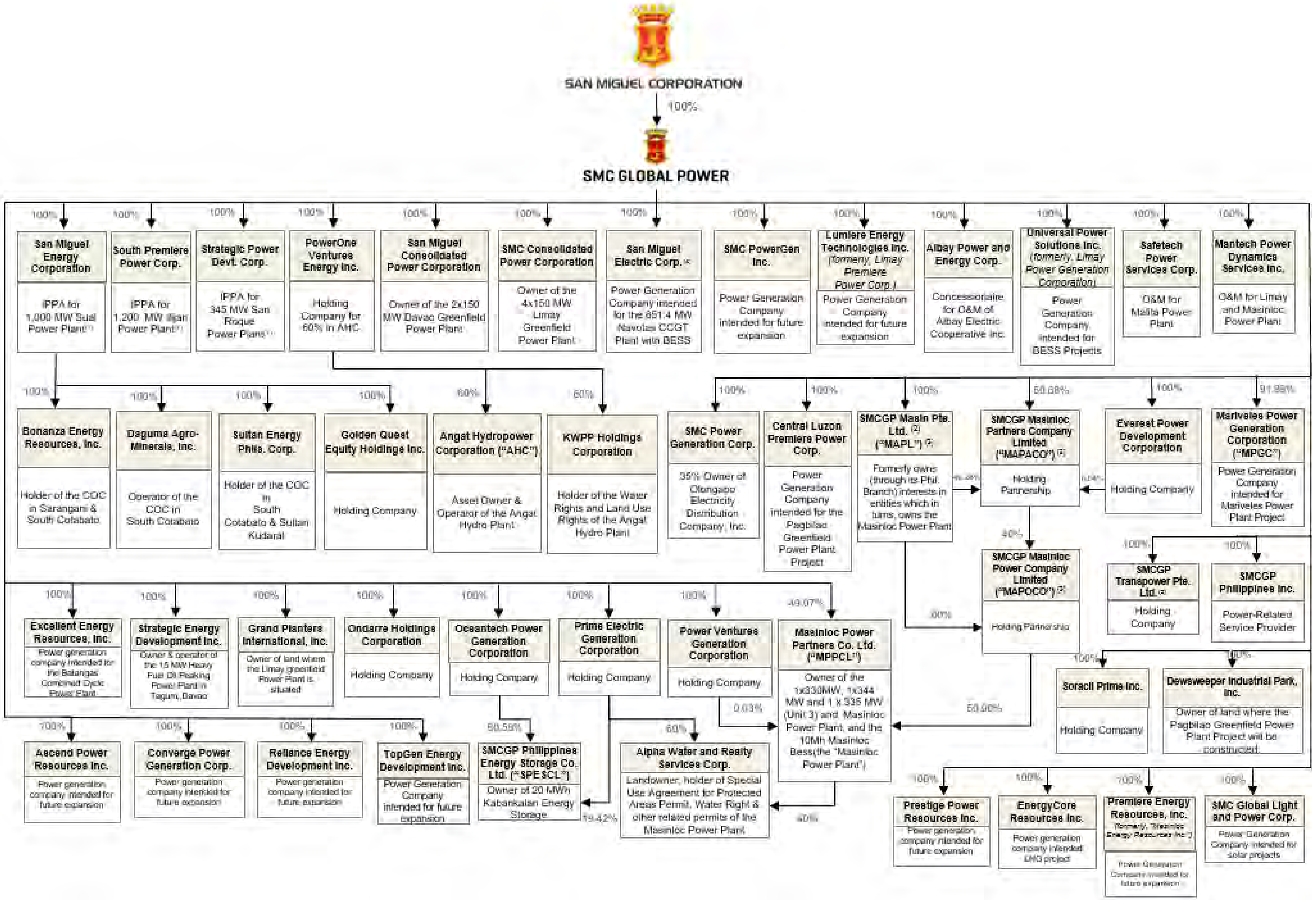
The IPPA may exercise the option to acquire the power plants prior to the end of the IPPA Agreement under certain circumstances, such as changes in law or non-performance by the IPP of its obligations under the ECA. In this case, the transfer price will be the net present value of the sum of the agreed monthly payments remaining unpaid at the date of termination of the IPPA Agreement.

SMC GLOBAL POWER PORTFOLIO

The map below sets out the locations of the major power plants which SMC Global Power owns, operates or for which it acts as IPPA and the intended locations for its planned expansion as of the date of this Prospectus.

CORPORATE STRUCTURE

The chart below provides an overview of the ownership structure of SMC Global Power and its major operating subsidiaries and joint ventures as of May 15, 2022:



Notes:

(1) SMC Global Power manages and controls the capacity of the plants under IPPA agreements with PSALM.

(2) MAPL, a private limited company incorporated in Singapore, has already been liquidated in Singapore and an application for the closure of its branch office in the Philippines will be filed with the SEC.

(3) The partnership interest of MAPL in MAPACO (49.28%) and MAPOCO (60%) have been transferred to SMC Global Power and an amendment of the Amended Articles of Partnership of MAPACO and MAPOCO will be filed with the SEC.

(4) SMELC has decided not to continue its supply business.

CORPORATE HISTORY AND MILESTONES

San Miguel Corporation entered the power business in 2009, when it successfully acquired, through privatization auctions by PSALM, the IPPA rights for the Sual Power Plant. In order to consolidate its power generation business, San Miguel Corporation eventually transferred these assets into SMC Global Power. In September 2010, SMC Global Power became a wholly-owned subsidiary of San Miguel Corporation.

The following timeline sets forth key events in the corporate history of SMC Global Power:

January 2008	SMC Global Power is incorporated under the name Global 5000 Investment Inc. (renamed SMC Global Power Holdings Corp. in October 2010).
January 2009	SMC Global Power acquires a 6.13% equity interest in Meralco, which was eventually sold in December 2013.
November 2009	A San Miguel Corporation subsidiary, SMEC, becomes the IPPA for the Sual Power Plant. SMC Global Power acquires a 60% equity interest in SMEC.
January 2010	A San Miguel Corporation subsidiary, SPDC, becomes the IPPA for the San Roque Power Plant. SMEC acquires a 100% equity interest in Bonanza Energy and Daguma Agro, the companies having coal mining rights over approximately 10,000 hectares in Lake Sebu, South Cotabato and Tuanadatu, Maitum, Saranggani Province in Mindanao.
March 2010	SMC Global Power acquires from San Miguel Corporation a 60% equity interest in SPDC, the IPPA for the San Roque Power Plant.
May 2010	SMEC acquires a 100% equity interest in Sultan Energy, with coal mining rights over approximately 7,000 hectares in Lake Sebu, South Cotabato and Bagumbayan, Sultan Kudarat in Mindanao.
June 2010	A San Miguel Corporation subsidiary, SPPC becomes the IPPA for the Ilijan Power Plant.
September 2010	SMC Global Power becomes a wholly-owned subsidiary of San Miguel Corporation, and acquired from San Miguel Corporation, among others: • a 100% equity interest in SPPC, the company that is the IPPA for the Ilijan Power Plant; • the remaining 40% equity interests in SMEC and SPDC.
August 2011	San Miguel Corporation transfers to SMC Global Power its 100% equity interest in SMELC, which holds a RES license from the ERC.
January 2013	Execution of EPC Contract with Formosa Heavy Industries, for the construction of the Limay and Davao Greenfield Power Plants.

July 2013	Groundbreaking of the 2 x 150 MW Davao Greenfield Power Plant.
September 2013	SMC Global Power is awarded as the winning concessionaire for the rehabilitation, operations and maintenance of ALECO.
	SMC Global Power, through SPI (a wholly owned subsidiary), acquires the 140 MW Limay Cogeneration Plant from Petron Corporation.
	SMC Global Power agreed to sell its 6.13% interest in Meralco. The sale was completed in March 2014.
October 2013	Groundbreaking of the 4 x 150 MW Limay Greenfield Power Plant.
February 2014	Start of APEC's concession of ALECO's distribution franchise.
November 2014	SMC Global Power acquired 60% of AHC, the owner and operator of the AHEPP.
July 2015	Groundbreaking of the AHEPP rehabilitation.
August 2016	SCPC was granted a RES license by the ERC.
December 2016	SMC Global Power, through SPI, sold the 140 MW Limay Cogeneration Plant back to Petron Corporation.
May 2017	Commercial Operations of Unit 1 of the Limay Greenfield Power Plant.
July 2017	Commercial Operations of Unit 1 of the Davao Greenfield Power Plant.
September 2017	Commercial Operations of Unit 2 of the Limay Greenfield Power Plant.
February 2018	Commercial Operations of Unit 2 of the Davao Greenfield Power Plant.
March 2018	Commercial Operations of Unit 3 of the Limay Greenfield Power Plant.
	Acquisition of the Masinloc Power Plant and Masinloc BESS from The AES Corporation and Electricity Generating Public Company Limited.
April 2018.	Completed Masinloc Power Plant Unit 2 retrofit and performance tests.
August 2018.	Angat Dam & Dykes Strengthening Project completed.
July 2019.	Commercial Operations of Unit 4 of the Limay Greenfield Power Plant.
November 2019.	Commenced construction and installation of key components of Kabankalan BESS.

February 2020	Strategic Energy Development Inc. executed an agreement for the acquisition of Tagum Peaking Power Plant.
March 2020.	Completed construction and installation of the Kabankalan BESS.
September 2020.	Executed a binding term sheet covering the TUA of SPPC and EERI for the planned Batangas LNG Terminal. Commercial Operations of Unit 3 of the Masinloc Power Plant.
December 2020.	Attained substantial completion (including testing and commissioning with NGCP) of the Kabankalan BESS.
March 2021.	Execution of PSAs with Meralco for 1,800 MW after winning CSP bid.
May 2021.	Limited Notice to Proceed issued to Black & Veatch for the construction of the Batangas Combined Cycle Power Plant.
August 2021.	Notices of Award and Notices to Proceed issued to Formosa Heavy Industries for the construction of Masinloc Units 4 and 5.
December 2021.	Executed the EPC contract for the Batangas Combined Cycle Power Plant with Black & Veatch, BVI (Philippines) Corporation and First Balfour, Inc.
January 2022.	Commercial Operations of the Kabankalan BESS.
February 2022.	Awarded the 170 MW (net) Meralco CSP bid.

IPPA POWER PLANTS

The table below summarizes information regarding the power plants whose generation capacity is managed and sold by SMC Global Power, through its subsidiaries, under IPPA rights.

	Plant Name		
	Sual	**San Roque**	**Ilijan**
Subsidiary	SMEC	SPDC	SPPC
IPPA Acquisition Date	11/2009	3/2010	9/2010
Plant Commercial Operation Date...	1999	2003	2002
Ownership	Marubeni Corporation, Tokyo Electric Power Corporation(1)	Marubeni Corporation, Kansai Electric Company Ltd.(2)	Korea Electric Power, Corporation, Mitsubishi Corporation, TeaM Energy(3)
Capacity (MW)	2 x 647	3 x 137	2 x 635.5
Net Contracted Capacity (MW)(4)	1,000(5)	345(6)	1,200
Fuel	Coal	Hydroelectric	Natural Gas
Fuel Supply	Vitol Asia Pte. Ltd., PT Trubaindo Coal Mining	N/A	Camago-Malampaya Gas Fields (through NPC/PSALM)
Revenue Mix (as of March 31, 2022)	6% WESM, 94% bilateral contract(7)	22% WESM; 78% bilateral contract	12% WESM; 88% bilateral contract(8)
Net Capacity Factor (%)			
December 31, 2019	77%	26%	77%

December 31, 2020	65%	16%	72%
December 31, 2021	53%	34%	57%
March 31, 2022	69%	25%	62%
Availability Factor (%)			
December 31, 2019	88%	94%	92%
December 31, 2020	82%	100%	100%
December 31, 2021	64%	96%	92%
March 31, 2022	81%	100%	94%
Offtakers	Meralco, ECs, DUs, DCCs, Third-Party RES, WESM(9)	Intercompany, DU, WESM, RES	Meralco, WESM, Intercompany
IPPA Expiry / Asset Transfer Date...	October 2024	April 2028	June 2022

Notes:

(1) *Through TeaM Sual Corporation ("**TeaM Energy**").*

(2) *Through San Roque Power Corporation.*

(3) *Through KEPCO Ilijan Corporation ("**KEILCO**").*

(4) *Based on the IPPA capacity awarded SMEC, SPPC and SPDC.*

(5) *SMEC is entitled to dispatch up to 1,000 MW, which is the net contracted capacity of the Sual Power Plant. The owner of the plant has the right to generate power in excess of the dispatch instructions of SMEC and sell such excess generation.*

(6) *SPDC expects the San Roque Power Plant to generate power at levels below its contracted capacity due to water levels in the reservoir and downstream irrigation requirements.*

(7) *The capacity of the Sual Power Plant is contracted to (i) Meralco (DU) under a long-term offtake agreement expiring in December 2029, (ii) Meralco (RES) under a long-term offtake agreement expiring in 2024, subject to extension upon mutual agreement by the parties, (iii) various distribution utilities, electric cooperatives, directly connected customers and third-party RES under existing PSCs. The Sual Power Plant was awarded 330 MW power supply contracts for 10 years pursuant to a CSP by Meralco in September 2019.*

(8) *Pursuant to a CSP by Meralco in September 2019, SPPC was awarded a total of 960 MW power supply contracts, of which 670 MW is contracted for 10 years and 290 MW is contracted for five years.*

(9) *ECs: Electric Cooperatives; DUs: Distribution Utilities; and DCCs: Directly Connected Customer*

POWER GENERATION FACILITIES

SUAL POWER PLANT

Background

The Sual Power Plant is a 2 x 647 MW coal-fired thermal power plant located in Sual, Pangasinan on the Lingayen Gulf that commenced commercial operations in October 1999. It is the largest coal-fired thermal power plant in the Philippines in terms of installed capacity. The Sual Power Plant was built by CEPA Pangasinan Electric Limited pursuant to an ECA with NPC under a 25-year Build-Operate-Transfer ("**BOT**") scheme that expires on October 24, 2024.

On September 1, 2009, SMEC, was declared the winning bidder and received the notice of award for the IPPA for the Sual Power Plant. On November 6, 2009, SMEC assumed the administration of the capacity of the Sual Power Plant in accordance with the provisions of the Sual IPPA Agreement.

Sual IPPA

Power Plant Capacity and Fuel Supply

SMC Global Power, through its wholly-owned subsidiary, SMEC, has the contractual right to manage, control, trade, sell or otherwise deal in up to 1,000 MW of the generation capacity of the Sual Power Plant pursuant to the Sual IPPA Agreement. TeaM (Philippines) Energy Corporation, an affiliate of TeaM Energy, is allowed to sell the remaining balance of 200 MW. Accordingly, for purposes of this Prospectus, the contracted capacity of the Sual Power Plant is 1,000 MW. The estimated useful life of the Sual Power Plant is 40 years.

SMEC must supply and deliver, at its own cost, the fuel that is necessary for the power plant to generate the power that SMEC requires TeaM Energy to produce. TeaM Energy is responsible for supplying fuel at its own cost to the Sual Power Plant to produce power in excess of the dispatch instructions of SMEC.

IPPA Fees

SMEC pays PSALM a monthly fee that consists of a fixed payment and a variable energy fee.

The fixed payment consists of agreed amounts (in U.S. dollars and Pesos) for the applicable month set out in the Sual IPPA Agreement. The specific amount of the fixed monthly payments under the Sual IPPA Agreement increases over the life of the agreement, and the amounts and timing of such increases are specified in a schedule to the agreement. In any month in which a unit of the Sual Power Plant is unable to produce power for at least three non-delivering days, these agreed amounts are reduced in proportion to the number of non-delivering days in that month. A non-delivering day means a 24-hour period during which a unit is unable to produce power for reasons specified in the Sual IPPA Agreement, including planned and unplanned outages arising from causes not attributable to SMEC.

In addition, SMEC must pay monthly energy fees that are periodically adjusted for inflation and that consist of (i) a fixed base energy rate for power actually delivered by the Sual Power Plant comprising both a U.S. dollar and Peso component plus (ii) a variable energy rate for power actually delivered by the Sual Power Plant, in U.S. dollars only, that takes into account the cost and efficiency of fuel supplied to the Sual Power Plant as well as the efficiency (unit heat rate) of the Sual Power Plant, which is measured on an annual basis.

Other Provisions

Offtake agreements with certain customers were also assigned to SMEC by NPC/PSALM. SMEC is required to perform the obligations of NPC under the NPC-assigned offtake agreements, including the obligation to procure power at its own cost to meet deficiencies, in cases where the Sual Power Plant is unable to supply the contracted power. SMEC is also required to maintain a US$58 million performance bond in favor of PSALM. PSALM remains responsible to TeaM Energy for the payment obligations of NPC under the Sual ECA.

While SMEC is granted the right to coordinate with TeaM Energy, on behalf of NPC, on matters relating to management of the generation capacity of the Sual Power Plant, SMEC cannot directly enforce the Sual ECA against TeaM Energy or NPC. Any claims for damages for breach, or other entitlement, benefit or relief under the Sual IPPA Agreement arising from the breach by TeaM Energy of its Sual ECA obligations must be claimed by SMEC against PSALM through an equivalent relief claim ("**ER Claim**"). PSALM will then include the ER Claim in its claims against TeaM Energy (the "**PSALM ER Claim**"). The Sual IPPA Agreement does not permit set-off of claims, and SMEC is only entitled to payment of its ER Claim after PSALM has received payment from TeaM Energy of its corresponding PSALM ER Claim.

Under the Sual IPPA Agreement, SMEC has the option to acquire the Sual Power Plant in October 2024 without any additional payment by SMEC. SMEC may exercise the option to acquire the Sual Power Plant prior to October 2024 under certain circumstances, such as changes in applicable law or non-performance by TeaM Energy of its obligations under the Sual ECA. In this case, the transfer price will be the net present value of the sum of the agreed monthly payments remaining unpaid at the date of termination of the Sual IPPA Agreement.

The Sual IPPA Agreement may be terminated by either SMEC or PSALM due to certain force majeure events. In case of such termination, SMEC is entitled to receive from PSALM a termination payment equal to the aggregate agreed monthly payments paid by SMEC up to the date of termination less the aggregate capital recovery fees, fixed operating and maintenance fees, infrastructure fees and service fees paid or payable by PSALM up to the termination date of the Sual IPPA Agreement.

Power Offtakers

The capacity of the Sual Power Plant is contracted to (i) Meralco (DU) under a 10-year 330 MW offtake agreement expiring in December 2029 as a result of the CSP conducted by Meralco in 2019, (ii) Meralco (RES) under a long-term offtake agreement expiring in 2024, subject to extension upon mutual agreement by the parties, (iii) various distribution utilities, electric cooperatives, directly connected customers and third-party RES under existing PSCs.

For energy-based contracts entered into by SMEC directly with offtakers on a bilateral basis, pricing is based on a reasonable return over the cost structure of SMEC.

For capacity-based contracts, pricing is based on a fixed and variable payment. The fixed payment represents the monthly fixed payments to PSALM and fixed operating and maintenance expenses. The variable payment represents the energy fee, fuel and variable operating and maintenance expense.

Operations Review

The table below is a summary of operating statistics of the Sual Power Plant for the periods indicated.

	Year ended December 31,			Three months ended March 31,	
	2019	**2020**	**2021**	**2021**	**2022**
Actual Energy Generated (GWh)	6,780	5,718	4,676	562	1,575
Electricity sold (GWh):	9,374	9,120	7,932	1,782	1,936
of which: bilateral offtake agreements	9,084	8,625	7,730	1,767	1,782
of which: WESM sales	290	495	202	15	154
Average realized electricity prices(₱/MWh):					
for electricity sold under bilateral offtake agreements	4,401	4,236	4,845	4,783	6,554
for electricity sold on WESM	3,520	2,231	3,491	1,674	4,555
Net Capacity Factor (%)	77	65	53	23	69
Availability Factor (%)	88	82	64	30	81
Reliability Factor (%)	94	94	89	96	100
Average Net Dependable Capacity (MW)	999	874	781	495	1,067
Net Heat Rate (Kilo-Calorie/Kilowatt hour or "**Kcal/KWh**") (Lower heating value or "**LHV**")	2,463	2,478	2,496	1,677	2,527

Fuel Supply

The table below sets forth certain information regarding the coal consumption of the Sual Power Plant as of the periods indicated.

	For the year ended December 31,			For the three months ended March 31,	
	2019	**2020**	**2021**	**2021**	**2022**
Metric tons (thousands)	2,703	2,247	1,894	226	650
Average calorific value (kcal/kg)	6,188	6,215	6,133	6,165	6,123
(in millions ₱)	14,065	8,598	12,183	847	7,232
Average price per metric ton (₱)	5,196	3,826	6,431	3,743	11,122

SMEC has existing coal supply agreements with Vitol Asia Pte. Ltd. ("**Vitol**") and PT Trubaindo Coal Mining ("**Banpu**") for the period until December 31, 2023, to ensure a steady supply of coal for SMEC. Further, negotiations with the existing suppliers are annually done for additional volume to cover balance-year quantities and contract base volume for forward years and SMEC continues to accredit coal supply acceptable for plant operations for more optionality and supply security. Pricing under the coal supply agreements is linked to the Global Coal NewCastle index, subject to adjustment based on agreed standards applicable to the quality of the coal delivered. Sual Power

Plant continuously monitors coal market activity for future contracting of supply in succeeding periods.

Operations and Maintenance

The Sual Power Plant is operated by TeaM Energy, the successor-in-interest of CEPA Pangasinan Electric Limited. Under the Sual ECA, TeaM Energy is responsible, at its own cost, for the management, operation, maintenance, including the supply of consumables and spare parts, and the repair of the Sual Power Plant. TeaM Energy is required to use its best endeavors to ensure that the Sual Power Plant is in good operating condition and capable of converting fuel supplied by SMEC under the Sual IPPA Agreement, into electricity in a safe and reliable manner.

The maintenance plan for the Sual Power Plant is agreed upon annually between SMEC, NPC, PSALM, NGCP and TeaM Energy. The maintenance plan includes scheduled inspections and overhauls, including scheduled periods of outage. Planned outages for preventive maintenance are scheduled in such a way that only one unit is scheduled for shut down at any given time. The maintenance plan is established with consideration given to the dispatch requirements of SMEC and recommendations of the plant manufacturer. TeaM Energy is required to execute the maintenance plan in accordance with the recommendations of the original equipment manufacturer and good utility practice. TeaM Energy performs periodic preventive maintenance activities on the generating units of the Sual Power Plant during the course of the operations of the plant. The Sual ECA requires TeaM Energy to conduct an annual test to check the capacity and heat rate of the generating units of the Sual Power Plant, if requested by SMEC.

Each of the generating units of the Sual Power Plant historically has been, and is expected to continue to be, shut down for routine preventive maintenance for approximately 30 days per calendar year. SMEC also expects that TeaM Energy will shut down these units for more significant preventive maintenance and repair work for a total of approximately 60 days in every fifth calendar year.

The table below sets forth actual planned outages of the Sual Power Plant for the periods indicated.

	Year ended December 31,			Three months ended March 31,	
	2019	**2020**	**2021**	**2021**	**2022**
Unit 1	29 days	4 days	88 days	30 days	4 days
Unit 2	28 days	100 days	134 days	90 days	32 days

In 2019, Unit 1 and Unit 2 were shut down for 29 days and 28 days, respectively, primarily for annual preventive maintenance outage.

In 2020 and 2021, Unit 1 was shut down for four days and 88 days, respectively, mainly for preventive maintenance outage, while Unit 2 was on extended shut down from September 2020 due to major turbine repairs. Unit 2 resumed operations on May 12, 2021.

In the first three months of 2022, Unit 1 was shut down for four days to rectify generator step-up transformer hotspot at canopy fixing bolts while Unit 2 was shut down for 32 days for annual maintenance.

The table below sets forth unplanned outages of the Sual Power Plant for the periods indicated.

	Year ended December 31,			Three months ended March 31,	
	2019	**2020**	**2021**	**2021**	**2022**
Unit 1	18 days	19 days	7 days	6 days	None
Unit 2	16 days	7 days	37 days	None	None

In 2019, Unit 1 was shut down for 18 days mainly due to repair of boiler water leak and condenser tube leaks while Unit 2 was shut down for 16 days primarily due to boiler tube leaks.

In 2020, Unit 1 was shut down for 19 days mainly due to boiler and condenser tube leaks while Unit 2 was shut down for seven days mainly due to high vibrations on bearings of turbines.

In 2021, Unit 1 was shut down for seven days primarily due to turbine repairs and boiler tube leaks, while Unit 2 was shut down for 37 days primarily due to repair of intermediate pressure turbine blades and diaphragm and steam and condenser tube leaks.

Power Transmission

Power from the Sual Power Plant is transmitted through a 25 km 230-kV transmission line from the Sual Power Plant switchyard to the Kadampat Substation located at Labrador, Pangasinan. The transmission line is owned by the TransCo and operated and maintained by its concessionaire, NGCP.

SAN ROQUE POWER PLANT

Background

The 345 MW San Roque Power Plant in San Manuel, Pangasinan, commenced operations on May 1, 2003, and is a peaking plant that was constructed by a consortium composed of Marubeni Corporation, Sithe Philippines Holdings, Ltd., and Italian-Thai Development Public Company Limited (the "**Consortium**") pursuant to a PPA with NPC under a BOT scheme (the "**San Roque PPA**").

The San Roque Power Plant utilizes the Agno River for peaking power, irrigation, flood control and water quality improvement for the surrounding region, and comprises three power generation units of 115 MW each. The San Roque Power Plant produced an annual average energy generation of 882 GWh for the calendar years 2011 through 2021, irrigates approximately 39,553 hectares of agricultural land, stores water that would otherwise flood the Pangasinan plains, and improves water quality of the Agno River which, otherwise, would pollute the downstream rivers.

On December 15, 2009, SPDC, a wholly owned subsidiary of SMC Global Power, successfully bid for the appointment to be the IPPA for the San Roque Power Plant and received a notice of award on December 28, 2009. SPDC assumed administration of the San Roque Power Plant on January 26, 2010 in accordance with the IPPA Agreement with PSALM (the "**San Roque IPPA Agreement**"). PSALM remains responsible under the San Roque PPA to remunerate the IPP of the San Roque Power Plant for the electricity it produces.

San Roque IPPA

Power Plant Capacity

Under the San Roque IPPA Agreement, SPDC has the right to manage, control, trade, sell or otherwise deal in the electrical generation capacity of the San Roque Power Plant, while NPC, which owns and operates the dam and related facilities thereof, obtained and maintains water rights necessary for the testing and operation of the power plant. SPDC is required to assist PSALM so that the San Roque Power Plant can draw water from the Agno River required by the power plant and necessary for it to generate the electricity required to be produced under the San Roque PPA of NPC with San Roque Power Corporation ("**SRPC**").

While the contracted capacity of SPDC is 345 MW, it may generate up to 435 MW depending on the water level and inflow to the San Roque reservoir. Accordingly, for purposes of this Prospectus, the contracted capacity of the San Roque Power Plant is referred to as 345 MW. The estimated useful life of the San Roque Power Plant is 43 years.

The San Roque Power Plant is a peaking plant. Under the terms of the San Roque PPA, power and energy are delivered to SPDC at the delivery point (the high voltage side of the step-up transformers) located at the perimeter fence of the San Roque Power Plant site. SPDC is responsible for contracting with NGCP to wheel power from the delivery point.

Minimum Run Rate

The San Roque PPA requires NPC to take-or-pay for a minimum amount of power from the San Roque Power Plant. The minimum amount required increases from 85 MW through April 2007, 95 MW from May 2007 through April 2013, 110 MW from May 2013 through April 2017 and 115 MW from May 2017 through April 2028. Under the San Roque IPPA Agreement, SPDC is contractually obligated to purchase the minimum amount of power that NPC is obligated to take-or-pay for under the San Roque PPA.

IPPA Fees

SPDC pays PSALM a monthly fee that consists of a fixed payment and a variable energy fee.

The fixed payment consists of agreed amounts (in U.S. dollars and Pesos) for the applicable month as set out in the San Roque IPPA Agreement. The specific amount of the fixed monthly payments under the San Roque IPPA Agreement increases over the life of the agreement, and the amounts and timing of such increases are specified in a schedule to the agreement. In any month that the San Roque Power Plant is unable to produce power for at least three non-delivering days, these fixed amounts are reduced in proportion to the number of non-delivering days in that month. A non-delivering day means a 24-hour period during which the San Roque Power Plant is unable to produce power for reasons specified in the San Roque IPPA Agreement, including unplanned outages arising from causes not attributable to SPDC. No reduction in the fixed payment is made if the San Roque Power Plant is unable to produce power due to planned outages.

The energy fee is computed based on the actual energy delivered by the San Roque Power Plant at a fixed price of ₱1.30 per KWh. The actual energy delivered and dispatched by the San Roque Power Plant at any given time is dependent on the water levels in the reservoir and downstream irrigation requirements at that time.

Other Provisions

The San Roque IPPA Agreement requires SPDC to maintain a performance bond in favor of PSALM equivalent to US$20 million. Under the San Roque IPPA Agreement, SPDC has the right to acquire the San Roque Power Plant in May 2028, which is the end of the cooperation period between NPC and SRPC under the San Roque PPA, or on some earlier date due to certain events such as changes in applicable law or non-performance by SRPC under the San Roque PPA.

While SPDC is granted the right to coordinate with SRPC, on behalf of NPC, on matters relating to management of the generation capacity of the San Roque Power Plant, SPDC cannot directly enforce the San Roque PPA against SRPC or NPC. Any claims for damages for breach, or other entitlement, benefit or relief under the San Roque IPPA Agreement arising from the breach of SRPC of its San Roque PPA obligations must be claimed by SPDC against PSALM through the ER Claim and the PSALM ER Claim mechanism. Under the San Roque IPPA Agreement, SPDC has the option to acquire the San Roque Power Plant in May 2028 without any additional payment by SPDC. SPDC may exercise the option to acquire the San Roque Power Plant prior to May 2028 under certain circumstances, such as changes in applicable law or non-performance by SRPC of its obligations under the San Roque PPA. In this case, the transfer price will be the net present value of the sum of the agreed monthly payments remaining unpaid at the date of termination of the San Roque IPPA Agreement.

The San Roque IPPA Agreement may be terminated by either SPDC or PSALM due to certain force majeure events. In case of such termination, SPDC is entitled to receive from PSALM a termination payment equal to the aggregate agreed monthly payments paid by SPDC up to the date of termination less the aggregate capital recovery, operating and watershed management fees paid or payable by NPC/PSALM to SRPC from the effective date of the San Roque IPPA Agreement up to the termination date of the San Roque IPPA Agreement.

Power Offtakers

SPDC primarily sells its generated capacity to the WESM at the prevalent spot price. SPDC also periodically supplies replacement power to the subsidiaries of SMC Global Power. On October 23, 2020, SPDC and Clark Electric Distribution Corporation executed a 25 MW PSA for five years beginning December 26, 2020, which is subject to ERC approval. In the meantime, SPDC received a letter from the ERC allowing the parties to implement the contracted rates under the PSA.

Operations Review

The table below is a summary of operating statistics of the San Roque Power Plant during the periods indicated.

	Year ended December 31,			Three months ended March 31,	
	2019	2020	2021	2021	2022
Actual Energy Generated (GWh)	793	494	1,036	233	189
Electricity sold (GWh):	1,187	652	1,096	254	237
of which: bilateral offtake agreements	935	529	700	127	197
of which: WESM sales	252	123	396	127	40
Average realized electricity prices(₱/MWh):					
for electricity sold under bilateral offtake agreements	6,759	4,795	4,779	4,686	4,989
for electricity sold on WESM	3,429	3,538	6,755	4,156	6,899
Net Capacity Factor (%)	26	16	34	32	25
Availability Factor (%)	94	100	96	99	100
Reliability Factor (%)	99	100	100	100	100
Average Net Dependable Capacity (MW)	358	365	373	372	359

Water Rights

The generated output energy of the San Roque Power Plant is limited by the "Irrigation Diversion Requirements" set by the NIA of the Philippines. Water allocation is usually dictated by a rule curve that is derived from historical data of river flows and water demands. A rule curve shows the minimum water level requirement in the reservoir at a specific time to meet the needs for which the reservoir is designed. The rule curve must generally be followed except during periods of extreme drought and when public interest requires.

In general, the rule curve dictates the following:

- *Water Level Above the Upper Rule Curve* — All demands for water supply and irrigation are met and electricity can be generated at the full capacity of the turbine units. Excess inflow is discharged through the spillway. Water released through the spillway is controlled and regulated by the NPC Dam Office personnel.

- *Between the Upper and Lower Rule Curves* — All demands for water supply and irrigation are satisfied. Generation of electricity is limited to the released water for water supply and irrigation.

- *Water Level Below the Lower Rule Curve* — The remaining water in the reservoir is reserved for water supply and irrigation. Generation of electricity is limited to these water releases. If necessary, no further water release for power generation is allowed.

Generally, the output energy of San Roque Power Plant is high during planting seasons which cover the months of December through April (dry planting season) and July through September (wet planting season). The water releases from the dam, and thus, energy generation, during the dry planting season is much higher due to the absence of rain. The water rights of NPC are used by the San Roque Power Plant, and NPC, until the date of transfer of the San Roque Power Plant to NPC (or SPDC, as the case may be), must obtain such renewals or extensions as may be required to maintain the water rights in full force and effect at all times. NPC derives its water rights from a permit granted by the NWRB.

Operations and Maintenance

SRPC, the successor-in-interest of the Consortium, is responsible for the operations and maintenance of the San Roque Power Plant for 25 years effective May 1, 2003. SRPC is owned by Marubeni Corporation and Kansai Electric Power Company Ltd. Under the San Roque PPA, SRPC is responsible for the management, operation, maintenance and repair of the San Roque Power Plant at its own cost until transfer to NPC or SPDC, as the case may be. As operator, SRPC is entitled to conduct the normal inspection, regular preventive maintenance, repair and overhaul for a period of 15 days for each unit comprising the San Roque Power Plant. In addition, SRPC has the right to enter into contracts for the supply of materials and services, including contracts with NPC; appoint and remove consultants and professional advisers; purchase replacement equipment; appoint, organize and direct staff; manage and supervise the power plant; establish and maintain regular inspection, maintenance and overhaul procedures; and otherwise run the power plant within the operating parameters set out in the San Roque PPA.

The maintenance plan for the San Roque Power Plant is agreed upon annually between SPDC, NPC, PSALM, NGCP and SRPC. The maintenance plan includes scheduled inspections and overhauls, including scheduled periods of outage and details as to the personnel required to complete each inspection. Planned outages for preventive maintenance of the generating units are scheduled in such a way that only one unit is shut down at any given time. The power tunnel that delivers water from the reservoir to the generating units also undergoes routine annual preventive maintenance inspections, during which all units are shut down. The maintenance plan is established with consideration given to the dispatch requirements of SPDC and recommendations of the plant manufacturer. SRPC is required to execute the maintenance plan in accordance with the recommendations of the original equipment manufacturer and good utility practice. SRPC performs periodic preventive maintenance activities on the generating units of the San Roque Power Plant during the course of the operation of the plant. The San Roque PPA requires SRPC to conduct an annual test to check the capacity of the generating units of the San Roque Power Plant. As of the date of this Prospectus, the generating units of the San Roque Power Plant have attained and maintained the required contracted capacity specified in the San Roque PPA.

Each of the generating units of the San Roque Power Plant historically has been, and is expected to continue to be, shut down for routine preventive maintenance for approximately 15 days per calendar year sometime between April to June of each year, when water levels at the reservoir are low. Since 2010, during periods when a generating unit is shut down for routine preventive maintenance, the San Roque Power Plant has historically been, and is expected to continue to be, able to generate power at the applicable minimum run rate from the other generating units. The San Roque Power Plant does not have a regular schedule for significant preventive maintenance and repair work.

The power tunnel that delivers water from the reservoir to the generating units also undergoes routine preventive maintenance inspections for approximately 15 days per calendar year. Power tunnel inspections historically have been, and are expected to continue to be, conducted between April to June of each year, after the end of the irrigation period and when water levels at the reservoir are low.

The table below sets forth the actual planned outages of the power tunnel for the San Roque Power Plant for the periods indicated.

Year ended December 31,			**Three months ended March 31,**	
2019	**2020**	**2021**	**2021**	**2022**
7 days (June 8 to 14)	None	15 days	None	None

The table below sets forth the actual unplanned outages of the San Roque Power Plant for the periods indicated.

Year ended December 31,			Three months ended March 31,	
2019	2020	2021	2021	2022
3 days (February 15 to 18)	None	None	None	None

In 2019, three days unplanned outages of the San Roque Power Plant were due to defective isolation valve and auxiliary breaker transfer failure.

In 2019, seven days planned outages of the San Roque Power Plant were due to power tunnel and switchyard inspection.

In 2021, the San Roque Power Plant was shut down for 15 days for power tunnel inspection.

Power Transmission

Power from the San Roque Power Plant is transmitted through a nine km 230-kV transmission line from the San Roque Power Plant switchyard to the San Manuel substation located in Pangasinan. The transmission line is owned by TransCo and operated and maintained by NGCP.

ILIJAN POWER PLANT

Background

The Ilijan Power Plant commenced commercial operations on June 5, 2002, and is located on a 60-acre site at Arenas Point, Barangay Ilijan, Batangas City. The Ilijan Power Plant was constructed and is owned by KEILCO pursuant to a 20-year ECA with NPC ("**Ilijan ECA**") under a BOT scheme that expires on June 4, 2022. The Ilijan Power Plant consists of two blocks with a rated capacity of 600 MW each.

NPC/PSALM supplies natural gas to the Ilijan Power Plant from the Malampaya gas field in Palawan under a gas supply agreement with Shell Exploration Philippines BV. The Ilijan Power Plant can also run on diesel oil stored on site.

On April 16, 2010, SMC successfully bid for the appointment to be the IPP Administrator for the Ilijan Power Plant and received a notice of award on May 5, 2010. On June 10, 2010, SMC and SPPC, entered into an assignment agreement with assumption of obligations whereby SMC assigned all of its rights and obligations with respect to the Ilijan Power Plant to SPPC. SPPC assumed administration of the Ilijan Power Plant on June 26, 2010 in accordance with the Ilijan IPPA Agreement.

Ilijan IPPA

Power Plant Capacity and Fuel Supply

SMC Global Power, through its wholly-owned subsidiary, SPPC, has the contractual right to manage, control, trade, sell or otherwise deal in the generation capacity of the Ilijan Power Plant pursuant to the Ilijan IPPA Agreement. Although the installed capacity of the Ilijan Power Plant totals 1,271 MW, ERC records attribute to SPPC a capacity of 1,200 MW for the Ilijan Power Plant. Accordingly, for purposes of this Prospectus, the contracted capacity of the Ilijan Power Plant is referred to as 1,200 MW. The estimated useful life of the Ilijan Power Plant is 42 years.

Under the Ilijan ECA, NPC/PSALM is required to deliver and supply to KEILCO the fuel necessary to operate the Ilijan Power Plant. If natural gas is unavailable, SMC Global Power, through SPPC, may require KEILCO to run the Ilijan Power Plant using diesel fuel. NPC/PSALM remains responsible for securing the natural gas and diesel fuel supply to the Ilijan Power Plant.

IPPA Fees

SPPC must pay fixed monthly payments comprising both a U.S. dollar and Peso component. In addition, SPPC must pay monthly generation payments comprising a "must pay" amount for electricity sold up to a given volume (the "**Must Pay Volume**") and a variable amount for electricity sold in excess of the Must Pay Volume.

Other Provisions

SPPC is required to maintain a US$60 million performance bond in favor of PSALM. PSALM remains responsible to KEILCO for the payment obligations of NPC under the Ilijan ECA.

While SPPC is granted the right to coordinate with KEILCO, on behalf of NPC, on matters relating to management of the generation capacity of the Ilijan Power Plant, SPPC cannot directly enforce the Ilijan ECA against KEILCO or NPC. Any claims for damages for breach, or other entitlement, benefit or relief under the Ilijan IPPA Agreement arising from the breach of KEILCO of its obligations under the Ilijan ECA must be claimed by SPPC against PSALM through the ER Claim and the PSALM ER Claim mechanism.

Under the Ilijan IPPA Agreement, SPPC has the option to acquire the Ilijan Power Plant in June 2022 subject to certain conditions under the Ilijan IPPA Agreement but without any additional payment by SPPC. SPPC may exercise the option to acquire the Ilijan Power Plant prior to June 2022 under certain circumstances, such as changes in applicable law or non-performance by KEILCO of its obligations under the Ilijan ECA. In this case, the transfer price will be the net present value of the sum of the agreed monthly payments remaining unpaid at the date of termination of the Ilijan IPPA Agreement. SPPC has conducted coordination meetings with KEILCO and PSALM in preparation for the transition and take-over of the Ilijan Power Plant in June 2022.

The Ilijan IPPA Agreement may be terminated by either SPPC or PSALM due to certain force majeure events. In case of such termination, SPPC is entitled to receive from PSALM a termination payment equal to the aggregate agreed monthly payments paid by SPPC up to the date of termination less the aggregate capital recovery fees and fixed operating and maintenance fee paid or payable by NPC/PSALM to KEILCO from the effective date of the Ilijan IPPA Agreement up to the termination date of the Ilijan IPPA Agreement.

Power Offtakers

The majority of the capacity of the Ilijan Power Plant is contracted to Meralco under long-term PSAs. Meralco conducted CSP for its power supply, in accordance with the DOE CSP Policy. The Ilijan Power Plant was awarded two offtake contracts to supply an aggregate of 960 MW, of which 670 MW is contracted for 10 years while the remaining 290 MW is contracted for five years. On February 2, 2022, SPPC won the CSP conducted by Meralco for the supply of 170 MW (net) contract capacity. The supply duration will be for five months upon its approval by the ERC.

In the years ended December 31, 2019, 2020 and 2021, and the three months ended March 31, 2021 and 2022, 87%, 93%, 89%, 85% and 90%, respectively, of the volume of power sold from the Ilijan Power Plant were derived from sales made under offtake agreements. In the years ended December 31, 2019, 2020 and 2021, and the three months ended March 31, 2021 and 2022, 13%, 7%, 11%, 15% and 10% of the volume of power sold from the Ilijan Power Plant, respectively, were derived from sales made through the WESM.

Operations Review

The table below is a summary of operating statistics of the Ilijan Power Plant for the periods indicated.

	Year ended December 31,			Three months ended March 31,	
	2019	2020	2021	2021	2022
Actual Energy Generated (GWh)	8,065	7,530	5,999	1,854	1,603
Electricity sold (GWh):	8,133	7,765	7,328	1,993	1,817
of which: bilateral offtake agreements	7,114	7,228	6,533	1,685	1,630
of which: WESM sales	1,019	536	795	308	187
Average realized electricity prices(₱/MWh):					
for electricity sold under bilateral offtake agreements	4,760	4,445	4,541	4,097	4,638
for electricity sold on WESM	4,324	2,163	3,075	2,088	5,724
Net Capacity Factor (%)	77	72	57	72	62
Availability Factor (%)	92	100	92	91	94
Reliability Factor (%)	100	100	99	100	99
Average Net Dependable Capacity (MW)	1,104	1,192	1,109	1,088	1,130
Net Heat Rate (Kilo-Joule/KWh)	6,841	7,036	7,230	6,939	6,993

Fuel Supply

Under the Ilijan IPPA Agreement, NPC is responsible for securing the natural gas and diesel fuel supply to the Ilijan Power Plant. Pursuant to a fuel supply and management agreement among Shell Philippines Exploration B.V., Occidental Philippines, Inc., and NPC, NPC supplies natural gas to the Ilijan Power Plant through a 480-km undersea pipeline from the Camago-Malampaya field in Palawan to the Shell Refinery in Tabangao. From there, the natural gas is transported through a 16-inch diameter onshore pipeline running 15 km to the Ilijan Power Plant.

For the fuel supply commencing upon transfer of the Ilijan Power Plant to SPPC at the end of the IPPA Agreement, SPPC has various options including continuing to source fuel from Malampaya or secure LNG supply from prospective fuel suppliers based on prevailing market conditions. Further, SPPC will have access to the Batangas LNG Terminal for the storage and regassification of LNG to be delivered to power plants in the area.

Operations and Maintenance

KEILCO is responsible for the operations and maintenance of the Ilijan Power Plant for 20 years from June 2002. Under the Ilijan ECA, KEILCO is required to operate the Ilijan Power Plant pursuant to certain operating criteria and guidelines, governing the output of 1,200 MW guaranteed contracted capacity, baseload operation, and spinning reserve capability. Under the Ilijan ECA, KEILCO is responsible, at its own cost, for the management, operation, maintenance, including the supply of consumables and spare parts, and the repair of the Ilijan Power Plant.

The maintenance plan for the Ilijan Power Plant is agreed upon annually between SPPC, NPC, PSALM, NGCP and KEILCO. The maintenance plan includes scheduled inspections and overhauls, including scheduled periods of outage and details as to the personnel required to complete each inspection. Planned outages for preventive maintenance are scheduled in such a way that only one unit is scheduled for shut down at any given time. The maintenance plan is established with consideration given to the dispatch requirements of SPPC and recommendations of the plant manufacturer. KEILCO is required to execute the maintenance plan in accordance with the recommendations of the original equipment manufacturer and good utility practice. KEILCO performs periodic preventive maintenance activities on the generating units of the Ilijan Power Plant during the course of the operations of the plant. The Ilijan ECA requires KEILCO to conduct an annual test to check the capacity of the generating units of the Ilijan Power Plant.

Each of the generating units of the Ilijan Power Plant historically has been, and is expected to continue to be, shut down for routine preventive maintenance for approximately 26 days per calendar year. SPPC also expects that KEILCO will shut down these units for more significant preventive maintenance and repair work for a total of 35 to 43 days in every fifth calendar year.

The table below sets forth actual planned outages of the Ilijan Power Plant for the periods indicated.

	Year ended December 31,			Three months ended March 31,	
	2019	2020	2021	2021	2022
Block 1	17 days	None	54 days	None	4 days
Block 2	39 days	None	42 days	13 days	3 days

In 2019, Block 1 underwent 17 days of shut down primarily due to combustor inspection while Block 2 was shut down for 39 days mainly due to major inspection.

In 2021, Block 1 and Block 2 were shut down for 54 days and 42 days, respectively, for preventive maintenance outage and for the Malampaya gas facility scheduled maintenance shutdown.

In the first three months of 2022, Block 1 and Block 2 were shut down for four days and three days, respectively, for interim maintenance.

The table below sets forth unplanned outages of the Ilijan Power Plant for the periods indicated.

	Year ended December 31,			Three months ended March 31,	
	2019	2020	2021	2021	2022
Block 1	1 day	1 day	1 day	None	None
Block 2	None	1 day	1 day	None	None

In 2019, Block 1 experienced a one-day outage due to combustor pressure fluctuation.

In 2020, Blocks 1 and 2 both experienced a one-day outage due to power tripping attributable to loss of running boiler feedwater pumps and fluctuation of combustor pressure.

In 2021, Blocks 1 and 2 again experienced a one-day outage, with the outage in Block 1 due to unusual sound observed on main transformer isolated phase bus and loss of running boiler feedwater pumps and the outage in Block 2 due to a line tie breaker opening.

Power Transmission

Power from the Ilijan Power Plant is transmitted through a 500-kV transmission line that connects to the Luzon Grid through the Ilijan-Dasmarinas line and Ilijan-Tayabas line. The transmission line is owned by TransCo, and operated and maintained by NGCP.

ANGAT HYDROELECTRIC POWER PLANT

Background

The AHEPP is an operating hydroelectric power plant located at the Angat reservoir in San Lorenzo, Norzagaray, Bulacan, approximately 58 km northeast of Metro Manila. The AHEPP was privatized through an asset purchase agreement between PSALM and Korea Water Resource Corporation ("**K-water**"). K-water assigned its rights in favor of AHC, a joint venture between K-water and PVEI.

The project has a total electricity generating capacity of 218 MW, comprised of four main units of 50 MW capacity each and three auxiliary units of 6 MW capacity each. The Main Units 1 and 2, together with the Auxiliary Units 1 and 2 were commissioned in 1967. The Main Units 3 and 4 were commissioned in 1968. The Auxiliary Unit 3 was commissioned in 1978. The Auxiliary Unit 3 was manufactured by Allis-Chalmer and Ebara and all the other units were manufactured by Toshiba Corporation of Japan. All units are run by the Francis-type turbines, which are the most commonly used model in hydroelectric power generation. In August 2018, AHC completed the rehabilitation and turnover of the Angat Dam and Dykes in accordance with the Operations and Maintenance Agreement with PSALM and NPC. The estimated useful life of the machinery and general plant equipment of the AHEP is between 10 to 25 years.

In September 2021, AHC entered into a Rehabilitate-Operate-Maintain Agreement for Auxiliary Units 4 and 5 with combined capacity of 28 MW, owned by the MWSS and located at the AHEPP. Under the agreement, AHC will rehabilitate Auxiliary Units 4 and 5 and thereafter operate and maintain the same for 23 years under a profit-sharing arrangement with MWSS.

Fuel Supply and Water Rights

its widest points, and has surface of 2,300 hectares and viable storage volume of 850 million cubic meters. The water discharged by the project is used for the following two purposes: (i) water discharged through Auxiliary Units and through the spillway that flows to the Ipo reservoir is used to supply 97% of the residential drinking water of Metro Manila; and (ii) water discharged through Main Units that flows downstream to the Bustos reservoir is utilized for irrigation purposes.

Water rights surrounding the AHEPP are co-owned and governed by the following entities, with its respective purposes, pursuant to the Water Code of the Philippines, Angat Reservoir Operation Rules issued and regulated by NWRB as implemented by a Memorandum of Agreement on the Angat Water Protocol between MWSS, NIA, AHC, PSALM, NPC and NWRB: (i) MWSS, for domestic water supply to Metro Manila; (ii) provincial government of Bulacan, for water supply in the Bulacan Province; (iii) NIA, for irrigation diversion requirements; and (iv) AHC (through a lease contract with KWPP), for power generation.

Power Offtakers

AHC sells the majority of its generated capacity to the WESM at the prevalent spot price. The Main Units are operated as peaking units. The strategy for the Main Units is to allocate daily water release during peak hours. Auxiliary Units are operated as baseload units, as the water requirement from MWSS is continuous throughout the day, thus eliminating any discrete optionality to choose the hour of allocation. AHC periodically enters into short-term power supply contracts for the capacity of its auxiliary units, including replacement contracts with the subsidiaries of SMC Global Power, and continues to explore options to contract this capacity.

Operations Review

The table below is a summary of operating statistics of the AHEPP during the periods indicated.

	For the year ended December 31,			**For the three months ended March 31,**	
	2019	**2020**	**2021**	**2021**	**2022**
Net Capacity Factor (%)	14	19	23	36	17
Availability Factor (%)	73	85	94	99	66
Reliability Factor (%)	81	98	100	99	99
Average Net Dependable Capacity (MW)	124	159	187	218	135

Operations and Maintenance

AHC undertakes the operation and maintenance of AHEPP. The operations and maintenance team consist of the local technical team who have been operating the AHEPP supported by technical experts seconded from K-water.

AHC has entered into technical services agreements with each of K-water and PVEI to ensure that the appropriate level of technical and management support will be provided to support the operation and maintenance requirements of AHC.

LIMAY GREENFIELD POWER PLANT

Background

The Limay Greenfield Power Plant, owned by SMC Global Power through its subsidiary, SCPC, is a 4 x 150 MW CFB coal-fired power plant located in Limay, Bataan, which commenced construction in October 2013. Units 1, 2, 3 and 4 of the Limay Greenfield Power Plant achieved commercial operations in May 2017, September 2017, March 2018 and July 2019, respectively. The EPC contractors of the Limay Greenfield Power Plant are Formosa Heavy Industries and True North Manufacturing Services Corporation. In June 2017, SCPC acquired all of the rights and obligations on the completion of Units 3 and 4 of the Limay Greenfield Power Plant from another wholly-owned subsidiary, Limay Premiere Power Corp. Mantech Power Dynamics Services Inc., another wholly-owned subsidiary of SMC Global Power, is responsible for the operation and maintenance of the Limay Greenfield Power Plant. The estimated useful life of the Limay Greenfield Power Plant is 25 years.

Power Offtakers

Units 1 and 2 of the Limay Greenfield Power Plant are fully contracted to various distribution utilities, electric cooperatives, directly connected customers and contestable customers, including facilities of SMC subsidiaries, under long-term offtake agreements mostly expiring in 10 years from its effective date, subject to extension upon mutual agreement between the parties. Units 3 and 4 of the Limay Greenfield Power Plant are also contracted with distribution utilities, directly connected customers and contestable customers. For the year ended December 31, 2021, 97% of revenues were from bilateral contracts while the remaining 3% was attributable to revenue from WESM. SCPC was granted a RES license on August 24, 2016, which was valid until August 23, 2021. The Company has had preliminary discussions with the ERC for the second renewal of the RES licenses and submitted the renewal application for the RES license of SCPC in May 2021. Pending the completion of the final evaluation of the renewal application, the ERC has extended the validity of SCPC's RES license until September 29, 2022. The RES license gave SCPC the ability to directly contract with contestable customers.

Fuel Supply

The table below sets forth certain information regarding the coal consumption of the Limay Greenfield Power Plant for the periods indicated.

	For the year ended December 31,			For the three months ended March 31,	
	2019	2020	2021	2021	2022
Metric tons (thousands)	2,328	2,248	2,679	660	590
Average calorific value (kcal/kg)	4,367	4,297	4,325	4,323	4,394
(in millions ₱)	6,008	5,080	7,555	1,421	3,396
Average price per metric ton (₱)	2,581	2,260	2,820	2,155	5,756

SCPC has executed three long-term coal supply agreements with PT Bara Tabang ("**Bayan**") with terms of until 2022, until January 31, 2029 and until January 31, 2032, respectively. SCPC also has a long-term coal supply agreement with KPC which expired on December 31, 2021. Pricing under the coal supply agreements is subject to adjustment based on certain standards applicable to the quality or grade of the coal delivered by the supplier. SCPC has also executed spot coal supply contracts with other suppliers. Bayan is required to supply 24 panamax shipments in 2022 and up to 37 panamax shipments from 2023 up to the end of the term.

Operations Review

The table below is a summary of operating statistics of the Limay Greenfield Power Plant for the periods indicated.

	Year ended December 31,			Three months ended March 31,	
	2019	2020	2021	2021	2022
Actual Energy Generated (GWh)	3,794	3,514	4,177	1,016	981
Electricity sold (GWh):	4,212	4,243	4,591	1,122	1,067
of which: bilateral offtake agreements	4,162	4,147	4,447	1,068	1,033
of which: WESM sales	50	96	144	53	34
Average realized electricity prices(₱/MWh):					
for electricity sold under bilateral offtake agreements	4,696	4,627	5,181	4,728	6,327
for electricity sold on WESM	5,003	2,342	5,490	3,026	7,700
Net Capacity Factor (%)	81	75	89	85	85
Availability Factor (%)	84	82	93	90	88
Reliability Factor (%)	89	89	98	97	99
Average Net Dependable Capacity (MW)	536	536	528	536	528
Net Heat Rate (Kilo-Calorie/Kilowatt hour or "**Kcal/KWh**") (Lower heating value or "**LHV**")	2,686	2,787	2,777	2,815	2,737

The table below sets forth planned outages of the Limay Greenfield Power Plant for the periods indicated.

	Year ended December 31,			Three months ended March 31,	
	2019	2020	2021	2021	2022
Unit 1	21 days	28 days	25 days	None	None
Unit 2	None	14 days	10 days	10 days	21 days
Unit 3	21 days	21 days	24 days	None	None
Unit 4	3 days	80 days	21 days	21 days	19 days

in 2019, Unit 1 was shut down for 21 days mainly for annual preventive maintenance, Unit 3 was shut down for 21 days due to grid operating and maintenance program and warranty works on sealpot refractories while Unit 4 was shut down for 3 days for replacement of turbine actuator and also due to earthquake incident.

In 2020, Unit 1 and Unit 3 were shut down for 28 days and 21 days, respectively for annual preventive maintenance. Unit 2 was shut down for 14 days to facilitate rectification of passing high pressure bypass valve and hotspots at Lamao substation while Unit 4 was on extended shut down for 80 days mainly for annual preventive maintenance and for the rectification of electrostatic precipitator defective discharge electrode.

In 2021, Unit 1, Unit 2, Unit 3 and Unit 4 were shut down for 25 days, 10 days, 24 days and 21 days, respectively, for annual preventive maintenance.

In the first three months of 2022, Unit 2 and Unit 4 were shut down for 21 days and 19 days, respectively, for annual preventive maintenance.

The table below sets forth unplanned outages of the Limay Greenfield Power Plant for the periods indicated.

	Year ended December 31,			Three months ended March 31,	
	2019	2020	2021	2021	2022
Unit 1	56 days	27 days	2 days	None	None
Unit 2	47 days	23 days	4 days	4 days	2 days

Unit 3	19 days	67 days	10 days	1 day	None
Unit 4	26 days	12 days	3 days	3 days	None

In 2019, Unit 1 was shut down for 56 days primarily due to damaged debris filter, outside management control and boiler tube leak. Unit 2 was shut down for 47 days mainly due to boiler tube leaks and outside management control. Units 3 and 4 were shut down for 19 days and 26 days, respectively, primarily due to boiler tube leaks.

In 2020, Unit 1 experienced shut down for 27 days mainly due to extended preventive maintenance shutdown and repair of coal feeder. Units 2, 3 and 4 were shut down for 23 days, 67 days and 12 days, respectively, primarily due to extended annual preventive maintenance shutdown and boiler tube leaks.

In 2021, Unit 3 was shut down for 10 days mainly to conduct replacement of expansion bellows.

In the first three months of 2022, Unit 2 was shut down for two days due to delayed start-up for refractory dry-out.

Power Transmission

Power from the Limay Greenfield Power Plant is transmitted through a 230-kV transmission line that connects to the Luzon grid through the Lamao, Limay Bataan Substation. The transmission line is owned by TransCo and operated and maintained by NGCP.

DAVAO GREENFIELD POWER PLANT

Background

The Davao Greenfield Power Plant owned by SMC Global Power through its subsidiary, SMCPC, is a 2 x 150 MW CFB coal-fired power plant located in Malita, Davao Occidental, which commenced construction in September 2013. Units 1 and 2 of the Davao Greenfield Power Plant achieved commercial operations in July 2017 and February 2018, respectively.

The EPC contractors of the Davao Greenfield Power Plant are Formosa Heavy Industries and True North Manufacturing Services Corporation. Safetech Power Services Corp., another wholly-owned subsidiary of SMC Global Power, is responsible for the operation and maintenance of the Davao Greenfield Power Plant. The estimated useful life of the Davao Greenfield Power Plant is 25 years.

Power Offtakers

Units 1 and 2 of the Davao Greenfield Power Plant are substantially contracted to various distribution utilities, electric cooperatives and industrial customers under long-term offtake agreements mostly expiring in 10 years from its effective date, subject to extension upon mutual agreement between the parties. For the three months ended March 31, 2022, all revenues were from bilateral contracts.

Fuel Supply

The table below sets forth certain information regarding the coal consumption of the Davao Greenfield Power Plant for the periods indicated.

	For the year ended December 31,			For the three months ended March 31,	
	2019	**2020**	**2021**	**2021**	**2022**
Metric tons (thousands)	1,159	1,158	1,192	288	256
Average calorific value (kcal/kg)	4,437	4,553	4,372	4,407	4,364
(in millions ₱)	3,303	2,970	3,306	614	1,309
Average price per metric ton (₱)	2,850	2,565	2,774	2,133	5,122

SMCPC executed two long-term coal supply agreement with Bayan, effective until January 31, 2029 and January 31, 2032, respectively. Pricing under the coal supply agreement is subject to adjustment based on certain standards applicable to the quality or grade of the coal delivered by the supplier. SMCPC also has executed spot coal supply contracts with other suppliers. Bayan is required to supply 16 panamax shipments in 2022 and up to 18 panamax shipments from 2023 up to the end of the term.

Operations Review

The table below is a summary of operating statistics of the Davao Greenfield Power Plant for the periods indicated.

	Year ended December 31,			**Three months ended March 31,**	
	2019	**2020**	**2021**	**2021**	**2022**
Actual Energy Generated (GWh)	1,896	1,897	1,835	443	397
Electricity sold (GWh):	2,174	2,135	1,954	475	470
of which: bilateral offtake agreements	2,174	2,135	1,954	475	470
of which: WESM sales	—	—	—	—	—
Average realized electricity prices(₱/MWh):					
for electricity sold under bilateral offtake agreements .	5,000	5,158	5,572	4,693	7,561
for electricity sold on WESM	—	—	—	—	—
Net Capacity Factor (%)	82	81	79	78	70
Availability Factor (%)	93	90	92	90	82
Reliability Factor (%)	98	98	98	100	95
Average Net Dependable Capacity (MW)	264	270	264	270	264
Net Heat Rate (Kilo-Calorie/Kilowatt hour or "**Kcal/KWh**") (Lower heating value or "**LHV**")	2,649	2,766	2,808	2,809	2,843

The table below sets forth planned outages of the Davao Greenfield Power Plant for the periods indicated.

	Year ended December 31,			**Three months ended March 31,**	
	2019	**2020**	**2021**	**2021**	**2022**
Unit 1	22 days	15 days	30 days	None	None
Unit 2	4 days	45 days	19 days	19 days	23 days

In 2019, Unit 1 and Unit 2 were shut down for 22 days and 4 days, respectively, for annual preventive maintenance.

In 2020, Unit 1 was shut down for 15 for annual preventive maintenance while Unit 2 was shut down for 45 days for repair of boiler tubes.

In 2021, Unit 1 and Unit 2 were shut down for 30 days and 19 days, respectively, for annual preventive maintenance.

In the first three months of 2022, Unit 2 was shut down for 23 days for annual preventive maintenance.

The table below sets forth unplanned outages of the Davao Greenfield Power Plant for the periods indicated.

	Year ended December 31,			**Three months ended March 31,**	
	2019	**2020**	**2021**	**2021**	**2022**
Unit 1	6 days	1 day	5 days	None	None
Unit 2	8 days	13 days	6 days	None	10 days

In 2019, Units 1 and 2 were shut down for six days and eight days, respectively, mainly due to boiler tube leaks.

In 2020, Unit 2 was shut down for 13 days primarily due to boiler tube leaks.

In 2021, Unit 1 was shut down for five days mainly due to boiler tube leaks, while Unit 2 was shut down for six days primarily due to a fire incident in the crusher building.

In the first three months of 2022, Unit 2 was shut down for 10 days for grid operating and maintenance program.

Power Transmission

Power from the Davao Greenfield Power Plant is transmitted through a 230-kV transmission line that connects to the Mindanao grid through the Culaman, Malita Substation. The transmission line is owned by TransCo and operated and maintained by NGCP.

MASINLOC POWER PLANT AND MASINLOC BESS

Background

The Masinloc Power Plant comprises 1 x 330 MW (Unit 1), 1 x 344 MW (Unit 2) and 1 x 351.75 MW (Unit 3) coal-fired power plant located in Masinloc, Zambales, and is owned and operated by MPPCL. Units 1 and 2 of the Masinloc Power Plant commenced commercial operations in June 1998 and December 1998, respectively, and were originally developed and owned by NPC. Unit 3, which is a brownfield/expansion project within the Masinloc Power Plant, commenced commercial operations on September 26, 2020. MPPCL also owns the Masinloc BESS. The estimated useful life of the Masinloc Power Plant is 40 years.

The Masinloc BESS (10 MWh) is a pioneer grid-scale BESS in the Philippines and Southeast Asia. The EPC Contractor for the Masinloc BESS is Fluence, which has installed 1,125 MW in BESS capacity in 95 projects across 20 countries and is a leading vendor for utility-scale energy storage systems, according to Navigant Research.

The Masinloc Power Plant and Masinloc BESS were acquired by SMC Global Power on March 20, 2018, pursuant to its acquisition of 51% and 49% equity interests in SMCGP Masin from AES Phil and Gen Plus B.V., respectively.

Power Offtakers

Units 1, 2 and 3 of the Masinloc Power Plant are substantially contracted through medium to long-term bilateral contracts with Meralco, electric cooperatives and contestable customers. For the year ended December 31, 2021, 88% of revenues were from bilateral contracts while the remaining 12% was attributable to revenue from WESM. The RES license of MPPCL was renewed on June 27, 2016, and is valid until August 1, 2021. The Company has had preliminary discussions with the ERC for the second renewal of the RES license and submitted the renewal application in June 2021. Pending the completion of the final evaluation of the renewal applications, the ERC has extended the validity of MPPCL's RES license until September 29, 2022. The Masinloc BESS provides regulating reserve ancillary services to the Luzon Grid under an ASPA with NGCP, under a take-or-pay scheme for capacity payments for both charging and discharging capacity, subject to dispatch protocols and guidelines.

Operations Review

The table below is a summary of operating statistics of the Masinloc Power Plant for the periods indicated.

	For the year ended December 31,			For the three months ended March 31,	
	2019	2020	2021	2021	2022
Actual Energy Generated (GWh)	4,264	4,428	6,136	1,411	1,463
Electricity sold (GWh):	5,818	6,510	8,055	1,771	2,015
of which: bilateral offtake agreements	5,450	5,545	7,079	1,583	1,973
of which: WESM sales	368	965	976	187	42
Average realized electricity prices(₱/MWh):					
for electricity sold under bilateral offtake agreements . . .	4,499	4,221	4,708	4,059	6,457
for electricity sold on WESM	4,464	2,366	4,719	3,412	5,284
Net Capacity Factor (%)	79	55	76	70	73
Availability Factor (%)	88	69	88	76	84
Reliability Factor (%)	92	89	90	91	90
Average Net Dependable Capacity (MW)	615	919	917	920	924
Net Heat Rate (Kilo-Calorie/Kilowatt hour or "**Kcal/KWh**") (Lower heating value or "**LHV**")	2,482	2,523	2,458	2,458	2,621

The table below sets forth planned outages of the Masinloc Power Plant for the periods indicated.

	Year ended December 31,			Three months ended March 31,	
	2019	2020	2021	2021	2022
Unit 1	32 days	116 days	17 days	None	None
Unit 2	48 days	23 days	21 days	None	None
Unit 3	None	132 days	59 days	2 days	26 days

In 2019, Unit 1 was shut down for 32 days mainly for preventive maintenance and oil leak while Unit 2 was shut down for 48 days mainly for preventive maintenance, gas path restrictions and removal of boiler slags.

In 2020, Unit 1 was shut down for 116 days mainly due to cleaning of air heater and backpass pluggage and boiler tube leaks, Unit 2 was shut down for 23 days for various repairs and Unit 3 was shut down for 132 days for preventive maintenance and to conduct repairs on primary air fans, high pressure heater, induced draft fan and outlet damper seal air blower.

In 2021, Unit 1 and Unit 2 were shut down for 17 days and 21 days, respectively, for annual preventive maintenance while Unit 3 was shut down for 59 days for annual preventive maintenance and for repair of high-pressure heaters and tube leak issues.

In the first three months of 2022, Unit 3 was shut down for 26 days for annual preventive maintenance.

The table below sets forth unplanned outages of the Masinloc Power Plant for the periods indicated.

	Year ended December 31,			Three months ended March 31,	
	2019	2020	2021	2021	2022
Unit 1	None	12 days	2 days	None	None
Unit 2	3 days	21 days	8 days	None	None
Unit 3	None	9 days	16 days	None	1 day

In 2020, Unit 1 was shut down for 12 days mainly due to boiler tube and oil leaks, Unit 2 was shut down for 21 days mainly due to condenser tube leaks and low conduction vacuum, while Unit 3 was shut down for nine days mainly due to tripping of two boiler feed pumps.

In 2021, Unit 2 was shut down for eight days mainly due to spark observed in generator transformer and electrical ground fault while Unit 3 was shut down for 16 days due to high turbine stress caused by sudden drop of load as well as suction strainer excessive steam and water leak.

Fuel Supply

The table below sets forth certain information regarding the coal consumption of the Masinloc Power Plant as of the periods indicated.

	For the year ended December 31,			For the three months ended March 31,	
	2019	2020	2021	2021	2022
Metric tons (thousands)	1,988	1,670	2,708	588	667
Average calorific value (kcal/kg)	5,430	5,640	5,583	5,877	5,630
(in millions ₱)	8,011	5,951	15,619	2,346	7,026
Average price per metric ton (₱)	4,030	3,569	5,768	3,989	10,532

MPPCL continues to maintain multiple supply agreements, from short- to long-term, and with various reputable mining companies and traders that can deliver the different qualities required by the Masinloc Power Plant with different boilers designs and required coal specifications. MPPCL has two units of sub-critical boiler technology and one unit of supercritical boiler technology that requires different qualities of coal for optimal operations. MPPCL has signed supply contracts with Vitol Asia Pte. Ltd., subsidiary mines of Bayan and an annual agreement with KPC to cover the base coal requirements of the Masinloc Power Plant. Spot supply is also contracted on an as-needed basis involving suppliers that have previously served MPPCL's requirements. This is to ensure the acceptability of coal to be delivered, with best value pricing, and lower execution risk of the agreement terms. Terms under the contracts are linked to the Global Coal Newcastle Index, appropriately adjusted to the coal quality. The Masinloc Power Plant continuously monitors coal market activity for future contracting of supply in succeeding periods.

Power Transmission

Power from the Masinloc Power Plant is transmitted through a 230-kV transmission line that connects to the Luzon grid through the Bolo Substation. The transmission line is owned by TransCo and operated and maintained by NGCP.

DISTRIBUTION AND RETAIL SERVICES

ALBAY POWER AND ENERGY CORP.

On October 29, 2013, after an open and competitive bidding, SMC Global Power entered into a concession agreement for the operation and maintenance of ALECO, which is the franchise holder for the distribution of electricity in the province of Albay, Luzon. Under the concession agreement, there is no transfer of the franchise to operate the distribution system and the ownership of the distribution assets remains with ALECO. At the end of the concession period, the distribution system will be turned over back to ALECO. Under the concession agreement, SMC Global Power would pay a concession fee consisting of quarterly payments for the operating expenses of residual ALECO, and 50% of the net cash flow if the net cash flow is positive within five years or earlier. SMG Global Power also paid for the severance pay of ALECO employees dismissed as a result of the concession agreement. SMC Global Power established APEC as its wholly-owned subsidiary, and in January 2014, SMC Global Power assigned all of its rights and obligations under the concession agreement to APEC, a wholly-owned subsidiary. On February 26, 2014, APEC assumed the role of SMC Global Power under the concession agreement.

Retail Electric Supply

SMC Global Power is pursuing downstream vertical integration by capitalizing on changes in the Philippine regulatory structure to expand its sales of power to a broader range of customers, including retail customers. The three RES licenses issued to SMC Global Power, through SMELC, SCPC and MPPCL, have a term of five years each and were valid until August 21, 2021, August 23, 2021 and August 1, 2021, respectively. The Company submitted RES license renewal applications for SCPC and MPPCL in May and June 2021, respectively, which are currently undergoing evaluation by the ERC. Pending the completion of the final evaluation of the renewal applications, the ERC has extended the validity of SCPC's and MPPCL's RES licenses until September 29, 2022. The RES license of SMELC was extended until September 5, 2021 to serve the requirements of its one remaining contestable customer pending the transfer of such customer's requirement to another RES. After the expiration of SMELC's RES license, SMELC did not submit a RES license renewal application as it has decided to discontinue its supply business.

The RES licenses allow the relevant subsidiary of SMC Global Power to enter into RSCs with contestable customers and expand its customer base. As of March 2022, SCPC and MPPCL supply an equivalent of 776 MW to various facilities of San Miguel Corporation subsidiaries and other contestable customers. Based on data obtained from the ERC, the Company believes that it is a major player in the RES markets where it operates, supplying over 120 contestable customers as of March 2022. The Company currently holds a market share of 17.54% of the contestable customer market, with Meralco, Aboitiz, Ayala and the EDC group holding 36%, 20%, 10% and 5%, respectively, based on the Competitive Retail Electricity Market Report from the ERC as of March 2022.

Coal Investments

Pursuant to its strategy of integrating viable complementary businesses to its power generation business, SMC Global Power, through SMEC and its subsidiaries, Bonanza Energy, Daguma Agro and Sultan Energy, acquired coal exploration, production and development rights over approximately 17,000 hectares of land in Mindanao. Depending on prevailing coal prices and the related logistical costs, SMC Global Power could develop these assets to provide a significant additional source of coal fuel for its power plants, but such assets remain in the preparatory stage of its mining activities, as of March 31, 2022. The Company continues to evaluate the viability of these assets.

The table below sets forth certain information regarding these assets.

Subsidiary	Description of Asset	Mining Site	Coal Operating Contract ("COC")
Bonanza Energy	COC with the DOE covering eight coal blocks with a total area of approximately 8,000 hectares	Barangay Ned, Lake Sebu South Cotabato and Maitum, Saranggani Province	COC for exploration awarded in May 2005, converted to COC for development and production in December 2009
Daguma Agro.............	COC with the DOE covering two coal blocks with a total area of approximately 2,000 hectares	Barangay Ned, Lake Sebu, South Cotabato	COC for exploration awarded in November 2002; converted to COC for development and production in March 2008
Sultan Energy	COC with the DOE covering seven coal blocks with a total area of 7,000 hectares	Barangay Ned, Lake Sebu, South Cotabato and Bagumbayan, Sultan Kudarat	COC for exploration awarded in February 2005; converted to COC for development and production in February 2009

Each of the COCs has a term of 10 years from the conversion date of the COC for development and production. The initial 10-year term of each COC may be extended for another 10-year period, and thereafter for a series of three-year periods not to exceed 12 years, in each case subject to agreement between the parties. Sultan Energy has obtained an extension from the DOE up to

2029 while while Daguma Agro has obtained an extension from the DOE up to 2028. Bonanza Energy has filed a request for a 10-year term extension. In 2019, Daguma Agro and Bonanza Energy requested the approval of the DOE for the consolidation of their COCs, which remains pending as of the date of this Prospectus.

SALES STRATEGY AND CUSTOMERS

SMC Global Power seeks to sell substantially all of the power generated by its portfolio of power plants to offtakers whether in the form of distribution utilities, electric cooperatives or contestable customers. For the year ended December 31, 2021, approximately 48% and 43% of consolidated sales volumes were to (i) Meralco and (ii) other distribution utilities, electric cooperatives, directly connected customers, contestable customers and ancillary services, respectively. Based on publicly available disclosures of Meralco, SMC Global Power believes that it is one of Meralco's largest power suppliers as of March 31, 2022, supplying approximately 26% of Meralco's power purchases. Meralco is the largest distribution utility in the Philippines. With regards to the national distribution market, the Company believes that it holds 24% of the market, with First Gen, GNPower, PSALM, MPower, Quezon Power and Aboitiz holding 21%, 10%, 7%, 5%, 4% and 4%, respectively, as of March 31, 2022*,* based on reports by DUs published in the DOE website and contracts filed with the ERC.

Currently, the capacities of the Ilijan Power Plant and Unit 1 of the Sual Power Plant are subcontracted under long-term offtake agreements with Meralco and its affiliates, while the capacity of Unit 2 of the Sual Power Plant is contracted to various distribution utilities, electric cooperatives, and industrial customers under existing offtake agreements. These agreements typically include take-or-pay provisions whereby a customer is required to pay for a minimum contracted amount of power, regardless of whether or not the customer takes delivery of the entire amount, with the result that revenue from these offtake agreements is relatively stable for the duration of the agreements.

If the generation output available to the subsidiaries of SMC Global Power from these plants exceeds the amount deliverable under their offtake agreements, such subsidiaries of SMC Global Power offer the excess power for sale through the WESM at the market clearing price. The Company believes that offtake agreements with distribution utilities and electric cooperatives, while subject to approval of the ERC, are relatively better in pricing compared to retail supply contracts with contestable customers. Units 1, 2 and 3 of the Masinloc Power Plant are substantially contracted through medium to long-term bilateral contracts with Meralco, electric cooperatives and industrial customers.

The power generation capacity of the San Roque Power Plant and the AHEPP at any given time depends on the water levels in the reservoir and downstream irrigation requirements. As such, these plants sell the majority of their generated capacity to the WESM at the prevailing spot prices. The San Roque Power Plant and the Main Units of the AHEPP are operated as peaking units. Available water is used to generate power during peak hours when prices are higher.

The Auxiliary Units of AHEPP are operated as baseload units, as the water requirement from MWSS is continuous throughout the day, thus eliminating any discretion to choose the hour of allocation. AHC is exploring options to contract the capacity of its Auxiliary Units.

The Company plans to contract a substantial portion of the capacity of BESS projects to provide ancillary services to the grid. It can also take advantage of arbitrage opportunities in the WESM, particularly during peak hours when prices may be more than double. BESS projects may also be contracted with other entities such as electric cooperatives or power plants.

In the years ended December 31, 2019, 2020 and 2021, and in the three months ended March 31, 2021 and 2022, approximately 93%, 92%, 91%, 89% and 93% respectively, of consolidated volume of power sold by the Company are to customers pursuant to bilateral offtake agreements. Sales to Meralco accounted for approximately 49%, 46%, 48%, 46% and 50% of the total consolidated sales volume of SMC Global Power for the years ended December 31, 2019, 2020 and 2021, and the three months ended March 31, 2021 and 2022, respectively. Sales through the WESM accounted for approximately 7%, 8%, 9%, 11% and 7% of SMC Global Power's total consolidated sales volume for the years ended December 31, 2019, 2020 and 2021, and the three months ended March 31, 2021 and 2022, respectively.

COMPETITION

SMC Global Power is one of the largest power companies in the Philippines. Based on the total installed generating capacities in the ERC Resolution on Grid Market Share Limitation, the Company believes that its combined installed capacity comprises approximately 19% of the National Grid, 26% of the Luzon Grid and 7% of the Mindanao Grid, in each case as of March 31, 2022. Its main competitors are the Aboitiz Group which holds interests in Aboitiz Power Corporation and Hedcor, Inc., among others, AC Energy Corporation ("**ACEN**") and First Gen Corporation.

AboitizPower, Aboitiz Group's largest subsidiary, is another top energy player in the Philippines. It has been in business since February 13, 1998. It has four strategic business units: (a) Power Generation, (b) Power Distribution, (c) RES, and (d) Distributed Energy. The Company intends to double its capacity to 9,200 MW by 2030. This is expected to come from a portfolio of renewables and selective baseload builds, with the optionality for either coal or gas facilities. AboitizPower's renewable investments are held primarily through its wholly-owned subsidiary, Aboitiz Renewables, Inc. ("**ARI**"), along with ARI's Subsidiaries and Joint Ventures. AboitizPower is a pioneer in the building and operation of run-of-river mini hydropower plants in the country. Aboitiz power posted total assets, revenues and net income of ₱427.0 billion, ₱134.0 billion and ₱22.0 billion, respectively in 2021. The Company had a total net sellable capacity of 3,962 MW as of February 28, 2022, equivalent to a 17% market share of the National Grid's installed generating capacity. The Company, through Aboitiz Renewables, has also ventured into solar power. It currently operates a 59 MWp solar photovoltaic facility in San Carlos City, Negros Occidental. It also held a groundbreaking ceremony for its 94 MW peak solar project in Pangasinan last February 2022.

AC Energy Corporation (ACEN) is the listed energy platform of the Ayala Group. It has approximately 3,800 MW, of which 87% or 3,300 MW uses renewable energy, of attributable capacity in the Philippines, Vietnam, Indonesia, India and Australia. ACEN's aspiration is to be the largest listed renewables platform in Southeast Asia, with a goal of reaching 5,000 MW of renewables capacity by 2025. Among its current projects under construction are the 160 MW Pagudpud Wind Farm and 283 MW San Marcelino Solar Farm. For the year 2021, ACEN posted net income, revenue, market capitalization and total shareholders' equity of ₱5.3 billion, ₱26.0 billion, ₱421.0 billion and ₱118.0 billion, respectively. AC Energy has recently finished constructing the 72 MWp Arayat-Mexico Solar PV plant in March 2022, and the said plant is already providing electricity to the local grid. It has completed a number of solar energy projects, and intends on expanding its current solar portfolio as part of its grand mission of providing 15 GW of clean energy capacity by 2030.

First Gen owns power plants which utilize clean and indigenous fuels such as natural gas, geothermal energy from steam, hydro-electric, wind, and solar power. The Company has 3,495 MW of installed capacity in its portfolio, which accounts for 19% of the country's gross generation. Its natural gas portfolio accounted for 60% of First Gen's total consolidated revenues, with geothermal, wind, and solar revenues collectively accounted for 35% and the hydro plants accounted for 5%. Currently, First Gen's 65% controlled Energy Development Corporation (EDC) uses the parcels of land in Burgos, Ilocos Norte, to install and operate the 4.16-MWp Burgos Solar Phase 1 and the 2.66-MWp Burgos Solar Project Phase 2. Also, EDC's subsidiaries, EDC Burgos Wind Power Corporation (EBWPC) owns and operates the 150-MWp Burgos Wind Energy Project and EDC Siklab Power Corporation (EDC Siklab) operates solar rooftop systems in various Gaisano Capital's malls located in the provinces of Iloilo, Aklan, Leyte, Southern Leyte and Sorsogon. In addition, the First Gen is also developing an Interim Offshore LNG Terminal located in Batangas City which will allow First Gen the ability to introduce LNG to the Philippines as early as the fourth quarter of 2022 to serve the natural gas requirements of existing and future gas-fired power plants of third parties and First Gen LNG affiliates. For the year ended December 31, 2021, the total consolidated revenue, net income and total assets of First Gen Corporation was ₱110.5 billion, ₱18.1 billion and ₱280.7 billion, respectively. In the Philippine Energy Plan (PEP) 2020-

2040, the energy sector reiterates the transition into a more sustainable and resilient energy system with clean energy fuels and technologies such as solar, wind, hydro, geothermal and natural gas will dominate the country's portfolio for the next two decades. The DOE projects solar will expand and become the dominant power source at 34.1% of installed capacity in 2040 (3.9% in 2020). In addition to the solar projects of the Company's main competitors, some of the companies in the Philippines with solar projects are Solar Philippines, Citicore Power Inc., and Raslag Corporation.

Solar Philippines claims to be the largest solar company in Southeast Asia, with over 300 MW of generating capacity with 10,000 hectares of land area suitable for solar farms. Its subsidiary, Solar Energy Zones Inc. (SEZI), spearheads the development and growth of solar sites. In December 2021, Solar PH made history when one of its subsidiaries, Solar Philippines Nueva Ecija Corporation (SPNEC) became the first company be listed under the PSE's Supplemental Listing and Disclosure rules for Renewable Energy companies, providing exemption from PSE's track record and operating history requirements. 63.3 MW and 150 MW solar farms have been built by the Company's Calatagan and Tarlac subsidiaries, respectively, among other projects already completed. The Company, through a joint venture with Razon-led Prime Infra, plans to construct a massive 3.5 GW solar facility, the biggest yet in the Philippines. In the long-term, Solar Philippines intends to augment its overall capacity to 10 GW through more solar projects.

Citicore Power Inc. (Citicore) claims to have a portfolio of businesses spanning renewable energy solutions, from solar and hydro power generation, plantations for biomass energy, and water utility distribution facilities. Through its subsidiaries, Citicore has a combined generating installed capacity of 163 MWp of solar installations. Among its projects are the 22.3 MWp solar farm in Clark, Pampanga, the 25 MWp solar farm in Silay, Negros Occidental, and the 60 MWp solar farm in Toledo, Cebu. In 2022, the Company listed its unit, Citicore Energy Real Estate Investment Trust (REIT) Corp. (C-REIT), which focuses on income-generating renewable energy real estate properties. For the year 2021, C-REIT posted a revenue and net income of ₱352.3 million and ₱225.9 million, respectively. Raslag Corporation (RASLAG) is a recently listed renewable energy developer which currently focuses on developing solar power projects. The company's portfolio consists of two operational solar power plants, the 10.046 MWp RASLAG-1 and the 13.141 MWp RASLAG-2 Solar Power Plants in Pampanga, both of which are running under the Feed-in Tariff Scheme. Also in its portfolio are three additional solar power plants, 18.011 MWp of which is under construction and 95.159 MWp under development. For the year 2021, the company posted a revenue and net income of ₱291.8 million and ₱116.2 million, respectively.

With the Government committed to privatizing the majority of NPC-owned power generation facilities and the establishment of WESM, the generation facilities of SMC Global Power will face competition from other power generation plants that supply the grid during the privatization phase. SMC Global Power will face competition in both the development of new power generation facilities and the acquisition of existing power plants, as well as competition for financing for these activities. The performance of the Philippine economy and the potential for a shortfall in the Philippines' energy supply have attracted many potential competitors, including multinational development groups and equipment suppliers, to explore opportunities in the development of electric power generation projects within the Philippines. Accordingly, competition for and from new power projects may increase in line with the long-term economic growth in the Philippines.

SMC Global Power is one of the largest power companies in the Philippines in terms of baseload and net reliable generation and in terms of ownership of the underlying assets. As a matter of corporate strategy, the Company contract its available capacity to qualified offtakers primarily to distribution utilities such as Meralco and have contracted over 90% of its installed capacity. The Company is currently the biggest supplier for the energy requirement of Meralco and also the biggest supplier in the overall utility sector. SMC Global Power ranks the 2nd biggest supplier in the retail energy sector. This only shows that the Company can effectively compete with other power generators in the industry.

CUSTOMERS

SMC Global Power, sells power, through PSAs, either directly to customers (distribution utilities, electric cooperatives, industrial customers and retail electricity suppliers) or through the WESM.

Customers	Year ended December 31,												Three months ended March 31,							
	2019				2020				2021				2021				2022			
	Volume Sold (GWh)	(%)	Revenue (in millions ₱)	(%)	Volume Sold (GWh)	(%)	Revenue (in millions ₱)	(%)	Volume Sold (GWh)	(%)	Revenue (in millions ₱)	(%)	Volume Sold (GWh)	(%)	Revenue (in millions ₱)	(%)	Volume Sold (GWh)	(%)	Revenue (in millions ₱)	(%)
Meralco	13,816	49%	62,795	47%	12,117	46%	50,498	43%	12,967	48%	53,313	40%	2,913	46%	11,098	41%	3,515	50%	16,994	39%
WESM	1,979	7%	8,167	6%	2,216	9%	5,208	5%	2,513	9%	11,221	8%	691	11%	1,997	7%	460	7%	2,550	6%
Total Major Customers	15,795	56%	70,962	53%	14,333	55%	55,706	48%	15,480	57%	64,534	48%	3,604	57%	13,095	48%	3,975	57%	19,544	45%
Others[(1)]	12,317	44%	64,098	47%	11,958	45%	59,323	52%	11,741	43%	69,176	52%	2,740	43%	14,271	52%	3,016	43%	23,492	55%
Total Sales	**28,112**	**100%**	**135,060**	**100%**	**26,291**	**100%**	**115,029**	**100%**	**27,221**	**100%**	**133,710**	**100%**	**6,344**	**100%**	**27,366**	**100%**	**6,991**	**100%**	**43,036**	**100%**

(1) Includes Non-Meralco DUs, ECs, RES, Directly Connected Customers, Contestable Customers, Sales to Distribution Customers, and sales to related parties, which individually contributes less than 20% to the consolidated revenues of SMC Global Power.

SAFETY, HEALTH AND ENVIRONMENTAL REGULATION AND INITIATIVES

Power operations are subject to extensive, evolving and increasingly stringent safety, health and environmental laws and regulations. These laws and regulations include the Philippine Clean Air Act of 1999 ("**Clean Air Act**"), the Philippine Clean Water Act of 2004 ("**Clean Water Act**"), Toxic Substances and Hazardous and Nuclear Waste Control Act of 1990, the Department of Labor and Employment Occupational Safety and Health Standard of 1989, as amended, and Republic Act No. 11058 (otherwise known as "An Act Strengthening Compliance with Occupational Safety and Health Standards and Providing Penalties for Violations Therefor"). Such legislation addresses, among other things, air emissions, wastewater discharges as well as the generation, handling, storage, transportation, treatment and disposal of toxic or hazardous chemicals, materials and waste. It also regulates workplace conditions within power plants and employee exposure to hazardous substances. The Occupational Safety and Health Standard, meanwhile, was formulated to safeguard the workers' social and economic well-being as well as their physical safety and health.

For its BESS sites, the Company is committed to ensuring the safety of its employees and the community and has designed measures such as a fire protection system, with a fire wall, automatic fire shutters, and sprinkler system, and a double wall system composed of the blast wall and fire wall, to add additional layers of safety. The fire wall (Boral) has a 60/60/60 fire resistance level meaning it is able to maintain structural adequacy, integrity, and insulation for at least 60 minutes during fire testing. Its thermal regulation features include louver-type windows and doors and dedicated high-voltage air conditioning units. The prismatic cell design of the BESS with can-type battery enclosures provides additional safety features such as its fuse countermeasure and overcharge safety device while also promoting stability, space-efficiency and flexibility. The BESS also has a disaster resilient design, and is able to withstand 7-9 magnitude earthquakes (Seismic Zone 4) and super typhoons (i.e., wind speeds up to 270 kph).

SMC Global Power complies for its company-owned generation plants, and it believes that the IPPs for each of the IPPA Power Plants managed by SMC Global Power comply, in all material respects with all applicable safety, health and environmental laws and regulations. For the years ended December 31, 2019, 2020 and 2021 and the three months ended March 31, 2022, SMC Global Power incurred ₱105 million, ₱39 million, ₱34 million and ₱22 million in costs and expenses relating to compliance with environmental laws.

The Sual Power Plant received its Environmental and Management System Certificate (ISO 14001) in 2004, its Occupational Standard on Health Safety Certificate (ISO 18001) in 2007 and its Quality Management System Certificate (ISO 9001) in 2008. The same ISO certifications were received by Davao Greenfield Power Plant and Limay Greenfield Power Plant in 2017 and 2018, respectively, while the Masinloc Power Plant and the Masinloc BESS received an Environmental and Management System Certificate (ISO 14001) and Occupational Standard on Health Safety Certificate in 2014.

For each of its greenfield power plants, SMC Global Power will comply with all applicable safety, health and environmental laws and regulations, including securing the necessary environmental compliance certificate ("**ECC**") in accordance with Philippine law.

The Company's coal-fired power plants have maintained levels of emission lower than the standards set by the Department of Environment and Natural Resources ("**DENR**"). The following table sets forth the level of nitrogen oxide ("**NOx**"), sulfur dioxide ("**SO_2**") and particulate matter ("**PM**") emissions of the power plants owned and operated by the Company, as well as the applicable emission control standards, as of March 31, 2022:

	NOx		SO_x		PM	
Power Plant	**Emission level**	**DENR Standard**	**Emission level**	**DENR Standard**	**Emission level**	**DENR Standard**
	(ppm)		**(ppm)**		**(mg/Nm^3)**	
Sual Power Plant*....................	192.5	732.0	299.3	524.0	15.2	200.0
Masinloc Power Plant	161.7	732.0	312.1	524.0	115.4	200.0
Limay Greenfield Power Plant .	68.6	487.0	106.3	245.0	5.9	150.0
Davao Greenfield Power Plant.	23.7	487.0	41.6	245.0	8.3	150.0

* *Operated under IPPA Agreement*

Supercritical coal technology typically performs better than subcritical coal technology, and is both more efficient and has less CO2 emissions for every unit of generation.

Technology	**Net Thermal Efficiency (%)**	**CO2 Emissions Rate (lb/KWh)**
Subcritical	36%	2.21
Supercritical	42%	1.94

Source: The Power of High Efficiency Coal, World Coal Association (2016) and Energy Information Administration.

A comparison of supercritical coal technology local and international emission control standards is provided below. Unit 3 of the Masinloc Power Plant utilizes supercritical coal technology. Its indicative emissions during performance testing, as reported in the Commissioning-Report for Air Emission Guarantees Test conducted by a third party is provided below. The testing was conducted on October 2019 for a total test period of more than 48 hours.

	Australia	**China**	**EU**	**India**	**Japan**	**USA**	**Thailand**	**Philippines**	**World Bank**	**Masinloc Power Plant Unit 3 Performance Test**	**Masinloc Power Plant Unit 3 EPC Guarantee**
SOx, ppm*	287	287	573	287	573	390	1,476	244	314	24.7	76.0
NOx, ppm**.........	719	206	411	206	411	196	843	486	248	79.7	239.0
PM, mg/Nm^3........	50	30	20	30	50	12	80	200	50	4.7	400.0

Source: Emission standards, IEA Clean Coal Centre.

* *converted using conversion factors 2.8571 mg/Nm^3 or mg/m^3 for 1 ppm for SOx.*

** *converted using conversion factors 2.0493 mg/Nm^3 or mg/m^3 for 1 ppm of NOx.*

A comparison of the indicative emissions per technology with the applicable emission control standard is as follows:

	Subcritical		Supercritical		
Emission	**Indicative Emissions***	**DENR Standard**	**Indicative Emissions****	**EPC Guarantee**	**DENR Standard**
SOx (ppm)	41.6	245.0	29.8	76.0	244.2
NOx (ppm).......................................	23.7	487.0	43.1	239.0	486.5
CO (ppm)..	2.7	400.0	18.4	400.0	400.0
Opacity (%)......................................	17.1	20.0	7.0	20.0	20.0
PM (**mg/Nm^3**)..................................	8.3	150.0	18.7	50.0	150.0

Emission	Subcritical Indicative Emissions*	Subcritical World Bank Standard***	Supercritical Indicative Emissions**	Supercritical EPC Guarantee	Supercritical World Bank Standard***
SOx (ppm)	41.6	314.0	29.8	76.0	314.0
NOx (ppm)	23.7	248.1	43.1	239.0	248.1
PM (**mg/Nm^3**)	8.3	50.0	18.7	400.0	50.0

* *Indicative subcritical emissions refer to Davao Greenfield Power Plant emissions as of March 2022.*

** *Actual figures based on Masinloc U3 Commissioning-Report for Air Emission Guarantees Test conducted by a third party with total test period over 48 hours in October 2019.*

*** *Source: 2008 IFC Environmental, Health and Safety Guidelines.*

For its LNG power plants, the Company anticipates emissions performance that is better than coal technologies.

Metric	LNG	Benchmark
Thermal Efficiency (%)	61-63%[a]	Min 53%[b]
Heat Rate (BTU/KWh)	6,055[a]	Max 6,415[b]
NOx (mg/Nm^3)	30.8[c]	Max of 1,500.0[d]
SOx (mg/Nm^3)	1.9[c]	Max of 1,500.0[d]
CO (mg/Nm^3)	54.1[c]	Max of 500.0[d]
Opacity (%)	8.1[c]	Max of 20.0[d]
CO2 Emissions (lb per KWh)	0.92[e]	N/A

(a) Based on gross efficiency, with net heat rate based on 100% CF derived from 59.4% net efficiency, as stated in offers received by SMC Global Power from EPC contractors for Batangas Combined Cycle Power Plant as of December 31, 2021.

(b) Estimated LNG plant (GNPHR at 100% CF) converted to thermal efficiency using 3,600 kj/KWh.

(c) Actual Ilijan Performance —January to March 2022.

(d) DENR regulations.

(e) Energy Information Administration.

In addition, coal mining in the Philippines is subject to environmental, health and safety laws, forestry laws and other legal requirements. These laws govern the discharge of substances into the air and water, the management and disposal of hazardous substances and wastes, site clean-up, groundwater quality and availability, plant and wildlife protection, reclamation and rehabilitation of mining properties after mining is completed and the restriction of open-pit mining activities in conserved forest areas.

Notwithstanding the foregoing, the discharge of chemicals, other hazardous substances and pollutants into the air, soil or water by the power plants owned or managed by SMC Global Power or the coal mines of SMC Global Power may give rise to liabilities to the Government and to local Government units where such facilities are located, or to third parties. In addition, SMC Global Power may be required to incur costs to remedy the damage caused by such discharges or pay fines or other penalties for non-compliance.

Further, the adoption of new safety, health and environmental laws and regulations, new interpretations of existing laws, increased governmental enforcement of environmental laws or other developments in the future may require that SMC Global Power make additional capital expenditures or incur additional operating expenses in order to maintain the operations of its generating facilities at their current level, curtail power generation or take other actions that could have a material adverse effect on the financial condition, results of operations and cash flow of the Company.

ENVIRONMENTAL, SOCIAL, GOVERNANCE AND SUSTAINABILITY INITIATIVES

The Company, through the SMCGP Philippines Power Foundation Inc. (the "**Foundation**"), has undertaken various projects and programs which is in line with the United Nations Sustainable Development Goals. The Foundation is focused on four thrusts: health, education, economic empowerment, and environmental stewardship. One of its major initiatives is the "747 Program" with the goal of planting seven million trees in four thousand hectares in at least seven provinces through a combination of reforestation initiatives, protected forest reserves, biochar production and mangrove rehabilitation. In addition, the Foundation also has a strong focus on education with flagship initiatives such as scholarship programs prioritizing indigenous persons and youth from local communities where the Company operates. The Company also has an economic empowerment program called "Local Economy Acceleration and Progress (LEAP)" that create job opportunities and fosters community-driven entrepreneurship, among others. Lastly, there are several health programs that looks after the well-being of the relevant communities. The list below sets out the Company's key initiatives.

Foundation Thrusts	Sample Projects	United Nations Sustainable Development Goals
Health	1. Mobile Health Clinic 2. Medical Missions 3. Brgy. Community Health Clinic Improvement 4. Safe Water Access 5. Barangay Health Workers Capacity Building 6. Maternal Health Program	UNSDG #3 — Good Health and Well Being
Education	1. Scholarship Program (for IPs and non-IPs) 2. School Facilities Improvement 3. Apprenticeship 4. Teacher Training 5. Donation of School Supplies 6. Reading Comprehension Program	UNSDG #4 — Quality Education
Economic Empowerment	1. Local Job Creation 2. Technical Vocational courses 3. Community-driven Entrepreneurship 4. Processing Centers for Local Products	UNSDG #1 — No Poverty UNSDG #8 — Decent Work and Economic Growth
Environmental Stewardship	1. 747 Program (seven million trees in 4,000 hectares in at least seven provinces) 2. Coral Reef Rehabilitation 3. Carbon footprint mitigation (measurement of CO2 storage and sequestration) 4. Watershed management 5. Plastic Waste Recycling Facility 6. Biochar Program 7. Vegetative cover program in upland and coastal areas (in span of seven years)	UNSDG #6 — Clean Water and Sanitation UNSDG #14 — Life Below Water UNSDG #13 — Climate Action UNSDG #15 — Life on Land

The Company collaborates with the indigenous peoples ("**IP**") in the communities where it operates, particularly in the Davao and Angat Power Plants. The Company has conducted and supported numerous culturally-sensitive CSR activities (e.g. honey-processing, bread making, basket weaving, scholarship program, biochar community, community partners for 747 Program, school supplies donation and Christmas gift giving). The Company has also implemented programs in support of IP groups that are not directly impacted by its operations.

In addition, the Company completed its first sustainability report ("**2018 Sustainability Report**") using the Global Reporting Initiative ("**GRI**") as a framework, demonstrating the Company's commitment and awareness of the importance of sustainability and social responsibility to its stakeholders. The 2018 Sustainability Report covers the five power plants which the Company owns and operates namely the Angat Hydroelectric Power Plant, Limay Greenfield Power Plant, Davao Greenfield Power Plant, and the Masinloc Power Plant, along with its corporate office. The 2018 Sustainability Report has been published with the GRI organizational mark after undergoing the GRI materiality disclosures service, which granted the GRI organization mark to this report in June 2020.

In the process of completing its 2018 Sustainability Report, the Company conducted engagement and materiality testing to identify the specific GRI topics that are material to both the internal and external stakeholders of the Company. This resulted in 25 out of 33 topics identified as material or critical to stakeholders, translating into 102 disclosures across the economic, environmental, and social categories of the GRI.

The Company commissioned the University of Asia and the Pacific ("**UA&P**") to assist it in writing the 2018 Sustainability Report in accordance with the process and principles of the GRI.

The Company, through UA&P, tapped three experts in the fields of economic, environment, and social to comprise its External Review Committee (ERC-GRI) members. The ERC-GRI reviewed and provided external assurance and validation to the 2018 Sustainability Report. This included the review of the content and data quality of the 2018 Sustainability Report in relation to the GRI Standards. A collective statement was written by the ERC-GRI members to provide their findings and recommendations.

In line with the principles of the GRI, the report was a collaborative effort by the employees of the Company. A sustainability core team, a steering council, and technical working groups across each plant site were formed with the goal of embedding the sustainability process across the Company's operations. The sustainability mission of the Company drives it to provide reliable, accessible, and affordable energy to the country through powering the economic progress of the country, constant support and partnership with our communities, protecting employee welfare, and the responsible stewardship of nature.

The Company released its second Sustainability Report covering the years 2019 and 2020 in March 2022.

EMPLOYEES

As of March 31, 2022, SMC Global Power and its subsidiaries have 2,061 employees, of which 86 are executives and managers and 153 are supervisors. All employees are based in the Philippines. Since 2008, employees of SMC Global Power have not been members of any labor union and are not parties to any collective bargaining agreement. The Company has not experienced any work stoppages and considers its relationship with its employees to be good. Consistent with the goal of SMC Global Power to be one of the Philippines' preferred employers, SMC Global Power has adopted a rewards and recognition policy that is competitive with industry standards in the Philippines. In addition to the statutory benefits, SMC Global Power initiates benefits to provide for the increased security of its employees in the following areas: healthcare, leaves, miscellaneous benefits, loans and financial assistance applicable to a variety of uses, retirement benefits and survivor security and death benefits. Salaries and benefits are reviewed periodically and adjusted to retain current employees and attract new talents. Tied to this is a performance management system that calls for the alignment of individual key results, competencies and development plans with the overall business targets and strategy of the Company. Performance is reviewed annually and employees are rewarded based on the attainment of pre-defined objectives. SMC Global Power also has programs for its employees' professional and personal development.

The Long-Term Incentive Plan for Stock Options ("**LTIP**") of San Miguel Corporation grants stock options to eligible senior and key management officers of SMC Global Power as determined by the committee administering the LTIP as a means to further and promote the interests of San Miguel Corporation, SMC Global Power and its shareholders by enabling the San Miguel Corporation group of companies to attract, retain and motivate senior and key management officers. As of March 31, 2022, there are no more outstanding options under the LTIP.

With the ensuing 12 months, SMC Global Power may require additional hiring of employees to support its business expansion, the number of which cannot be determined.

INSURANCE

Pursuant to the IPPA arrangements of SMC Global Power, the IPPs associated with the power plants for which SMC Global Power is the IPPA are responsible for maintaining insurance for all of the facilities, equipment and infrastructure for those power plants, with the exception of the dam and spillway of the San Roque Power Plant, for which NPC is obligated to maintain insurance. SMC Global Power is not a beneficiary of any of these insurance agreements. SMC Global Power employs risk management for purposes of analyzing the risks faced by its business in the determining the appropriate insurance policies. SMC Global Power does not have business interruption insurance for its IPPA Power Plants and believes that there is no business interruption insurance available for the IPPA business model under which SMC Global Power is currently operating. SMC Global Power maintains the necessary policies to cover such insurable risks for the ownership and operation of the Limay Greenfield Power Plant, Davao Greenfield Power Plant and Masinloc Power Plant and the construction of the Batangas Combined Cycle Power Plant, Mariveles Greenfield Power Plant and the battery projects as are customary in the power generation industry, which are reviewed regularly. See "*Risk Factors—Risks Relating to SMC Global Power—Insurance coverage for generation plants*."

INTELLECTUAL PROPERTY

SMC Global Power owns exclusive rights to its corporate name. Management believes that the business of SMC Global Power as a whole is not materially dependent on any trademark or on any other intellectual property.

MATERIAL PERMITS AND LICENSES

We believe that the Company has all the applicable and material permits and licenses necessary to operate its business as currently conducted and such permits and licenses are valid, subsisting, or pending renewal. Please refer to Appendix A for the list of material permits and licenses.

RECENT DEVELOPMENTS

On April 8, 2022, the Company availed a 1-year term loan facility amounting to ₱10 billion. The proceeds shall be used to refinance its maturing debt obligations and for general corporate purposes.

On April 25, 2022, the Company completed the redemption of its Series H Bonds amounting to ₱13,845 million. SMC Global Power used in part the proceeds of the ₱10 billion term loan availed in April 2022 for the redemption of the Series H Bonds.

On May 10, 2022, the Company availed a 1-year term loan facility amounting to US$200 million. The proceeds shall be used for general corporate purposes.

On May 24, 2022, the Company availed of a 3-year term loan facility amounting to US$100 million. The proceeds shall be used for expansion projects of the Company.

The Iijan Natural Gas Fired Combined Cycle Power Plant Project with an installed capacity of 1,200 MW was turned over by PSALM to SPPC pursuant to the Administrative Agreement effective June 26, 2010 and the Deed of Sale dated June 3, 2022, between PSALM and SPPC.

Following the scheduled expiration of its gas supply agreement between PSALM and SPEX and its IPPA Agreement with PSALM, Ilijan Power Plant is currently on shutdown and undergoing inspection and minor repairs and upgrades.

On June 23, 2022, we have signed a gas supply agreement for 70.26PJ of banked gas with the PNOC at a daily volume of dispatch sufficient to run between 45% to 75% plant factor. We believe that this volume of gas dispatch is sufficient given the overall profile of our offtake commitments relative to our combined capacity in the next 24 months. This volume of gas is adequate and expected to be support the Ilijan Power Plant's fuel requirements until February 2024.

With the full support of the DOE, PNOC, and other pertinent government agencies, we are currently working out the applicable operating protocol for the nomination and dispatch of the banked gas. This will supplement the commercial LNG we have acquired for the Ilijan Power Plant once the LNG Terminal of Linseed Field Corporation starts operating later this year.

The relevant subsidiaries of the Company and Meralco have filed joint motions with the ERC requesting for contract price adjustments to recover incremental fuel costs arising from change in circumstances under its power supply agreements amounting to a total of approx. ₱5.3 billion for the January to May 2022 Billing Periods.

Description of Properties

Please refer to Appendix B for a summary of the principal properties of SMC Global Power and its subsidiaries and their respective conditions as of March 31, 2022. While IPPA plants are included in the list of properties, SMC Global Power does not own the IPPA plants until it elects a transfer of the ownership at the expiry of the IPPA Agreements. Other than the Ilijan Power Plant that is scheduled for transfer at the expiration of its IPPA Agreement in June 2022, there are no other imminent acquisitions of any material property that cannot be funded by working capital of SMC Global Power and its subsidiaries.

Most of the properties of SMC Global Power and its subsidiaries are not mortgaged, except the properties owned by SCPC, SMCPC and MPPCL.

The present and future assets/properties of SCPC and SMCPC are the subjects of real estate and chattel mortgages securing their outstanding loan obligations under their respective facility agreements amounting to ₱44 billion and ₱21 billion, respectively. The real assets of both SMCPC and SCPC consist of, among others, (i) all the rights, title and interest in and to its respective sites where the Malita Power Plant and Limay Power Plant are located, including any easements or rights of way thereto, and (ii) all buildings, machinery, equipment, fixtures, structure, installations and other improvements and immovable properties owned, constructed or acquired by each of SMCPC and SCPC, to the extent located at or permanently attached to each of the Malita Power Plant and Limay Power Plant. All other machinery, equipment and assets of SMCPC and SCPC, used or found at the power plant sites or otherwise used for the operation and maintenance of the assets, which for any reason are not covered or may not be covered under the real estate mortgage, together with all attachments, component parts, equipment and accessories installed thereon or affixed thereto, regardless of where the same are located, are subjected to a chattel mortgage.

All present assets/properties, all leasehold rights over the real properties on which the assets are located, and all future assets/properties of MPPCL found at the power plant site are the subject of real estate and chattel mortgages securing its outstanding loan obligations under the Omnibus Refinancing Agreement and Omnibus Expansion Facility Agreement, amounting to US$665 million and US$525 million, respectively.

The principal office address of SMC Global Power is 5th Floor, C5 Office Building Complex, #100 E. Rodriguez Jr. Ave., C5 Road, Bo. Ugong, Pasig City 1604, Metro Manila, Philippines. This office is leased by SMC Global Power from Mabini Properties, Inc., a subsidiary of San Miguel Corporation.

Certain Legal Proceedings

Except for the cases disclosed in this section, neither the Company nor any of its subsidiaries is a party to nor its properties subject of, any material pending legal proceeding that could be expected to have a material adverse effect on the issuance of the Bonds and on the results of the financial condition and the operations of the Company. The Company has not been the subject of any bankruptcy petition, insolvency, receivership, or similar proceedings.

Petition to stop the imposition of the increase in generation charge

SMEC, SPPC, SPDC, MPPCL and other generation companies became parties to a Petition for Certiorari and Prohibition with prayer for Temporary Restraining Order ("**TRO**") and/or Preliminary Injunction ("**Petition**") filed in the SC by special interest groups which sought to stop the imposition of the increase in generation charge of Meralco for the November 2013 billing month. The approval of the ERC in its December 9, 2013 order on the staggered imposition by Meralco of its generation rate for November 2013 from its consumers (the "December 9, 2013 Order") prompted the filing of these consolidated petitions. On December 23, 2013, the SC issued a TRO ordering Meralco not to collect, and the generators not to demand payment, for the increase in generation charge for the November 2013 billing month. As a result, Meralco was constrained to fix its generation rate to its October 2013 level of ₱5.67/KWh. Claiming that since the power supplied by generators is billed to Meralco's customers on a pass-through basis, Meralco deferred a portion of its payment on the ground that it was not able to collect the full amount of its generation cost. The TRO was originally for a period of 60 days.

On January 8, 2014, Meralco filed its Consolidated Comment/Opposition with Counter-Petition ("**Counter Petition**") which prayed, among others, for the inclusion of SMEC, SPPC, MPPCL and several generators as respondents to the case. On January 10, 2014, the SC issued an Order treating the Counter-Petition as in the nature of a third-party complaint and granting the prayer to include SMEC, SPPC, SPDC and MPPCL as respondents in the Petition.

On February 18, 2014, the SC extended the TRO issued on December 23, 2013 for another sixty (60) days or until April 22, 2014 and granted additional TROs enjoining PEMC and the generators from demanding and collecting the deferred amounts. In a Resolution dated April 22, 2014, the SC extended indefinitely the effectivity of the TROs issued on December 23, 2013 and February 18, 2014. To date, the Petition is pending resolution with the Supreme Court.

A decision was rendered by the Supreme Court En Banc on August 3, 2021 (the "**SC Decision**") affirming the December 9, 2013 Order and declaring as null and void the March 3, 2014 ERC Order which declared the November and December 2013 Luzon wholesale electricity spot market ("**WESM**") prices as void, and imposed the application of regulated prices, among others.

In the event the SC Decision becomes final and executory, SMEC, SPPC, and MPPCL can proceed with the collection of the deferred generation charges for November and December 2013 billing periods from Meralco under their respective power supply agreements.

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 ₱32/kWh. The price was set to be effective for 90 days until a new cap will be 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 (i.e., the **March 3, 2014 ERC Orde**r). Subsequent orders were issued by the ERC setting the period for compliance of the March 3, 2014 ERC Order (i.e., the **2014 ERC Orders**). Consequently, SMEC, SPPC and SPDC recognized a reduction in the sale of power while SMELC and MPPCL recognized a reduction in its power purchases.

SMEC, SPPC, and SPDC sought reconsideration of the aforementioned 2014 ERC Orders, which the ERC denied. On June 26, 2014, SMEC, SPPC, SPDC and MPPCL appealed said ERC denial before the CA through a Petition for Review. MPPCL filed a similar Petition for Review with the CA on December 12, 2014. These cases were consolidated and on November 7, 2017, the CA promulgated a Decision granting SMEC's, SPPC's, SPDC's and MPPCL's Petition for Review, and declared the 2014 ERC Orders null and void. Accordingly, the CA declared the WESM prices for Luzon for the supply months November to December 2013 as valid.

Motions for reconsideration of the November 7, 2017 Decision and several other motions were filed by various intervenors, which were denied by the CA. The intervenors filed Petitions for Review on Certiorari before the SC, which were also denied through Omnibus Resolution dated March 29, 2019 and the Resolutions dated September 11, 2019 and October 1, 2019 on the ground that the petitioners each failed to sufficiently show that the CA committed any reversible error in promulgating the CA's assailed Decisions and Resolutions.

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

Entries of judgment have been issued by the SC certifying that the resolutions denying the Petitions for Review on Certiorari filed by various intervenors against SMEC, SPPC, SPDC and MPPCL, among others, have become final and executory.

In a Resolution dated November 4, 2020, the SC directed the consolidation of the separate petitions filed by the ERC and Meralco considering that said cases involve the same parties, raise the same issues, and assail the same decision and resolution, and the transfer of the Meralco Petition to the third division of the SC handling the petition by the ERC. The ERC has also filed its Consolidated Reply to the comments on its petition dated November 18, 2020.

On August 3, 2021, a decision was rendered by the Supreme Court En Banc on a separate case (as discussed under "*Petition to stop the imposition of the increase in generation charge*") declaring the March 3, 2014 ERC Order as null and void. Considering that this decision of the Supreme Court 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 SMEC, SPPC, SPDC, SMELC and MPPCL will have to be settled with the Independent Electricity Market Operator of the Philippines (the current operator of the WESM), once the said decision becomes final and executory.

Upon finality of the decision, a claim for refund may be made by the relevant subsidiaries with PEMC for an amount up to ₱2,322 million, plus interest.

Ilijan IPPA Agreement Dispute

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

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

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

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

On September 28, 2015, the RTC issued an Order granting a Preliminary Injunction enjoining PSALM from proceeding with the termination of the Ilijan IPPA Agreement while the main case is pending. 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 SMC Global Power and affirmed the earlier orders issued by the RTC of Mandaluyong City. The CA affirmed the RTC's Writ of Preliminary Injunction prohibiting PSALM from terminating the Ilijan IPPA Agreement, while the main case is pending and named Meralco as intervenor in the case (the "**CA Decision**"). PSALM filed a Motion for Reconsideration dated January 19, 2018 to the CA Decision but the same was denied by the CA in its July 12, 2019 Resolution (the "**2018 CA Resolution**").

On September 4, 2018, PSALM filed a Petition for Certiorari with urgent prayer for the issuance of a TRO and/or Writ of Preliminary Injunction before the SC praying for the reversal and nullification of the CA Decision and the 2018 CA Resolution 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 also 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 RTC's presiding judge who conducted the judicial dispute resolution inhibited himself from the case. The case was then re-raffled to another RTC judge in Mandaluyong City.

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

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

On July 23, 2019, PSALM filed a Petition for Certiorari with urgent prayer for the issuance of a TRO and/or Writ of Preliminary Injunction with the CA, seeking the reversal of the September 24, 2018 and April 29, 2019 orders of the RTC (CA-G.R. SP No. 161706). Although, the CA dismissed the Petition for Certiorari filed by PSALM in a Resolution dated August 23, 2019 (the "**2019 CA Resolution**"), the CA subsequently granted the Motion for Reconsideration filed by PSALM in response to the 2019 CA Resolution. In a Resolution dated February 24, 2020, the CA required PSALM to revise its petition and send the revised copies to SPPC and Meralco. SPPC filed its Comment on PSALM's Amended Petition. The parties have also already filed their respective Memoranda as required by the CA. In a Resolution dated November 19, 2021, the CA considered the case submitted for decision.

On April 7, 2022, the Court of Appeals promulgated a Decision dismissing the petition. PSALM filed a Motion for Reconsideration dated April 29, 2022.

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 filed several pleadings: (1) Urgent Ex-Parte Motion for Early Resolution of its Motion for Leave to File Amended Answer Ad Cautelam dated May 28, 2020; (2) Motion for Reconsideration of the RTC's Order of February 14, 2020, which did not allow PSALM to present witnesses in support of its Motion to Dissolve the Writ of Preliminary Injunction and directed the parties to submit pleadings and documents in support of their respective positions; and (3) Reply to SPPC's Opposition to its Motion to Dissolve the Writ of Preliminary Injunction.

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

In an Order dated March 23, 2021 (the "**March 23, 2021 RTC Order**"), the court denied PSALM's Motion for Reconsideration of the Order of November 27, 2020, which denied the Motion for Leave to File Amended Answer Ad Cautelam. In the same Order, the court also denied SPPC's Motion for Summary Judgment and referred the case to mediation.

On May 21, 2021, SPPC filed a Motion for Reconsideration of the Order of March 23, 2021, which denied its Motion for Summary Judgment. 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 filed a petition for certiorari under Rule 65 of the rules of Court to annul the RTC's Order of November 27, 2020 and the March 23, 2021 RTC Order, which denied PSALM's Motion for Reconsideration of the Order of denial. The petition has been docketed as CA-G.R. SP NO. 169443.

In a Resolution dated March 4, 2022, the CA deemed the petition submitted for decision after the parties filed their respective responsive pleadings. In a Decision dated May 30, 2022, the Court of Appeals denied PSALM's Petition for Certiorari of the trial court's Orders of 27 November 2020 and March 23, 2021, which denied PSALM's Motion for Leave to File Amended Answer Ad Cautelam. PSALM filed a Motion for Reconsideration dated June 23, 2022.

The mediation scheduled on April 19, 2021, did not push through, however, in view of the restrictions imposed by the enhanced community quarantine ("**ECQ**") and modified enhanced community quarantine ("**MECQ**").

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

Pre-trial proceeded on November 19, 2021 and the court scheduled the case for presentation of evidence on January 28, February 18, March 4 and 25, 2022. All settings for the presentation of evidence were cancelled as both SPPC and MERALCO are still working on their Joint Stipulation of Facts. The parties filed the Joint Stipulation of Facts on April 6, 2022. SPPC is set to present its evidence July 9, 2022.

Although the proceedings before the RTC remain pending, SPPC continues to be the IPP Administrator for the Ilijan Power Plant by virtue of the Preliminary Injunction issued by the RTC.

In view thereof, SPPC continues to enjoy, without any restriction or limitation, the right to supply power from the Ilijan Power Plant to Meralco, and the right to take possession of the Ilijan Power Plant upon the expiry of the IPPA Agreement in 2022.

Complaints for estafa and corruption against PSALM officers

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

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.

On June 13, 2017, the DOJ endorsed the complete records of the complaint to the Office of the Ombudsman for appropriate action.

In a Resolution dated March 10, 2021, which was approved by the Ombudsman on February 15, 2022, the Graft Investigation 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.

Complaints for plunder and corruption against PSALM, TPEC, and TeaM Energy

On October 21, 2015, SMEC filed a criminal complaint for plunder and violation of Section 3(e) and 3(f) of R.A. 3019, before the DOJ against a certain officer of PSALM, and certain officers of Team Philippines Energy Corp. ("**TPEC**") and TeaM Sual Corporation, relating to the illegal grant of the so-called "excess capacity" of the Sual Power Plant in favor of TPEC which enabled it to receive a certain amount at the expense of the Government and SMEC.

In a Resolution dated July 29, 2016, the DOJ found probable cause to file an Information against the respondents for Plunder and violation of Section 3(e) and 3(f) of R.A. 3019. The DOJ further resolved to forward the entire records of the case to the Office of the Ombudsman for their proper action. Respondents have respectively appealed said DOJ's Resolution of July 29, 2016 with the Secretary of Justice.

On October 25, 2017, the DOJ issued a Resolution partially granting the Petition for Review by reversing the July 29, 2016 DOJ Resolution insofar as the conduct of the preliminary investigation. On November 17, 2017, SMEC filed a motion for partial reconsideration of said October 25, 2017 DOJ Resolution. Said motion is still pending to date.

SMEC Consignation Case

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

On October 3, 2016, SMEC filed an Omnibus Motion to Admit Supplemental Complaint and to Allow Future Consignation without Tender (the "**Omnibus Motion**"). Together with this Omnibus

Motion, SMEC consigned with the RTC Pasig an additional amount corresponding to the proceeds of the Sale of the Excess Capacity for the billing periods from April 26, 2016 to July 25, 2016.

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

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

On July 4, 2018, SMEC filed its Motion for Reconsideration (the "**MR**") to the May 22, 2018 order which dismissed the consignation case. The MR was heard on July 13, 2018 where the parties were given time to file their responsive pleadings. PSALM filed its Comment dated July 26, 2018 to the MR and SMEC filed its Reply to PSALM's Comment on August 13, 2018. The motion has not yet been resolved as of date.

In an Order dated November 19, 2019, the presiding judge voluntarily inhibited herself from further hearing the case. Hence, on December 13, 2019, the case was re-raffled to Branch 268. On February 7, 2020, a clarificatory hearing was held and Branch 268 noted the pending incidents, which are: (a) SMEC's Motion for Partial Reconsideration and Supplemental Motion for Reconsideration of the Order dated May 22, 2018; (b) SMEC's two Motions to Admit Supplemental Complaint; and (c) PSALM's Motion to Set Preliminary Hearing on the Special and Affirmative Defenses.

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

The RTC scheduled the pre-trial on December 13, 2021, but the same was postponed because of the 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, filed by PSALM. SMEC has already filed an Opposition to the Omnibus Motion.

In an Order dated May 30, 2022, the court 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. In the same Order, the court set the pre-trial on August 1, 2022.

Related thereto, on December 1, 2016, SMEC received a copy of a Complaint filed by TPEC and TeaM Sual Corporation with the ERC against SMEC and PSALM in relation to the Excess Capacity issues, which issues have already been raised in the abovementioned cases. SMEC filed a Motion to Dismiss and Motion to Suspend Proceeding of the instant case. The complaint is still pending with the ERC to date.

On June 6, 2022, SMEC, TPEC and TeaM Sual Corporation filed a Joint Motion to Dismiss the ERC complaint.

Refund of system loss charge

In 2008, Meralco filed a petition for dispute resolution against PEMC, TransCo, NPC and PSALM seeking, among others, the refund of the transmission line loss components of the line rentals associated with PSALM/NPC bilateral transactions from the start of the WESM operations and Transition Supply Contract ("**TSC**") implemented in 2006. In this case, the ERC concluded that Meralco was being charged twice considering that it already paid line rental to the WESM beginning June 2006. Hence, the ERC ordered PSALM/NPC to refund Meralco the 2.98% system loss charge embedded in the NPC Time-of-Use ("**NPC TOU**") rate (Meralco vs. PSALM, NPC, TransCo).

On March 4, 2013, the ERC issued a subsequent order directing Meralco (i) to collect this system loss charge from the Successor Generating Companies ("**SGCs**") including SMEC and MPPCL, which supplied the Meralco-NPC TSC and charged the NPC TOU rates, and (ii) to file a petition for dispute resolution against the SGCs, to recover the line loss collected by them as these SGCs were not parties to the petition for dispute resolution filed by Meralco in 2008. On July 1, 2013, the ERC clarified its previous order stating that SPPC should be included as one of the SGCs against whom Meralco is directed to file a petition.

In compliance with the ERC's March 4, 2013 and July 1, 2013 Order, Meralco filed a petition for dispute resolution with the ERC against all SGCs which supplied portions of the TSC (the "**Meralco Petition**"). On September 20, 2013, SMEC, SPPC and MPPCL, with the other SGCs, jointly filed a Motion to Dismiss before the ERC, on the ground of the Meralco Petition's failure to state a cause of action and the ERC's lack of jurisdiction over the subject matter of the Petition. To date, the joint Motion to Dismiss remains unresolved by the ERC.

Market Price, Dividends and Distributions, and Related Stockholder Matters

Market Information

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

Stockholders

As of the date of this Prospectus, the Company has eight (8) stockholders, composed of one (1) corporation and seven (7) individuals with at least five hundred shares each. The following sets out the shareholdings of the aforementioned eight stockholders and the approximate percentages of their respective shareholdings to the total outstanding common stocks of SMC Global Power:

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

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 shareholders. The declaration of stock dividends is subject to the approval of shareholders 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 its 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 years ended December 31, 2021, 2020 and 2019.

Distributions to Undated Subordinated Capital Securities (USCS) Holders

SMC Global Power issued and listed on the Singapore Exchange Securities Trading Limited ("**SGX-ST**") the following USCS at an issue price of 100%:

Date of Issuance	Distribution Payment Date	Initial Rate of Distribution	Step-Up Date	Amount of USCS Issued	Amount in Philippine Peso
August 26, 2015	August 26 and February 26 of each year	6.75% per annum	February 26, 2021	$300,000,000	₱13,823,499,000
May 7, 2014	May 7 and November 7 of each year	7.5% per annum	November 7, 2019	300,000,000	13,110,066,000
				$600,000,000	**₱26,933,565,000**

In May 2014 and August 2015, SMC Global Power issued undated subordinated capital securities amounting to US$300.0 million for each issuance, which the Company has since redeemed on the relevant step up dates of November 7, 2019 and February 26, 2021 equivalent to ₱15,183.0 million and ₱14,581.5 million, respectively, on redemption date, pursuant to the terms and conditions of the securities.

Details of distributions paid to USCS holders are as follows:

(in thousands)	**March 31, 2022 (Unaudited)**	December 31, 2021 (Audited)	December 31, 2020 (Audited)	December 31, 2019 (Audited)
February	**₱-**	₱656,168	₱735,220	₱757,133
May	**-**	-	-	837,321
August	**-**	-	711,498	758,435
November	**-**	-	-	830,478
	₱-	₱656,168	₱1,446,718	₱3,183,367

Distributions to Redeemable Perpetual Securities (RPS) Holders

Details of distributions paid to RPS holder are as follows:

(in thousands)	**March 31, 2022 (Unaudited)**	December 31, 2021 (Audited)	December 31, 2020 (Audited)	December 31, 2019 (Audited)
March	**₱520,305**	₱492,375	₱513,703	₱530,512
June	**-**	487,886	510,961	527,363
September	**-**	506,797	499,586	525,992
December	**-**	509,437	491,563	512,891
	₱520,305	₱1,996,495	₱2,015,813	₱2,096,758

Distributions to Senior Perpetual Capital Securities (SPCS) Holders

(in thousands)	**March 31, 2022 (Unaudited)**	December 31, 2021 (Audited)	December 31, 2020 (Audited)	December 31, 2019 (Audited)
January	**₱1,170,552**	₱1,095,768	₱ -	₱ -
April	**-**	3,190,832	1,882,400	-
May	**-**	952,753	1,080,562	-
July	**-**	1,147,753	1,226,070	-
October	**-**	3,538,231	1,801,429	1,732,869
November	**-**	1,002,972	1,027,544	-
December	**-**	1,262,901	-	-
	₱1,170,552	₱12,191,210	₱7,018,005	₱1,732,869

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

SMC Global Power has not sold unregistered or exempt securities nor has it issued securities constituting an exempt transaction within the past 3 years, except the SPCS issued and listed on the SGX-ST:

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

In addition, the RPS issued by the Company in 2018 is still outstanding and has the following details:

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

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

Management's Discussion and Analysis of Results of Operations and Financial Condition

The following discussion should be read in conjunction with the Company's audited consolidated financial statements as of and for the years ended December 31, 2019, 2020 and 2021 and its unaudited consolidated financial statements as of, and for the three months ended March 31, 2022 (with comparative figures for the three months ended March 31, 2021), including the notes thereto, included elsewhere in this Prospectus. All necessary adjustments to present fairly the results of operations of the Company as at March 31, 2022 and for all the other periods presented, have been made. Certain information and footnote disclosure normally included in the audited consolidated financial statements prepared in accordance with the PFRS have been omitted.

I. FINANCIAL PERFORMANCE

3M 2022 vs. 3M 2021

	March 31		Horizontal Analysis Increase (Decrease)		Vertical Analysis	
In Millions	**2022**	**2021**	**Amount**	**%**	**2022**	**2021**
Revenues	**₱43,036**	₱27,366	₱15,670	57%	**100%**	100%
Cost of power sold	**(35,807)**	(17,730)	18,077	102%	**(83%)**	(65%)
Gross profit	**7,229**	9,636	(2,407)	(25%)	**17%**	35%
Selling and administrative expenses	**(1,158)**	(1,213)	(55)	(5%)	**(3%)**	(4%)
Income from operations	**6,071**	8,423	(2,352)	(28%)	**14%**	31%
Interest expense and other financing charges	**(4,092)**	(4,595)	(503)	(11%)	**(10%)**	(17%)
Interest income	**217**	125	92	74%	**1%**	0%
Equity in net earnings of an associate and joint ventures	**60**	37	23	62%	**0%**	0%
Other income - net	**1,085**	2,083	(998)	(48%)	**3%**	8%
Income before income tax	**3,341**	6,073	(2,732)	(45%)	**8%**	22%
Income tax expense (benefit)	**1,413**	(1,704)	3,117	183%	**3%**	(6%)
Net income	**₱1,928**	₱7,777	(₱5,849)	(75%)	**5%**	28%

Revenues

The Company's consolidated revenues for the first quarter of 2022 registered at ₱43,036 million, 57% or ₱15,670 million higher than last year's ₱27,366 million for the same period. The increase was mainly due to: (i) higher average realization prices attributable to higher fuel cost passed on to customers as a result of rising coal prices and the increase in overall spot sales price in Luzon, (ii) improvement in nominations from Meralco, other distribution utilities and industrial customers arising from relatively lighter COVID-19 quarantine restrictions compared to 2021, thereby increasing offtake volumes by 10% to 6,991 GWh from 6,344 GWh in 2021, and (iii) commencement of commercial operations of the 20 MW Kabankalan 1 BESS on January 26, 2022.

Cost of Power Sold

Cost of power sold significantly increased by 102% or ₱18,077 million, from ₱17,730 million for the first quarter of 2021 to ₱35,807 million for the same period of 2022. The increase was mainly attributable to the following: (i) higher generation cost of Sual, Masinloc, Limay and Malita Power Plants on account of rising coal prices, (ii) higher volume of power purchased from the wholesale market coupled with higher spot purchase prices, and (iii) increase in gas prices for the Ilijan Power Plant.

Selling and Administrative Expenses
Selling and administrative expenses decreased by 5% or ₱55 million, from ₱1,213 million for the first quarter of 2021 to ₱1,158 million for the same period of 2022. The decrease was mainly due to: (i) the decline in contracted service charges incurred on account of lower outage days for preventive maintenance of Masinloc Power Plant Unit 3, and (ii) decline in contributions for COVID-19 community response initiatives.

Income from Operations
In spite of strong revenue growth, consolidated income from operations of ₱6,071 million for the first quarter of 2022 declined by 28% or ₱2,352 million from the same period last year, mainly due to lower margins of the Company as coal indices remained at high level, which more than doubled from last year, as well as the increase in spot purchase prices.

Interest Expense and Other Financing Charges
Interest expense and other financing charges decreased by 11% or ₱503 million from last year's ₱4,595 million for the same period to ₱4,092 million in 2022, primarily due to lower interest recognized on the declining principal balances of the IPPA entities' lease liabilities.

Interest Income
Interest income increased by 74% or ₱92 million from last year's ₱125 million for the same period to ₱217 million in the first quarter of 2022, driven primarily by higher average interest rate for the period.

Equity in Net Earnings
Equity in net earnings of an associate and joint ventures increased from ₱37 million last year to ₱60 million in the same period of 2022 due mainly to the improvement in the financial performance results of AHC.

Other Income - Net
Other income decreased by 48% or ₱998 million from last year's ₱2,083 million for the same period to ₱1,085 million in 2022. This was due to (i) lower income from reduction of PSALM fixed fees for the outages of Sual Power Plant in the first quarter of 2021, and (ii) higher net foreign exchange losses by ₱196 million recognized on the Company's US dollar-denominated financial assets and liabilities with the movement of the Philippine peso against the US dollar during the period.

Income Tax Expense (Benefit)
Provision for income tax made a complete turnaround from last year's ₱1,704 million benefit to ₱1,413 million expense this year. This resulted primarily from the recording in the first quarter of 2021 the impact of the CREATE Law, that was approved by the President of the Philippines on March 26, 2021. One of the key provisions of the CREATE Law is an immediate 5% to 10% point cut in the corporate income tax starting July 1, 2020. CREATE Law impact adjustment, reducing income tax expense for 2020 by ₱3,152 million, was recognized in the first quarter of 2021.

Net Income
Consequently, the consolidated net income of the Company for the first quarter decreased by 75% or ₱5,849 million from ₱7,777 million in 2021 to ₱1,928 million in 2022. Without the CREATE impact, the net income would have declined by 58% from the previous year.

<u>3M 2021 vs. 3M 2020</u>

In Millions	**March 31**		**Horizontal Analysis Increase (Decrease)**		**Vertical Analysis**	
	2021	**2020**	**Amount**	**%**	**2021**	**2020**
Revenues	**₱27,366**	₱28,298	(₱932)	(3%)	**100%**	100%
Cost of power sold	**(17,730)**	(18,965)	(1,235)	(7%)	**(65%)**	(67%)
Gross profit	**9,636**	9,333	303	3%	**35%**	33%

Selling and administrative expenses	**(1,213)**	(1,510)	(297)	(20%)	**(4%)**	(5%)
Income from operations	**8,423**	7,823	600	8%	**31%**	28%
Interest expense and other financing charges	**(4,595)**	(4,782)	(187)	(4%)	**(17%)**	(17%)
Interest income	**125**	466	(341)	(73%)	**0%**	2%
Equity in net earnings (losses) of an associate and joint ventures	**37**	(159)	196	123%	**0%**	(1%)
Other income - net	**2,083**	1,723	360	21%	**8%**	6%
Income before income tax	**6,073**	5,071	1,002	20%	**22%**	18%
Income tax expense (benefit)	**(1,704)**	1,850	(3,554)	(192%)	**(6%)**	7%
Net income	**₱7,777**	₱3,221	₱4,556	141%	**28%**	11%

Revenues

The Company's consolidated revenues for the first quarter of 2021 registered at ₱27,366 million, 3% or ₱932 million lower than the ₱28,298 million for 2020 same period, as offtake volumes of 6,344 GWh declined by 5%. The decrease was mainly due to: (i) lower demand of industrial and contestable customers due to continuing effect of community quarantine, (ii) lower nominations from distribution utilities customers of SMCPC, (iii) decrease in overall spot sales volume of Luzon-based power plants, and moderated by (iv) higher average realization prices.

Cost of Power Sold

Cost of power sold likewise decreased by 7% or ₱1,235 million, from ₱18,965 million for the first quarter of 2020 to ₱17,730 million in 2021 same period. The decrease was attributable to the following: (i) lower cost of coal consumption mainly due to the decline in net generation of Sual and Davao Greenfield Power Plants, with the prolonged outage of Sual Unit 2, coupled with lower average prices of coal consumed in the first quarter of 2021, (ii) lower energy fees due primarily to the decline in net generation and lower average natural gas prices for the Ilijan Power Plant, and partly offset by (iii) higher power purchases from external generators and the spot market to meet bilateral requirements.

Selling and Administrative Expenses

Selling and administrative expenses decreased by 20% or ₱297 million, from ₱1,510 million for the first quarter of 2020 to ₱1,213 million in 2021. The decrease was mainly due to: (i) contributions of ₱200 million for COVID-19 community response initiatives incurred in the first quarter of 2020, and (ii) lower taxes and licenses due to the decline in local business taxes of SMELC and SPDC and lower documentary stamp taxes incurred by SMC Global Power.

Income from Operations

With lower generation costs, gas price and operating expenses, and effective implementation of power dispatch strategies, consolidated income from operations ended 8% or ₱600 million higher from ₱7,823 million posted in 2020 to ₱8,423 million for the first quarter of 2021.

Interest Expense and Other Financing Charges

Interest expense and other financing charges decreased by 4% or ₱187 million, from ₱4,782 million during the first quarter of 2020 to ₱4,595 million in 2021, due primarily to lower interest recognized on the declining principal balances of the IPPA entities' lease liabilities.

Interest Income

Interest income decreased by 73% or ₱341 million, from ₱466 million reported interest income during the first quarter of 2020 to ₱125 million in 2021, driven primarily by lower average interest rate and shorter placement periods as funds were utilized to defray capital expenditures for ongoing construction projects.

Equity in Net Earnings (Losses)

Equity in net earnings (losses) of an associate and joint ventures made a turnaround from ₱159 million loss in the first quarter of 2020 to ₱37 million gain in 2021, due mainly to the improvement in the financial performance results of AHC.

Other Income - Net

Other income increased by 21% or ₱360 million from ₱1,723 million reported in the first quarter of 2020 to ₱2,083 million in 2021. This was due to (i) the recognition of income from reduction of PSALM fixed fees for the outages of Sual Power Plant in the first quarter of 2021, (ii) lower net foreign exchange losses by ₱79 million recognized on the Company's US dollar-denominated financial assets and liabilities with the movement of the Philippine peso against the US dollar in 2021, and offset by (iii) the recognition in 2020 of ₱1,931 million to be recovered from third party contractors on account of damages arising from the latter's non-fulfillment of obligations under procurement-related contracts.

Income Tax Expense (Benefit)

Provision for income tax had a complete turnaround from ₱1,850 million expense in the first quarter of 2020 to ₱1,704 million benefit in 2021. This resulted primarily from the recording in the first quarter of 2021 of the CREATE impact reducing the provision for income tax expense for year 2020 by ₱3,152 million.

Net Income

Consequently, the consolidated net income of the Company for the first quarter of 2021 grew by 141% or ₱4,556 million, from ₱3,221 million in 2020 to ₱7,777 in 2021. Nevertheless, without the effect of the CREATE Law, consolidated net income would still have increased by 44% to ₱4,625 million.

2021 vs. 2020

	December 31		Horizontal Analysis Increase (Decrease)		Vertical Analysis	
In Millions	**2021**	**2020**	**Amount**	**%**	**2021**	**2020**
Revenues	**₱133,710**	₱115,029	₱18,681	16%	**100%**	100%
Cost of power sold	**(96,909)**	(71,896)	25,013	35%	**(72%)**	(63%)
Gross profit	**36,801**	43,133	(6,332)	(15%)	**28%**	37%
Selling and administrative expenses	**(4,915)**	(6,210)	(1,295)	(21%)	**(4%)**	(5%)
Income from operations	**31,886**	36,923	(5,037)	(14%)	**24%**	32%
Interest expense and other financing charges	**(18,269)**	(18,583)	(314)	(2%)	**(14%)**	(16%)
Interest income	**617**	1,007	(390)	(39%)	**0%**	1%
Equity in net losses of an associate and joint ventures	**(117)**	(473)	(356)	(75%)	**0%**	0%
Other income - net	**3,761**	7,923	(4,162)	(53%)	**3%**	7%
Income before income tax	**17,878**	26,797	(8,919)	(33%)	**13%**	23%
Income tax expense	**1,900**	7,923	(6,023)	(76%)	**1%**	7%
Net income	**₱15,978**	₱18,874	(₱2,896)	(15%)	**12%**	16%

Revenues

The Company's consolidated revenues for year 2021 registered at ₱133,710 million, 16% or ₱18,681 million higher than ₱115,029 million in 2020. Offtake volume of 27,221 GWh posted a 4% growth from 2020 primarily from higher spot market sales volume and improved customers nominations with the easing of community quarantine restrictions. In addition, increase in revenues were driven by (i) higher average realization bilateral rates due to increase in fuel pass-on charges in accordance with fuel pricing provisions of its bilateral contracts and rate escalation feature on Meralco contracts that mitigated the impact of higher fuel cost as a result of increasing NewC coal indices and natural gas price; (ii) higher spot prices during the year; and (iii) revenues from the full-year operations of MPPCL Unit 3 Masinloc Power Plant which commenced commercial operations on September 26, 2020.

Cost of Power Sold

Cost of power sold likewise increased by 35% or ₱25,013 million, from ₱71,896 million in 2020 to ₱96,909 million in 2021. The increase was mainly attributable to the following: (i) higher power purchases from the spot market and external power generators on account of lack of peak capacity to serve the Company's bilateral volumes, offset by lower energy fees due to lower net generation of Sual and Ilijan. The Company experienced extended outages of the Sual Power Plant and capacity deration of the Ilijan Power Plant due to gas supply restrictions. Spot prices surged especially in May 2021 when the Company and the rest of the power industry experienced a very high system demand. High spot prices were also experienced during the last quarter of 2021. Other factors contributing to the increase in cost of power sold, are the following: (i) higher fuel costs as coal prices surged to unprecedented levels starting in the third quarter of 2021 after being relatively stable in previous years; (ii) higher average gas price for Ilijan; and (iii) higher cost incurred by MPPCL Unit 3 from its full-year operations in 2021. The impact of the increase in fuel costs was partially mitigated through either fuel pass-through and/or escalation feature on certain bilateral contracts of the Company.

Selling and Administrative Expenses
Selling and administrative expenses decreased by 21%, or ₱1,295 million, from ₱6,210 million in 2020 to ₱4,915 million in 2021. The decrease was mainly due to: (i) lower contracted services and travel-related expenses, including representation and entertainment expenses, of the Company during the year as a result of limited activities brought by community quarantine restrictions; (ii) contributions of ₱200 million for COVID-19 community response initiatives incurred in 2020; and (iii) reversal of impairment losses on trade receivables due to improvement in collections from certain customers.

Income from Operations
As a result, consolidated income from operations of ₱31,886 million in 2021 declined by 14% from ₱36,923 million in 2020.

Other Income (Charges)
Interest income decreased by 39%, or ₱390 million, from ₱1,007 million in 2020 to ₱617 million in 2021, due mainly to lower average interest rate and shorter placement periods as funds were utilized to defray capital expenditures for ongoing construction projects.

Equity in net losses of an associate and joint ventures registered at ₱117 million loss in 2021, down from the ₱473 million loss in 2020, mainly due to the share in lower net losses of AHC.

Other income decreased by 53%, or ₱4,162 million, from ₱7,923 million in 2020 to ₱3,761 million in 2021. This was mainly attributable to the recognition in 2020 of ₱3,826 million settlement received from third party contractors on account of damages arising from the latter's non-fulfillment of obligations under procurement-related contracts, which was higher compared to the increase in income from reduction of PSALM fixed fee charges amounting to ₱2,166 million for the outages of Sual Power Plant's Units 1 and 2 in 2021. Moreover, net foreign exchange differential, arising mainly from the Company's US dollar-denominated liabilities, made a complete turnaround from ₱1,370 million gain in 2020 to ₱1,495 million loss in 2021 as a result of the depreciation of the Philippine peso against the US dollar in 2021 by ₱2.976 (from ₱48.023 to ₱50.999) vs the appreciation of Philippine peso experienced in 2020 by ₱2.612 (from ₱50.635 to ₱48.023).

Income Tax Expense
Provision for income tax declined from ₱7,923 million for 2020 to ₱1,900 million for 2021. This resulted primarily from the adjustment made in 2021 for the impact of the CREATE Law to the 2020 financials of the Company. With the application of the reduced income tax rate, the provision for deferred income tax arising from the IPPA entities' lease liabilities declined. Moreover, the provision for current income tax recognized by SPPC and SMEC also declined due to lower taxable income during the year.

Net Income
Consequently, the consolidated net income of the Company for the year decreased by 15% from ₱18,874 million in 2020 to ₱15,978 million in 2021.

2020 vs. 2019

	December 31		Horizontal Analysis Increase (Decrease)		Vertical Analysis	
In Millions	2020	2019	Amount	%	2020	2019
Revenues	**₱115,029**	₱135,060	(₱20,031)	(15%)	**100%**	100%
Cost of power sold	**(71,896)**	(91,758)	(19,862)	(22%)	**(63%)**	(68%)
Gross profit	**43,133**	43,302	(169)	0%	**37%**	32%
Selling and administrative expenses	**(6,210)**	(7,348)	(1,138)	(15%)	**(5%)**	(5%)
Income from operations	**36,923**	35,954	969	3%	**32%**	27%
Interest expense and other financing charges	**(18,583)**	(19,721)	(1,138)	(6%)	**(16%)**	(15%)
Interest income	**1,007**	1,586	(579)	(37%)	**1%**	1%
Equity in net losses of an associate and joint ventures	**(473)**	(391)	82	21%	**0%**	0%
Other income - net	**7,923**	4,199	3,724	89%	**7%**	3%
Income before income tax	**26,797**	21,627	5,170	24%	**23%**	16%
Income tax expense	**7,923**	7,263	660	9%	**7%**	5%
Net income	**₱18,874**	₱14,364	₱4,510	31%	**16%**	11%

Revenues

The Company's consolidated revenues for year 2020 registered at ₱115,029 million, 15% or ₱20,031 million lower than the ₱135,060 million posted in 2019 as offtake volume of 26,291 GWh posted a 7% decline in 2019. This was primarily due to the: (i) deferral of the commencement of the supply to Meralco under the 290 MW Mid-merit PSA of SPPC, where the provisional approval of the ERC was posted and distributed to the parties only on March 16, 2020 and the expiration of the 260 MW PSA with MPPCL; (ii) curtailed demand by industrial and contestable customers during the Philippine government-imposed ECQ period, which gradually improved with the reopening of economic activities after the easing of ECQ restrictions, and compensated by improved utility demand as household consumptions increased; (iii) lower contract rates for the new Meralco baseload PSAs that took effect on December 26, 2019 compared to the power supply contracts that expired on December 25, 2019; and (iv) lower average spot prices for Luzon-based power plants offset by take-or-pay arrangements with the Company's other distribution utility customers.

Cost of Power Sold

Cost of power sold likewise decreased by 22% or ₱19,862 million, from ₱91,758 million in 2019 to ₱71,896 million in 2020. The decrease was mainly attributable to the following: (i) lower average cost of coal prices for Sual, Masinloc, Davao and Limay Greenfield Power Plants as coal indices continue to decline; (ii) lower average cost of spot purchases; (iii) lower energy fees due to lower net generation of the Sual, Ilijan and San Roque Power Plants coupled with lower average natural gas prices for the Ilijan Power Plant, offset by (iv) higher costs incurred by SCPC on account of the full-year operations of its 150 MW Unit 4-Limay Greenfield Power Plant which commenced commercial operations on July 26, 2019, and by MPPCL with the start of commercial operations of its 335 MW Unit 3-Masinloc Power Plant on September 26, 2020.

Selling and Administrative Expenses

Selling and administrative expenses decreased by 15% or ₱1,138 million, from ₱7,348 million in 2019 to ₱6,210 million in 2020. The decrease was mainly due to lower regular operating expenses incurred relating to contracted services, repairs and maintenance works, sales and marketing, fuel and oil, and travel due to quarantine restrictions during the COVID-19 pandemic. This was partly offset by: (i) contributions for COVID-19 community response initiatives; and (ii) higher depreciation recognized for Unit 4-Limay Greenfield Power Plant and Unit 3-Masinloc Power Plant which commenced commercial operations in July 2019 and September 2020, respectively.

Income from Operations
With lower fuel costs, spot purchases and operating expenses, and effective implementation of power dispatch strategies, consolidated income from operations ended 3% or ₱969 million higher from ₱35,954 million in 2019 to ₱36,923 million in 2020.

Other Income (Charges)
Interest income decreased by 37% or ₱579 million from ₱1,586 million in 2019 to ₱1,007 million in 2020 on account of lower average interest rate during the year and shorter placement periods as funds were utilized to defray capital expenditures for ongoing construction projects.

Interest expense and other financing charges decreased by 6% from ₱19,721 million for 2019 to ₱18,583 million in 2020. This was mainly due to: (i) lower interest expense recognized from the declining principal balance of the IPPA entities' lease liabilities; (ii) higher capitalized borrowing costs of MPPCL for its ongoing construction projects; (iii) net decrease in interest expense of SMC Global Power with the pre-termination of its US$150 million 5-year term loan, originally to mature in March 2023, and settlement of its US$120 million short-term loan in April 2019; and partially offset by (iv) higher interest expense of SCPC with the cessation of the capitalization of its borrowing costs since the start of commercial operations of its Unit 4-Limay Greenfield Power Plant in July 2019.

Equity in net losses of an associate and joint ventures registered at ₱473 million loss in 2020 due to the share in higher net losses of AHC.

Other income increased by 89% or ₱3,724 million from ₱4,199 million for 2019 to ₱7,923 million in 2020 due to (i) the recognition of ₱3,826 million in settlement received from third party contractors on account of damages arising from the latter's non-fulfillment of obligations under procurement-related contracts; (ii) higher income recognized from the reduction in PSALM fixed fee charges by ₱1,411 million due to longer forced outages of Units 1 and 2 of Sual Power Plant in 2020 versus 2019; and partly offset by (iii) lower net foreign exchange gain by ₱1,470 million recognized on the Company's US dollar-denominated financial assets and liabilities with the movement of the Philippine peso against the US dollar in 2020.

Income Tax Expense
Income tax expense increased by 9% or ₱660 million from ₱7,263 million in 2019 to ₱7,923 million in 2020. The increase was due primarily to higher provision for deferred income tax expense recognized by IPPA entities on the temporary difference of monthly fixed payments to PSALM over the lease liability-related expenses.

Net Income
Consequently, the consolidated net income of the Company for 2020 increased by 31% from ₱14,364 million in 2019 to ₱18,874 million in 2020.

2019 vs. 2018

	December 31		Horizontal Analysis Increase (Decrease)		Vertical Analysis	
In Millions	**2019**	2018	Amount	%	**2019**	2018
Revenues	**₱135,060**	₱120,103	₱14,957	12%	**100%**	100%
Cost of power sold	**(91,758)**	(80,819)	10,939	14%	**(68%)**	(67%)
Gross profit	**43,302**	39,284	4,018	10%	**32%**	33%
Selling and administrative expenses	**(7,348)**	(6,110)	1,238	20%	**(5%)**	(5%)
Income from operations	**35,954**	33,174	2,780	8%	**27%**	28%
Interest expense and other financing charges	**(19,721)**	(17,616)	2,105	12%	**(15%)**	(15%)
Interest income	**1,586**	661	925	140%	**1%**	1%
Equity in net losses of associates and joint ventures	**(391)**	(471)	(80)	(17%)	**0%**	0%

Other income (charges) – net	**4,199**	(3,547)	7,746	218%	**3%**	(3%)
Income before income tax	**21,627**	12,201	9,426	77%	**16%**	10%
Income tax expense	**7,263**	3,901	3,362	86%	**5%**	3%
Net income	**₱14,364**	₱8,300	₱6,064	73%	**11%**	7%

Revenues
The Company's consolidated revenues in 2019 reached ₱135,060 million, 12% or ₱14,957 million higher than the ₱120,103 million posted in 2018, reflecting the sale of power registering at 28,112 GWh in 2019 and 23,864 GWh in 2018. The increase was driven by: (i) revenues contributed by the full-year generation from the 660 MW Masinloc Power Plant acquired on March 20, 2018, (ii) revenues from the full-year operations of SMCPC Unit 2-Davao Greenfield Power Plant and of SCPC Unit 3-Limay Greenfield Power Plant, which commenced commercial operations on February 26, 2018 and March 26, 2018, respectively, (iii) additional revenues from SCPC's Unit 4 which started commercial operations on July 26, 2019, (iv) increase in revenues of SPPC brought by higher plant dispatch of Ilijan Power Plant due to higher Meralco nominations coupled with higher average realization price, and partly offset by (v) the decline in revenues of SMEC on account of lower average realization price for its bilateral sales, and (vi) the decline in spot sales volume of the Company.

Cost of Power Sold
Cost of power sold likewise increased by 14% or ₱10,939 million, from ₱80,819 million in 2018 to ₱91,758 million in 2019. The increase was attributable mainly to the following: (i) costs incurred by the Masinloc Power Plant during its full-year operations in 2019, (ii) higher costs incurred from the full-year operations of the Unit 2-Davao Greenfield Power Plant and Unit 3-Limay Greenfield Power Plant, with a combined capacity of 300 MW, (iii) costs incurred for the five-month operations of SCPC's Unit 4, (iv) higher spot purchases of MPPCL, SMEC and SCPC, and (v) higher energy fees due to longer operating hours resulting from lower outages of the Sual Power Plant and higher average natural gas price for the Ilijan Power Plant.

Selling and Administrative Expenses
Selling and administrative expenses increased by 20% or ₱1,238 million, from ₱6,110 million in 2018 to ₱7,348 million in 2019. The increase was due mainly to: (i) full-year operations of the Masinloc Power Plant (acquired in March 2018), (ii) higher personnel expenses, and (iii) contributions to registered donee institutions for various programs on education and environment.

Income from Operations
As a result, consolidated income from operations grew by 8% or ₱2,780 million, from ₱33,174 million in 2018 to ₱35,954 million in 2019.

Other Income (Charges)
Interest expense and other financing charges increased by 12% or ₱2,105 million, from ₱17,616 million in 2018 to ₱19,721 million in 2019, due mainly to higher interest expense recognized on: (i) the long and short-term borrowings obtained by SMC Global Power to partially finance the Masinloc acquisition, to fund the capital expenditures of MPGC and for its BESS projects, (ii) project financing of SCPC and SMCPC, (iii) existing long-term borrowings of MPPCL, and partially offset by (iv) lower interest expense on the IPPA entities' finance lease liabilities.

Interest income increased by 140% or ₱925 million, from ₱661 million in 2018 to ₱1,586 million in 2019, resulting from higher average balance of cash and cash equivalents with the net proceeds received from the issuances of the ₱30,000 million fixed rate bonds and US$1,300 million SPCS by SMC Global Power in 2019.

Equity in net losses of associates and joint ventures posted lower losses by ₱80 million during the current year from the operations of AHC.

Other income significantly increased due primarily to the net foreign exchange differential, recognized on the Company's US dollar-denominated liabilities, which made a complete turnaround from the ₱5,316 million loss in 2018 to ₱2,840 million gain in 2019, as a result of the appreciation of the Philippine peso against the US dollar in 2019.

Income Before Income Tax
As a result of the foregoing factors, income before income tax substantially increased by 77% or ₱9,426 million, from ₱12,201 million in 2018 to ₱21,627 million in 2019.

Income Tax Expense
Income tax expense increased by 86% or ₱3,362 million, from ₱3,901 million in 2018 to ₱7,263 million in 2019. The net increase mainly resulted from the following: (i) higher provision for deferred income tax expenses recognized by the IPPA entities on the temporary differences of monthly fixed payments to PSALM over the finance lease liability-related expenses, particularly on foreign exchange differential, (ii) higher deferred income tax expenses of MPPCL, SCPC and SMCPC due to movements on their temporary differences such as foreign exchange translations and capitalized borrowing costs, and (iii) lower provision for current income tax due mainly to the decline of the operating income of SMEC.

Net Income
Consequently, the consolidated net income of the Company grew by 73% or ₱6,064 million, from ₱8,300 million in 2018 to ₱14,364 million in 2019.

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

1. **POWER GENERATION**

<u>**3M 2022 vs. 3M 2021**</u>

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

For the first quarter of 2022, net generation of 1,575 GWh at 69% net capacity factor rate was 180% higher than the same period last year. This was mainly due to lower outages in 2022 as Sual Unit 2 was on extended outage for the repair of turbine blades and diaphragm during the first quarter of 2021. Likewise, total offtake volume increased by 9% to 1,936 GWh from same period last year on account of higher Meralco nominations and the significant improvement in volumes sold to spot and affiliate generators for the first quarter of 2022.

Revenues of ₱12,382 million was 46% higher than last year's ₱8,474 million mainly attributable to improvement in average realization price of electric cooperatives driven by the increase in pass-on fuel cost, and higher spot market prices.

Operating income of ₱1,470 million was 8% lower than ₱1,590 million in 2021 on account of higher generation cost due to significant increase in cost of coal and spot purchase prices offset by the decline in power purchase volumes from affiliate and external generators as a result of higher plant availability during the period.

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

The net generation of Ilijan Power Plant for the first quarter of 2022 fell by 14% due to its deration brought by the continued Malampaya gas supply restriction which started on March 17, 2021. Total offtake volume of 1,817 GWh decreased by 9% compared to same period last year on account of lower spot sales volume and replacement power sold to affiliate generators slightly offset by the increase in Meralco nominations.

Revenues of ₱8,628 million for the first quarter of 2022 was 14% higher compared to same period last year despite lower offtake volumes. This was on account of the significant increase in spot sales prices and the improved average realization prices for bilateral sales.

Operating income of ₱1,283 million in 2022 dropped by 35% compared to the ₱1,971 million posted on the same period last year. This was attributable to higher volume of power purchases as a result of the Ilijan Power Plant's deration and the significant increase in average spot purchase price caused by multiple plants shutdown in Luzon during the period.

c. **SPDC, IPPA of San Roque Power Plan**

The San Roque Power Plant's net generation of 189 GWh, at 25% net capacity factor rate, for the first quarter of 2022 decreased by 19% due to lower water reservoir level. Total offtake volume of 237 GWh likewise decreased by 7% compared to 254 GWh in the first quarter of 2021 due to lower spot sales volume partly offset by higher replacement power supplied to affiliate generators and from the new bilateral customer contract which took effect on March 5, 2022.

Revenues of ₱1,259 million for the first quarter of 2022 was 12% higher than the same period last year, mainly due to higher average realization price and volume of bilateral sales.

The foregoing factors resulted to an upturn in operating income from ₱485 million in 2021 to ₱572 million in 2022.

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

Limay Greenfield Power Plant has a combined capacity of 600 MW. Total generation of the plant from all operating units of 981 GWh at 85% net capacity factor rate for the first quarter of 2022 was 3% lower than the same period last year at 1,016 GWh due to higher plant outages for preventive maintenance services. Total offtake volume of 407 GWh fell from last year by 11% due to decline in both bilateral and spot sales volume.

For the first quarter of 2022, revenues increased by 44% from ₱2,058 million last year to ₱2,972 million in the current year due to higher average fuel charges passed on to customers as a result of rising fuel prices and increase in spot rates.

Consequently, operating income registered at ₱944 million in 2022 was 9% higher than the ₱869 million posted in 2021.

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

For the first quarter of 2022, a total of 397 GWh was generated by the plant at a capacity factor rate of 70% which was 10% lower compared to the same period in 2021. Revenues at ₱3,557 million grew by 60% on account of higher average realization price due to higher pass-on fuel cost as a result of rising cost of coal. Accordingly, operating income registered at ₱1,307 million, was 36% higher than the same period last year.

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

The Masinloc Power Plant operating Units 1, 2, and 3 with a combined net capacity of 924 MW, contributed a total net generation of 1,463 GWh for the first quarter of 2022. This was 4% higher compared to the 1,411 GWh for the same period last year, due to higher plant availability.

Total offtake volume of 1,690 GWh exceeded last year by 3% on account of new contracts with bilateral customers. Year to date revenues inclusive of ancillary revenues from the 10 MW BESS, increased to ₱10,998 million due to high spot market prices and bilateral rates to customers. However, operating income of ₱737 million was lower by 58% attributed to the increase in cost of coal and spot purchase prices during the period.

3M 2021 vs. 3M 2020

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

For the first quarter of 2021, net generation of 562 GWh at 23% net capacity factor rate was 62% lower than the same period of 2020 due to higher outage hours resulting mainly from prolonged outage of Unit 2 and forced and planned maintenance shutdown of Unit 1 during the period. Likewise, total offtake volume decreased to 1,782 GWh from 2,302 GWh for the first quarter of 2020 on account of lower demand from industrial and RES customers during the quarantine period.

Revenues of ₱8,474 million was 9% lower than the ₱9,291 million reported for the same period in 2020, mainly attributable to the decline in offtake volume and moderated by the increase in average realization price for bilateral customers with rate escalation provisions in its PSA.

Operating income of ₱1,590 million was 37% lower than the ₱2,518 million posted in 2020 on account of the foregoing plus higher power purchases during the outages of both Sual units.

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

The net generation of Ilijan Power Plant for the first quarter of 2021 fell by 2% on account of higher outage hours resulting from the planned maintenance shutdown of Block 2 due to combustor inspection in 2021. Total offtake volume of 1,993 GWh increased by 5% compared to the same period in 2020 due mainly to higher Meralco nominations, with the commencement of the 290 MW Mid-merit PSA on March 16, 2020.

Despite the increase in offtake volume, revenues of ₱7,546 million for the first quarter of 2021 was at par with the revenues reported for 2020. This was on account of the decline in average realization prices for bilateral and spot sales volume.

Operating income of ₱1,971 million in 2021 improved by 31% than the ₱1,507 million posted in 2020 due to the increase in offtake volume and decline in average gas price for the period.

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

The San Roque Power Plant's net generation of 233 GWh, at 32% net capacity factor rate, for the first quarter of 2021 increased by 69% due to longer operating hours attributable to high reservoir level. Total offtake volume of 254 GWh likewise increased by 45% compared to 175 GWh in 2020 due to the higher spot sales and replacement power supplied to affiliate generators.

Revenues for the period increased by 47% from ₱765 million in 2020 to ₱1,121 million in 2021 due mainly to higher average realization price and total offtake volume.

The foregoing factors resulted to an upturn in operating income from ₱159 million in 2020 to ₱485 million in 2021.

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

Total generation of the plant from all operating units of 1,016 GWh at 88% net capacity factor rate for the first quarter of 2021 was 30% higher than the 784 GWh posted in 2020 due to higher plant availability with lower outage hours. SCPC dispatched 426 GWh of the plant's net generation to its power generation customers while the rest was dispatched to its RES customers. Total offtake volume of 459 GWh fell by 24% from the total offtake volume registered in 2020 due to decline in demand from industrial customers and distribution utilities with the imposition of quarantine in 2021.

Revenues for the first quarter decreased by 27% from ₱2,803 million reported in 2020 to ₱2,058 million in 2021 due to the decline in offtake volume and the average selling price for replacement power sold to affiliate generators. Consequently, operating income registered at ₱869 million in 2021, 9% lower than the ₱960 million posted in 2020.

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

For the first quarter of 2021, a total of 443 GWh was generated by the plant at a capacity factor rate of 78%. This was 7% lower compared to the same period in 2020. Revenues at ₱2,229 million declined by 24% on account of lower nominations from its existing bilateral customers. Likewise, average realization price decreased due to lower pass-on fuel costs with the utilization of lower kcal coal. Accordingly, operating income registered at ₱961 million, which was 21% lower than the operating income reported in the same period of 2020.

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

Total net generation of 1,411 GWh for the first quarter of 2021 was 11% higher compared to 1,273 GWh posted in 2020. This was attributable to higher combined operating hours of Units 1 and 2 in 2021. The start of commercial operations of Unit 3 was on September 26, 2020.

Total offtake volume of 1,771 GWh increased by 2% from the offtake volume registered in 2020. Year-to-date revenues inclusive of ancillary revenues from the 10 MW BESS, and operating income increased to ₱6,278 million and ₱1,752 million, respectively, driven by higher average replacement power realization rates to affiliate generators and increase in spot prices in 2021.

<u>2021 vs. 2020</u>

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

For the year 2021, net generation of 4,676 GWh at 53% net capacity factor rate was 17% lower than 2020 mainly due to higher outage hours resulting from the prolonged outage of Unit 2, due to the repair of intermediate pressure turbine blades and diaphragm, and forced and planned maintenance shutdown of Unit 1 during the year. Total offtake volume likewise decreased to 7,932 GWh from 9,120 GWh in 2020, on account of lower spot sales volume and decline in demand from industrial and RES customers during the quarantine period.

Revenues of ₱38,162 million was 1% slightly higher than ₱37,638 million in 2021 mainly attributable to the increase in average realization price driven by bilateral contracts that have fuel pricing provisions that allow SMEC to pass to certain bilateral customers the increase in fuel costs brought by the significant surge in coal indices. The effect of the increase in average realization price was countered by the decline in offtake volume.

Operating income of ₱6,249 million in 2021 was 43% lower than ₱10,902 million in 2020 also on account of higher power purchases, at high spot prices, during the extended outages of Sual Unit 2 and increase in generation costs. The impact of the increase in generation costs was partly mitigated by either the full pass-through and/or escalation features on majority of SMEC's bilateral contracts.

b. SPPC, IPPA of Ilijan Power Plant

The net generation of Ilijan Power Plant for the year 2021 fell by 20% on account of its continued deration due to gas supply restrictions and longer outage hours resulting from the planned maintenance shutdown of Blocks 1 and 2 and the Malampaya planned shutdown during the year. Total offtake volume of 7,328 GWh decreased by 6% compared in 2020 on account of lower replacement power requirements.

As a result, revenues of ₱32,107 million for the year 2021 was lower by 4% compared to ₱33,288 million in 2020 on account of the decline in offtake volume offset by higher average realization price.

Operating income of ₱5,208 million in 2021 went down by 53% from the ₱11,088 million posted in 2020. The decline was mainly attributable to the increase in power purchases due to lack of peak capacity as a result of plant deration and higher spot purchase prices especially during the month of May 2021, when the power industry experienced the highest system demand, as well as the surge in spot prices in the last quarter of 2021. In addition, cost of generation increased due to higher average natural gas price in 2021.

c. SPDC, IPPA of San Roque Power Plant

San Roque Power Plant's net generation of 1,036 GWh, at 34% net capacity factor rate for the year 2021, increased by 110% due to longer operating hours and higher water discharge in 2021. Total offtake volume of 1,096 GWh likewise increased by 68% compared to 652 GWh in 2020 attributable to higher spot sales and replacement power supplied to affiliate generators.

Revenues increased by 103% from ₱2,973 million in 2020 to ₱6,029 million in 2021 due mainly to higher average realization prices and total offtake volume for SPDC's spot and replacement power sales.

The foregoing factors resulted to a significant upturn in operating income from ₱758 million in 2020 to ₱3,294 million in 2021.

d. SCPC, owner of Limay Greenfield Power Plant

Total generation of the plant of 4,177 GWh in 2021, at 89% net capacity factor rate, was 19% higher than 3,514 GWh in 2020 due to higher plant availability as a result of lower outage hours. SCPC dispatched 1,814 GWh of the plant's net generation to its power generation customers while the rest was dispatched to its RES customers.

Total offtake volume of 1,930 GWh fell from 1,992 GWh in 2020 or by 3% due to lower nominations from bilateral customers in 2021.

In 2021, revenues increased by 8% from ₱8,896 million in 2020 to ₱9,603 million due to higher average selling price for bilateral and spot sales.

Consequently, operating income registered at ₱3,545 million in 2021, 6% higher than the ₱3,339 million posted in 2020.

e. SMCPC, owner of Davao Greenfield Power Plant

For the year 2021, a total of 1,835 GWh was generated by the plant at a capacity factor rate of 79%. This was slightly lower by 3% compared to in 2020. Net generation and offtake volume decreased due to lower nominations from bilateral customers and increase in the availability of supply from the hydro plants in Mindanao, and the community quarantine brought about by the pandemic.

Revenues declined slightly by 1% from ₱11,012 million in 2020 to ₱10,890 million in 2021 mainly due to lower offtake volume which was offset by higher average realization price as a result of higher pass-on fuel costs with the increase in cost of coal.

The favorable impact of SMCPC's lower power purchases and cost-cutting measures implemented by the plant in 2021 more than offsets the slight decline in revenues thereby contributing to the improvement in its operating income by 4% from ₱4,669 million in 2020 to ₱4,838 million in 2021.

f. MPPCL, owner of Masinloc Power Plant

Masinloc Power Plant's total net generation of 6,136 GWh for the year 2021, with 5,801 GWh supplied to power generation customers while the rest was dispatched to RES customers, was 39% higher compared to the 4,428 GWh net generation posted for 2020. The increase was mainly due to the additional output from Unit 3 which commenced commercial operations on September 26, 2020 and higher operating hours of Units 1 and 2.

Total offtake volume of 7,320 GWh in 2021 exceeded 2020 by 17% on account of higher spot sales volume, and replacement power sales to affiliate generators driven by the high generation of the power plant as well as increase in nominations from distribution utilities. Revenues for the year 2021, inclusive of ancillary revenues from the 10 MW BESS, and operating income increased to ₱32,916 million and ₱5,410 million, respectively, due mainly to higher average realization prices for bilateral sales and replacement power as well as the increase in spot prices for the spot sales volume in 2021.

2020 vs. 2019

a. SMEC, IPPA of Sual Power Plant

For the year 2020, net generation of 5,718 GWh at 65% net capacity factor rate was 16% lower than 2019 mainly due to lower plant dispatch and higher outages resulting from the forced and maintenance outages of Unit 2, and various technical issues of Unit 1 leading to forced outages in 2020. Total offtake volume decreased to 9,120 GWh in 2020 from 9,374 GWh posted in 2019 on account of lower demand from industrial and RES customers during the quarantine period.

Revenues of ₱37,638 million was 8% lower than ₱40,994 million in 2019 mainly attributable to lower average realization price for bilateral sales driven primarily by the lower contract rate of the new PSA with Meralco which was effective starting December 26, 2019 and the impact of lower spot prices and decline in offtake volume.

Nevertheless, operating income of ₱10,902 million was 71% higher than ₱6,390 million in 2019 on account of lower cost of coal and power purchases and decline in operating expenses.

b. SPPC, IPPA of Ilijan Power Plant

The net generation of Ilijan Power Plant for the year 2020 fell by 6% on account of lower plant dispatch due to the decline in Meralco nominations in 2020. Total offtake volume of 7,765 GWh likewise fell by 5% compared to 2019 mainly due to the deferral of the commencement to supply Meralco pursuant to the 290 MW Mid-merit PSA, where the provisional approval of the ERC was posted and distributed to the parties only on March 16, 2020.

Revenues of ₱33,288 million for 2020 was 13% lower than 2019 mainly due to the (i) lower contract rates under the new PSAs with Meralco, which became effective on December 26, 2019; (ii) decline in spot prices; and (iii) decline in overall offtake volume. On the other hand, cost of generation improved because of the decrease in natural gas prices.

Consequently, operating income of ₱11,088 million in 2020 slightly improved by 2% than the ₱10,916 million posted in 2019.

c. SPDC, IPPA of San Roque Power Plant

San Roque Power Plant's net generation of 494 GWh, at 16% net capacity factor rate, for the year 2020 fell by 38% attributable to shorter operating hours and low water reservoir level resulting from unfavorable hydrological conditions. Total offtake volume of 652 GWh for 2020 decreased by 45% compared to 2019 due to the decrease in replacement power supplied to affiliate generators.

Revenues for the year decreased by 62% from ₱7,835 million in 2019 to ₱2,973 million in 2020 due to decline in average realization price, the expiration of the contract with San Roque Power Corporation on March 25, 2020 for the sale of a portion of capacity sourced from the San Roque Power Plant, and decline in total offtake volume.

The foregoing factors resulted to a drop in operating income by 78%, from ₱3,417 million posted in 2019 to ₱758 million in 2020.

d. SCPC, owner of Limay Greenfield Power Plant

With Unit 4, having a 150 MW capacity, commencing commercial operations on July 26, 2019, and with the issuance of a Certificate of Compliance by the ERC for the four units, the Limay Greenfield Power Plant now has a combined capacity of 600 MW.

Total generation of the plant from all operating units registered at 3,514 GWh, at 75% net capacity factor rate, for the year 2020. This was slightly higher by 1% than the 3,794 GWh in 2019 due to the additional output of Unit 4, which was offset by higher combined outages for routinary repair and annual preventive maintenance works in 2020 of the four units.

SCPC dispatched 1,563 GWh of the plant’s net generation to its power generation customers while the rest was dispatched to its RES customers. Total offtake volume of 4,243 GWh fell behind compared to 2019 by 18% due to lower replacement power sold and lower nominations from distribution utilities.

Revenues decreased by 20% from ₱11,174 million in 2019 to ₱8,896 million in 2020 due primarily to lower offtake volume. Decline in operating income by 9%, from ₱3,666 million in 2019 to ₱3,339 million in 2020, was softened by lower generation costs and average power purchase prices.

e. SMCPC, owner of Davao Greenfield Power Plant

For the year 2020, a total of 1,897 GWh was generated by the Davao Greenfield Power Plant at a net capacity factor rate of 81%. This was slightly lower by 1% compared to 2019 due to longer outages in 2020.

Revenues at ₱11,012 million surpassed 2019 revenues by 1% on account of the increase in average realization price and decrease in power purchases to optimize the plant capacity. Accordingly, operating income registered at ₱4,669 million, 13% higher than 2019.

f. MPPCL, owner of Masinloc Power Plant

The Masinloc Power Plant operating Units 1, 2 and 3, with a combined net capacity of 924 MW, contributed a total net generation of 4,428 GWh for the year 2020. This was 4% higher compared to the 4,252 GWh net generation posted for 2019. The increase was mainly due to the additional output from the Unit 3-Masinloc Power Plant which commenced commercial operations on September 26, 2020.

Total offtake volume of 6,266 GWh exceeded 2019 by 7% due primarily to the increase in wholesale electricity spot sales volume, which more than doubled in 2020, and the entry of additional bilateral customers which compensated for the decline in Meralco sales volume. Year-to-date revenues inclusive of ancillary revenues from the 10 MW BESS, and operating income in 2020 registered lower at ₱23,352 million and ₱4,519 million, respectively, compared to 2019 on account of lower average realization prices for spot and bilateral offtake volumes.

2019 vs. 2018

a. SMEC, IPPA of Sual Power Plant

In 2019, net generation of 6,780 GWh at 77% net capacity factor rate was 11% higher than in 2018 mainly due to higher operating hours and lower outages of the Sual Power Plant in 2019 as compared to 2018. In 2018, outages were mainly attributable to the annual maintenance outage of Unit 1 for 56 days from September 1 to October 26, 2018 and maintenance outage of Unit 2 for the installation of main unit of transformer from January 18 to February 9, 2018. Total offtake volume likewise increased to 9,374 GWh from 8,416 GWh in 2018 on account of higher Meralco nominations and bilateral sales volume.

Revenues of ₱40,994 million in 2019 was 2% lower than 2018 due mainly to lower average realization price for bilateral sales despite higher offtake volumes.

On the other hand, the decline in operating income registered at 36%, from ₱10,029 million in 2018 to ₱6,390 million in 2019, on account of higher average cost of replacement power purchases supplied to bilateral customers.

b. SPPC, IPPA of the Ilijan Power Plant

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

Revenues of ₱38,251 million for the year ended December 31, 2019 was 7% higher than 2018. The increase was driven by higher offtake volume, which surged by 3% to 8,133 GWh in 2019, coupled with higher average spot and bilateral prices.

Consequently, operating income of ₱10,916 million in 2019 was 16% higher than the ₱9,390 million posted in 2018.

c. SPDC, IPPA of the San Roque Power Plant

The San Roque Power Plant's net generation of 793 GWh for 2019, at 26% net capacity factor rate, fell by 22% as compared to 1,017 GWh for 2018. This was attributable to low reservoir level at an average of 261 meters above sea level (masl) in 2019 vs 264 masl in 2018. In 2018, the power plant was tagged as a Must Run Unit for 20 days due to high water level resulting from frequent monsoons and typhoons. Total offtake volume of 1,187 GWh likewise decreased by 12% compared to 2018.

Nevertheless, revenues increased by 12% or ₱830 million, from ₱7,005 million in 2018 to ₱7,835 million in 2019, due to higher average realization price and increase in revenue from ancillary services by 58% in 2019.

The foregoing factors contributed to the improvement of operating income by 23% from ₱2,777 million in 2018 to ₱3,417 million in 2019.

d. SCPC, owner of the Limay Greenfield Power Plant

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

Total net generation of 3,794 GWh, at 81% net capacity factor rate, for 2019 was 38% higher than the 2,743 GWh in 2018. This was due to the full-year operations of Unit 3 and five-month operations of Unit 4 in 2019. SCPC dispatched 1,898 GWh of the plant's net generation to its power generation customers while the rest was dispatched to its RES customers.

Total offtake volume of 4,212 GWh in 2019 was 61% higher than in 2018 due to higher offtake volume sold to various customers (that were obtained to fully contract the capacity of Unit 3 and Unit 4) and as replacement power to SMEC and MPPCL.

For 2019, revenues increased by 31% to ₱11,174 million from ₱8,550 million in 2018 driven primarily by higher offtake volumes.

e. SMCPC, owner of the Davao Greenfield Power Plant

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

For the year 2019, a total of 1,896 GWh was generated by the plant at a capacity factor rate of 82%. This was 32% higher as compared in 2018 due to the full-year operations of Unit 2 as well as the high demand during the summer season, notwithstanding the 14-day combined shutdown of Unit 1 and Unit 2 due to tube leak and the 6.9 magnitude earthquake experienced on December 15, 2019.

Revenues of ₱10,942 million in 2019 topped the revenues posted in 2018 by 40% on account of additional bilateral customers and the increase in nominations and load following demand from its existing bilateral customers. This is despite the slight decrease in average realization price due to the effect of capacity-based contracts, i.e., take or pay.

Accordingly, operating income registered at ₱4,130 million which was 46% higher than 2018.

f. MPPCL, owner of the Masinloc Power Plant

The Masinloc Power Plant operating Unit 1 and Unit 2, with a combined net capacity of 619 MW, contributed a total net generation of 4,264 GWh for 2019, 0.03% higher compared to the net generation of 4,253 GWh in 2018, for the period starting March 20, 2018 (the acquisition of the Masinloc Power Plant) to December 31, 2018.

As a result of the full-year operations of the Masinloc Power Plant in 2019, MPPCL registered an increase in its total offtake volume of 5,818 GWh by 38% (sold to distribution utilities and electric cooperatives), revenues of ₱24,711 million by 32% (inclusive of ancillary revenues from its 10 MW BESS) and operating income of ₱4,768 million by 1%.

2. RETAIL AND OTHER POWER-RELATED SERVICES

3M 2022 vs. 3M 2021

a. APEC, Concessionaire for the rehabilitation, operations and maintenance of ALECO

Revenues of ₱1,029 million was 34% higher than the ₱769 million posted on the same period last year driven primarily by the increase in average realization price. The improvement in revenues was curtailed by higher systems loss and cost of power purchases. Consequently, operating loss of ₱217 million in 2022 was higher than the ₱82 million loss recognized in 2021 for the same period.

b. SCPC, RES

For the first quarter of 2022, total offtake volumes registered at 660 GWh was at par with last year's 663 GWh. Revenues increased by 21% from ₱3,154 million for the same period last year to ₱3,826 million due to higher bilateral rates. This was offset by higher generation cost as a result of rising fuel prices due to increasing coal prices. Consequently, ₱226 million operating loss was registered in 2022, a turnaround from the ₱565 million operating income posted in the same period of 2021.

c. MPPCL, RES

For the first quarter of 2022, total offtake volumes and revenues more than doubled compared to last year, registering at 325 GWh and ₱1,964 million, respectively, attributable to new contestable customers. Operating income of ₱131 million, however, was lower compared to the same period last year due to increase in generation costs driven primarily by higher coal prices during the period.

3M 2021 vs. 3M 2020

a. **APEC, Concessionaire for the rehabilitation, operations and maintenance of ALECO**

Revenues of ₱769 million was 9% lower than the ₱849 million posted in 2020, primarily driven by lower offtake volume and decline in average realization price. The decline in revenues was partially mitigated by lower cost of power purchases. Consequently, operating loss of ₱82 million in 2021 was higher than the ₱36 million recognized in 2020 for the same period.

b. **SCPC, RES**

For the first quarter of 2021, total offtake volume registered at 663 GWh. This was 28% higher than the 518 GWh registered in 2020 due to increase in nominations from contestable customers and the transfer of contestable customers from SMELC. Revenues increased by 27% from ₱2,474 million in the first quarter of 2020 to ₱3,154 million in 2021 as offtake volume increased. Consequently, operating income registered at ₱565 million in 2021 was 150% higher than the ₱226 million posted in 2020.

c. **MPPCL, RES**

For the first quarter of 2021, total offtake volume and revenues more than doubled compared to 2020, registering at 131 GWh and ₱789 million, respectively, attributed mainly to the contracts assigned from SMELC. Consequently, operating income registered at ₱220 million in 2021, much higher than in 2020.

<u>2021 vs. 2020</u>

a. APEC, Concessionaire for the rehabilitation, operations and maintenance of ALECO

Revenues of ₱3,984 million was 26% higher than ₱3,171 million posted in 2020 primarily driven by the increase in average realization price and higher volume. On the other hand, operating loss of ₱368 million in 2021 was higher than the ₱282 million recognized in 2020 on account of higher cost of power purchases.

b. SCPC, RES

For the year 2021, total offtake volumes registered at 2,661 GWh, this was 18% higher than 2,251 GWh in 2020 due to the increase in nominations from contestable customers and the transfer of contestable customers from SMELC. As a result, revenues increased by 35% from ₱10,516 million in 2020 to ₱14,229 million in 2021 as offtake volume increased. Consequently, with better margin, operating income registered at ₱2,943 million in 2021. This was 105% higher than the ₱1,435 million posted in 2020.

c. MPPCL, RES

MPPCL has RSC with various contestable customers. Starting May 26, 2020, several RSCs from SMELC were assigned to MPPCL-RES.

In 2021, total offtake volume and revenues significantly increased compared to 2020, registering at 735 GWh and ₱5,017 million, respectively, attributed mainly to the contracts assigned from SMELC and new contestable customers in 2021. Consequently, operating income registered at ₱824 million in 2021, much higher than in 2020.

d. SMELC, RES

On August 18, 2021, the ERC has granted the extension of the validity of SMELC's RES License for 15 days from August 21, 2021 until September 5, 2021 to allow SMELC to complete the transfer of its remaining contestable customer to SCPC-RES. As part of the Group/s power expansion program, SMELC will be intended for future capital projects as may be determined by management.

Offtake volume significantly declined from 746 GWh in 2020 to 6 GWh in 2021 attributable to the transfer of its remaining RES customer to SCPC in 2021. This led to the decrease in revenues in 2021 which registered at ₱17 million compared to ₱3,997 million posted in 2020. Lower volume and depressed margin were partially mitigated by the reversal of impairment losses on trade receivables due to collection from a certain customer. This resulted to an operating loss amounting to ₱12 million for 2021, a turnaround from the ₱12 million operating income posted in 2020.

2020 vs. 2019

a. SCPC, RES

RES customers include various SMC subsidiaries and other external contestable customers. The power supply for its RES contracts was sourced from the Limay Greenfield Power Plant.

For the year 2020, the total offtake volumes registered at 2,251 GWh. This was 27% higher than the 1,779 GWh in 2019 due to new RES customers following the increase in the power plant's capacity.

Revenues at ₱10,516 million topped the 2019 revenue as offtake volumes increased. Consequently, operating income at ₱1,435 million in 2020 was 1% higher than in 2019.

b. MPPCL, RES

MPPCL has various RES contracts.

For 2020, total offtake volume and revenues significantly increased compared to 2019, registering at 419 GWh and ₱2,340 million, respectively, on account of additional RES customers. Meanwhile, operating income increased to ₱453 million in 2020 due mainly to higher nominations resulting from the entry of new retail customers.

c. APEC, Concessionaire for the rehabilitation, operations and maintenance of ALECO

Revenues of ₱3,171 million was 10% lower than ₱3,511 million posted in 2019 on account of lower offtake volume during quarantine period and a number of typhoons that hit the province of Albay in 2020.

On the other hand, operating loss of ₱282 million in 2020 was lower than the ₱365 million recognized in 2019 due primarily to lower cost of power purchases.

d. SMELC, RES

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

Offtake volume of 746 GWh for 2020 fell compared to 2,028 GWh in 2019. The 63% decrease was attributable to the transfer of majority of its RES contracts to SCPC-RES and MPPCL-RES, the expiration of several contracts in 2020 and lower energy requirement from its contestable customers during the quarantine period. This led to the decrease by 62% in revenues in 2020 which registered at ₱3,997 million. Lower volume and depressed margin resulted to an operating income amounting to ₱12 million for 2020, a drop from the ₱71 million operating income in 2019.

2019 vs. 2018

a. SCPC, RES

On August 24, 2016, SCPC was granted a RES license by the ERC. RES customers include various SMC subsidiaries and other contestable customers. The power supply for its RES contracts was sourced from the Limay Greenfield Power Plant.

For 2019, the total offtake volumes registered at 1,779 GWh. This was 135% higher than the total offtake volume of 756 GWh registered in 2018 due to higher bilateral sales from additional contestable customers. Revenues increased by 120% from ₱3,945 million in 2018 to ₱8,675 million in 2019 as offtake volume increased.

b. MPPCL, RES

MPPCL has various retail sale agreements.

On account of the full-year contribution of MPPCL (acquired in March 2018) and additional contestable customers in 2019, the total offtake volume increased by 779% from 42 GWh in 2018 to 369 GWh in 2019, while revenues and operating income, amounting to ₱591 million and ₱381 million, increased by 132% and 289%, respectively.

c. APEC, Concessionaire for the rehabilitation, operations and maintenance of ALECO

Revenues of ₱3,511 million in 2019 was 13% higher than the ₱3,108 million posted in 2018 primarily driven by higher offtake volumes and increase in average selling prices due to higher pass-through generation costs.

On the other hand, operating loss of ₱365 million in 2019 further ballooned from the ₱59 million recognized in 2018 due primarily to the increase in cost of spot purchases.

d. SMELC, RES

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

Total offtake volume of 2,028 GWh in 2019 exceeded the 1,974 GWh offtake volume in 2018 by 3%. The increase was attributable to the following: (i) higher electricity requirements of existing customers, and (ii) additional contestable customers contracted in 2019. The average realization price, however, was lower due to downward adjustments to rates based on current indices. This led to the 10% decrease in revenues in 2019 which registered at ₱10,567 million.

Operating income amounting to ₱71 million for 2019 still improved from the ₱68 million posted in 2018 buoyed mainly by the increase in offtake volume and better margin.

II. FINANCIAL POSITION

A. MAJOR DEVELOPMENTS IN 2022

AVAILMENT OF LONG-TERM DEBT

On January 21, 2022, SMC Global Power availed US$200 million from a 3-year term loan subject of a facility agreement executed with a foreign bank on September 8, 2021. Initial loan amount under the facility agreement of US$100 million, was increased to US$200 million on December 16, 2021. The loan is subject to floating interest rate based on London Interbank Offered Rate (LIBOR) plus margin and will mature in September 2024.

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

PAYMENT OF MATURING LONG-TERM DEBT

In the first quarter of 2022, SCPC and SMCPC paid a total of ₱927 million of their scheduled long-term debt amortizations pursuant to the terms and conditions of their respective facility agreements.

START OF COMMERCIAL OPERATIONS OF KABANKALAN 1 BESS

On January 6, 2022, an ERC Order granted Provisional Authority for the implementation of the Ancillary Services Procurement Agreement between the NGCP and SMCGP Philippines Energy for 5 years commencing on January 26, 2022. Following the receipt of the ERC Order, SMCGP Philippines Energy declared the commercial operations of its 20 MW Kabankalan 1 BESS with the Independent Electricity Market Operator of the Philippines starting January 26, 2022.

EVENTS AFTER THE REPORTING DATE

- *Availment of short-term loan*

On April 8, 2022, SMC Global Power availed a 1-year term loan facility amounting to ₱10,000 million. The proceeds shall be used to refinance its maturing debt obligations and for general corporate purposes.

- *Redemption of maturing Series H Bonds*

On April 25, 2022, SMC Global Power completed the redemption of its Series H Bonds amounting to ₱13,845 million, which forms part of the ₱30,000 million Series HIJ fixed rate bonds issued in April 2019. SMC Global Power used in part the proceeds of the ₱10,000 million term loan availed in April 2022 for the redemption of the Series H Bonds.

- *Payment of long-term debt*

On April 29, 2022, MPPCL made principal repayments of term loans from its Omnibus Refinancing Agreement and OEFA amounting to US$24 million and US$14 million, respectively.

B. MAJOR DEVELOPMENTS IN 2021

SMC GLOBAL POWER

ISSUANCE OF US$750 MILLION SPCS

On June 9, 2021, SMC Global Power issued US$600 million SPCS at an issue price of 100%, with an initial rate of distribution of 5.45% per annum. The US$600 million SPCS were listed on the SGX-ST on June 10, 2021.

On September 15, 2021, SMC Global Power issued US$150 million SPCS at an issue price of 100.125%, with an initial rate of distribution of 5.45% per annum to be consolidated into single series with the US$600 million SPCS issued in June 2021. The US$150 million SPCS were listed on the SGX-ST on September 16, 2021.

The net proceeds from the issuances of the securities are being used for investments in the 1,313.1 MW Batangas Combined Cycle Power Plant and related assets or for general corporate purposes.

REDEMPTION OF US$300 MILLION USCS

On February 26, 2021, SMC Global Power completed the redemption of its US$300 million USCS issued on August 26, 2015 pursuant to the terms and conditions of the securities. The redemption was made after the issuance of a notice to the holders of the US$300 million USCS, dated January 25, 2021. The redemption price includes the principal amount and any accrued but unpaid distributions up to (but excluding) the February 26, 2021 step-up date.

The US$300 million USCS were redeemed using in part the proceeds of the US$350 million SPCS issued on December 15, 2020.

LONG-TERM DEBT

- *Availments of long-term debt*

On March 9, 2021, SMC Global Power executed a 5-year term loan facility agreement for the amount of US$200 million used to refinance its maturing US$200 million loan obligation. Drawdown was completed on March 12, 2021.

On May 21, 2021, the loan facility agreement was amended to increase the amount from US$200 million to US$300 million. On June 7, 2021, SMC Global Power availed of the remaining US$100 million from its amended loan facility agreement. Total amount drawn as at December 31, 2021 is US$300 million. The proceeds of the US$100 million loan was used for the redemption of its Series A Fixed Rate Bonds (the "**Series A Bonds**") in July 2021. The loan is subject to a floating interest rate and will mature in March 2026.

On April 12, 2021, SMC Global Power availed of US$50 million from its term loan facility agreement with a foreign bank executed on October 12, 2020. Proceeds of the loan were used for the payment of capital expenditures in connection with the Ilijan Natural Gas-fired Power Plant (including expansion projects related thereto), funding of liquid natural gas import, storage and distribution facilities; pre-operating and operating working capital requirements for BESS projects, and transaction related fees, costs and expenses of the facility. The loan is subject to a floating interest rate and will mature in October 2023.

On May 28, 2021, SMC Global Power availed of ₱5,000 million from its term loan facility agreement with a local bank executed in May 2020. The proceeds of the loan were used for general corporate purposes. The loan is subject to fixed interest rate and will mature in May 2025.

- *Redemption of maturing Series A Bonds*

On July 12, 2021, SMC Global Power completed the redemption of its Series A Bonds amounting to ₱6,153 million, which forms part of the ₱15,000 million Series ABC fixed rate bonds issued in July 2016. SMC Global Power used the proceeds of the US$100 million and ₱5,000 million term loans, availed in June 2021 and May 2021, respectively, for the redemption of the Series A Bonds.

- *Payment of maturing long-term debt*

In 2021, MPPCL, SCPC, SMCPC, and SMC Global Power paid a total of ₱16,984 million of their scheduled long-term debt amortizations pursuant to the terms and conditions of their respective facility agreements.

C. MAJOR DEVELOPMENTS IN 2020

ISSUANCE OF A TOTAL OF US$1,350 MILLION SPCS BY SMC GLOBAL POWER

On various dates in 2020, SMC Global Power issued and listed on the SGX-ST SPCS for a total amount of US$1,350 million. These are as follows:

Amount	Issuance/ Listing Date	Issue Price	Distribution Rate	Use of Proceeds
US$600 million	Issued January 21, 2020; Listed January 22, 2020	100%	5.7%	For the funding requirements of the development and completion of the BESS projects and for general corporate purposes.
US$400 million *	Issued October 21, 2020; Listed October 22, 2020	100%	7.0%	For capital expenditures and investments in liquefied natural gas facilities and related assets, for the refinancing of expiring commitments whether debt or perpetual securities, and for general corporate purposes.
US$350 million *	Issued December 15, 2020; Listed December 16, 2020	102.457%	7.0%	For the repurchase, refinancing and/or redemption of existing USCS, for investments in liquefied natural gas facilities and related assets, or for general corporate purposes.

** The US$350 million Securities are consolidated into and form a single series with the US$400 million Securities, bringing the total securities to US$750 million.*

LONG-TERM DEBT

- *Availment of long-term debt to finance capital expenditures/project*

On March 31, 2020, MPPCL drew US$43 million from the US$525 million OEFA dated December 1, 2015 to finance the construction of the additional 335 MW Unit 3-Masinloc Power Plant. The loan is divided into fixed interest tranche and floating interest tranche with maturities up to December 2030.

- *Payment of maturing long-term debt*

In 2020, SMC Global Power, MPPCL, SMCPC and SCPC have paid a total of ₱6,261 million of its outstanding long-term debts, pursuant to the terms and conditions of their respective facility agreements.

D. MAJOR DEVELOPMENTS IN 2019

INVESTMENTS

- *Additional capital infusion in MPGC*

On January 25, 2019, SMC Global Power subscribed to the remaining unissued 18,314,898 common shares of MPGC, thereby increasing SMC Global Power's ownership interest in MPGC from 49% to 74%, and an additional 28,929,347 common shares out of the increase in the authorized capital stock of MPGC at the subscription price of ₱100 per share, or a total subscription amount of ₱4,724 million. In May 2019, SMC Global Power subscribed to an additional 29,070,653 common shares out of the aforesaid increase at the subscription price of ₱100 per share, or a total of ₱2,907 million. The increase of the authorized capital stock of MPGC was approved by the SEC on September 6, 2019.

As of December 31, 2019, SMC Global Power has paid ₱6,530 million of the total subscriptions and further increased its ownership in MPGC to 90%. The additional capital infusion will finance in part the power plant project of MPGC.

Following these several investments and change in ownership in MPGC from 49% in 2018 to 89.54% in 2019, the Parent Company has obtained control over MPGC and has started consolidating MPGC as of January 25, 2019.

LONG-TERM DEBT

- *Availment of loan to finance capex/project*

On July 31, 2019, SMCPC drew the remaining ₱978 million from a ₱21,300 million, 12-year OLSA with a syndicate of local banks dated August 9, 2018. The loan is subject to a fixed interest rate of 6.5077% and payable in quarterly installments up to August 2030. Proceeds of the loan were used mainly to finance the remaining payables from the construction works for the Davao Greenfield Power Plant.

Also, in 2019, MPPCL drew US$35 million (₱1,824 million) and US$40 million (₱2,032 million) on January 11, 2019 and November 22, 2019, respectively, from the US$525 million OEFA dated December 1, 2015 to finance the ongoing construction of the additional 300 MW (Masinloc Power Plant Unit 3) coal-fired plant within the existing facilities of MPPCL. The loan is divided into fixed interest tranche of 5.5959% per annum and floating interest tranche based on a 6-month LIBOR plus margin with maturities up to December 2030.

- *Payment of long-term debt*

In 2019, SMC Global Power, MPPCL, SMCPC and SCPC have paid a total of ₱12,407 million of its outstanding long-term debts, pursuant to the terms and conditions of their respective facility agreements.

FIXED-RATE PESO-DENOMINATED BONDS

- *Shelf-registration of ₱60,000 million worth of fixed-rate Peso-denominated bonds by SMC Global Power and issuance of ₱30,000 million bonds*

On March 29, 2019, the SEC approved the shelf-registration of up to ₱60,000 million worth of fixed-rate Peso-denominated bonds of SMC Global Power.

On April 24, 2019, SMC Global Power issued and listed in the PDEx the first tranche of the fixed-rate Peso-denominated bonds amounting to ₱30,000 million. The Bonds were issued at the issue price of 100% face value in three series with terms and interest as follows:

	Term	Interest Rate Per Annum
Series H Bonds	3 years, due 2022	6.8350%
Series I Bonds	5 years, due 2024	7.1783%
Series J Bonds	7 years, due 2026	7.6000%

Interest on the Bonds shall be payable quarterly in arrears every April 24, July 24, October 24 and January 24 of each year starting July 24, 2019, as the first interest payment date.

The proceeds were used by SMC Global Power for partial refinancing of existing loan obligations and/or re-denomination of US dollar-denominated obligations (remaining US$150,000 term loan, used for Masinloc acquisition, and US$120,000 short-term loan), investments in power-related assets and for payment of transaction-related fees, costs and expenses.

SENIOR PERPETUAL CAPITAL SECURITIES

- *Issuance of SPCS by SMC Global Power*

On April 25, 2019, SMC Global Power issued US$500 million SPCS (the “Original Securities”) at an issue price of 100%, with an initial rate of distribution of 6.5% per annum. The SPCS were listed in the Singapore Stock Exchange on April 26, 2019. The net proceeds of the Original Securities were used and applied by SMC Global Power for the redemption of US$300 million USCS in November 7, 2019, for repayment of indebtedness, for general corporate purposes, including capital expenditures and investments in power-related assets.

On July 3, 2019, the Company issued an additional US$300 million SPCS (the “Additional Securities”) at an issue price of 102.052% plus an amount corresponding to accrued distributions from (and including) April 25, 2019 to (but excluding) July 3, 2019. The Additional Securities are consolidated into and form a single series with the Original Securities issued in April 2019, bringing its total securities to US$800 million (the “Securities”). The Additional Securities are identical in all respects with the Original Securities, other than with respect to the date of issuance and issue price. The Additional Securities was also listed in the Singapore Stock Exchange on July 4, 2019. The net proceeds of the Additional Securities were used by SMC Global Power for general corporate purposes, investments in power-related assets and repayment of indebtedness.

On November 5, 2019, SMC Global Power issued US$500 million SPCS at an issue price of 100%, with an initial rate of distribution of 5.95% per annum. The SPCS were listed in the Singapore Stock Exchange on November 6, 2019. The net proceeds from the issue of this securities will be used and applied by SMC Global Power for the development of BESS projects and for general corporate purposes.

E. MATERIAL CHANGES PER LINE OF ACCOUNT

3M 2022 vs. 2021

			Horizontal Analysis Increase (Decrease)		Vertical Analysis	
In Millions	**March 31, 2022**	December 31, 2021	Amount	%	**2022**	2021
Cash and cash equivalents	**₱59,023**	₱67,690	(₱8,667)	(13%)	**9%**	11%
Trade and other receivables - net	**57,874**	47,272	10,602	22%	**9%**	7%
Inventories	**9,679**	10,018	(339)	(3%)	**1%**	2%

Prepaid expenses and other current assets	**31,070**	31,490	(420)	(1%)	**5%**	5%
Total Current Assets	**157,646**	156,470	1,176	1%	**24%**	25%
Investments and advances - net	**10,945**	10,839	106	1%	**2%**	2%
Property, plant and equipment - net	**221,075**	211,859	9,216	4%	**34%**	33%
Right-of-use assets - net	**156,728**	157,160	(432)	0%	**24%**	25%
Deferred exploration and evaluation costs	**723**	719	4	0%	**0%**	0%
Goodwill and other intangible assets - net	**73,780**	72,943	837	1%	**12%**	11%
Deferred tax assets	**1,578**	1,447	131	9%	**0%**	0%
Other noncurrent assets	**23,815**	24,287	(472)	(2%)	**4%**	4%
Total Noncurrent Assets	**488,644**	479,254	9,390	2%	**76%**	75%
Total Assets	**₱646,290**	₱635,724	₱10,566	2%	**100%**	100%
Loans payable	**776**	1,530	(754)	(49%)	**0%**	0%
Accounts payable and accrued expenses	**60,221**	56,055	4,166	7%	**9%**	9%
Lease liabilities - current portion	**19,809**	21,677	(1,868)	(9%)	**3%**	3%
Income tax payable	**25**	25	-	0%	**0%**	0%
Current maturities of long-term debt - net of debt issue costs	**63,734**	30,185	33,549	111%	**10%**	5%
Total Current Liabilities	**144,565**	109,472	35,093	32%	**22%**	17%
Long-term debt - net of current maturities and debt issue costs	**169,597**	192,736	(23,139)	(12%)	**26%**	30%
Deferred tax liabilities	**21,560**	20,183	1,377	7%	**4%**	3%
Lease liabilities - net of current portion	**53,400**	56,536	(3,136)	(6%)	**8%**	9%
Other noncurrent liabilities	**5,215**	5,069	146	3%	**1%**	1%
Total Noncurrent Liabilities	**249,772**	274,524	(24,752)	(9%)	**39%**	43%
Total Liabilities	**394,337**	383,996	10,341	3%	**61%**	60%
Equity Attributable to Equity Holders of the Parent Company						
Capital stock	**₱1,062**	₱1,062	P -	0%	**0%**	0%
Additional paid-in capital	**2,490**	2,490	-	0%	**0%**	0%
Senior perpetual capital securities	**167,767**	167,767	-	0%	**26%**	27%
Redeemable perpetual capital securities	**32,752**	32,752	-	0%	**5%**	5%
Equity reserves	**(1,519)**	(1,536)	17	1%	**0%**	0%
Retained earnings	**48,426**	48,248	178	0%	**8%**	8%
	250,978	250,783	195	0%	**39%**	40%
Non-controlling Interests	**975**	945	30	3%	**0%**	0%
Total Equity	**251,953**	251,728	225	0%	**39%**	40%
Total Liabilities and Equity	**₱646,290**	₱635,724	₱10,566	2%	**100%**	100%

The Company’s consolidated total assets as at March 31, 2022 amounted to ₱646,290 million, slightly higher by 2% or ₱10,566 million than December 31, 2021 balance of ₱635,724 million. The increase was attributable to the following factors:

a. Increase in trade and other receivables by ₱10,602 million was mainly attributable to the higher trade customer balances from power sales as the Company recover in part the increase in generation cost, brought by higher coal prices, coupled with higher overall offtake volumes as demand improve.

b. Increase in property, plant and equipment by ₱9,216 million as a result of the ongoing construction of the Batangas Combined Cycle Power Plant ("**BCCPP**") project, BESS projects and Mariveles Power Plant.

c. Increase in deferred tax assets by ₱131 million was due primarily to the deferred income tax benefit recognized by MPPCL on unrealized foreign exchange losses from the revaluation of its US dollar-denominated liabilities.

d. Decrease in cash and cash equivalents by ₱8,667 million was due mainly to the (i) capital expenditures for BCCPP project, BESS and Mariveles Power Plant projects; (ii) payments of maturing long-term loans by SMCPC and SCPC, and MPPCL's short-term loan; (iii) distributions paid to holders of SPCS and RPS by SMC Global Power; partly offset by the (iv) proceeds from the US$200 million term loan drawn by SMC Global Power in January 2022.

The Company's consolidated total liabilities as at March 31, 2022 amounted to ₱394,337 million, 3% or ₱10,341 million higher than the December 31, 2021 balance of ₱383,996 million. The major items accounting for the increase are as follows:

a. Increase in current maturities of long-term debt - net of debt issue costs by ₱33,549 million was attributable to the reclassification from noncurrent of the Company's term loans maturing in January 2023 and March 2023 amounting to US$149 million and US$500 million, respectively, partly offset by payments of principal amortizations made by SMCPC and SCPC in the first quarter of 2022.

b. Increase in accounts payable and accrued expenses by ₱4,166 million was mainly attributable to higher outstanding trade payables of IPPA entities and SCPC for energy fees, power and coal purchases as spot, coal and natural gas prices continue to surge, plus the increase in output VAT driven by higher revenues for the period.

c. Increase in deferred tax liabilities by ₱1,377 million was due primarily to higher provision for deferred income tax expense recognized by the IPPA entities on the difference of monthly fixed payments to PSALM over lease-related expenses.

d. Decrease in long-term debt - net of current maturities and debt issue costs by ₱23,139 million was due to the reclassification to current of the US$149 million and US$500 million term loans of MPPCL and SMC Global Power, respectively, that will mature in the first quarter of 2023. This was partly offset by the US$200 million term loan availed by SMC Global Power in January 2022.

e. Decrease in lease liabilities (including current portion) by ₱5,004 million was mainly on account of lease payments made by the IPPA entities to PSALM.

f. Decrease in loans payable by ₱754 million was due to partial settlement made by MPPCL on March 17, 2022 amounting to US$15 million (equivalent to ₱782 million) and offset by the unrealized foreign exchange loss recognized on the revaluation of the remaining balance.

3M 2021 vs. 2020

			Horizontal Analysis Increase (Decrease)		Vertical Analysis	
In Millions	**March 31, 2021**	December 31, 2020	Amount	%	**2021**	2020
Cash and cash equivalents	**₱93,928**	₱110,718	(₱16,790)	(15%)	**16%**	18%
Trade and other receivables - net	**34,092**	36,162	(2,070)	(6%)	**6%**	6%
Inventories	**5,434**	5,582	(148)	(3%)	**1%**	1%
Prepaid expenses and other current assets	**26,438**	24,916	1,522	6%	**4%**	4%

Total Current Assets	**159,892**	177,378	(17,486)	(10%)	**27%**	29%
Investments and advances - net	**10,002**	9,957	45	0%	**2%**	2%
Property, plant and equipment - net	**176,895**	171,415	5,480	3%	**30%**	28%
Right-of-use assets - net	**161,053**	162,313	(1,260)	(1%)	**27%**	27%
Deferred exploration and evaluation costs	**715**	715	-	0%	**0%**	0%
Goodwill and other intangible assets - net	**72,846**	72,858	(12)	0%	**12%**	12%
Deferred tax assets	**1,354**	1,646	(292)	(18%)	**0%**	0%
Other noncurrent assets	**12,762**	13,734	(972)	(7%)	**2%**	2%
Total Noncurrent Assets	**435,627**	432,638	2,989	1%	**73%**	71%
Total Assets	**₱595,519**	₱610,016	(₱14,497)	(2%)	**100%**	100%
Loans payable	**₱1,698**	₱1,681	₱17	1%	**0%**	0%
Accounts payable and accrued expenses	**41,848**	40,279	1,569	4%	**7%**	7%
Lease liabilities - current portion	**24,567**	24,007	560	2%	**4%**	4%
Income tax payable	**169**	10	159	1,590%	**0%**	0%
Current maturities of long-term debt - net of debt issue costs	**13,227**	22,722	(9,495)	(42%)	**2%**	4%
Total Current Liabilities	**81,509**	88,699	(7,190)	(8%)	**13%**	15%
Long-term debt - net of current maturities and debt issue costs	**206,043**	196,831	9,212	5%	**34%**	32%
Deferred tax liabilities	**17,185**	19,456	(2,271)	(12%)	**3%**	3%
Lease liabilities - net of current portion	**69,714**	75,504	(5,790)	(8%)	**12%**	12%
Other noncurrent liabilities	**3,563**	3,222	341	11%	**1%**	1%
Total Noncurrent Liabilities	**296,505**	295,013	1,492	1%	**50%**	48%
Total Liabilities	**378,014**	383,712	(5,698)	(1%)	**63%**	63%
Equity Attributable to Equity Holders of the Parent Company						
Capital stock	**1,062**	1,062	-	0%	**0%**	0%
Additional paid-in capital	**2,490**	2,490	-	0%	**0%**	0%
Senior perpetual capital securities	**132,200**	132,200	-	0%	**22%**	22%
Redeemable perpetual capital securities	**32,752**	32,752	-	0%	**6%**	5%
Undated subordinated capital securities	**-**	13,823	(13,823)	(100%)	**0%**	2%
Equity reserves	**(4,611)**	(4,228)	(383)	(9%)	**0%**	0%
Retained earnings	**52,596**	47,179	5,417	11%	**9%**	8%
	216,489	225,278	(8,789)	(4%)	**37%**	37%
Non-controlling Interests	**1,016**	1,026	(10)	(1%)	**0%**	0%
Total Equity	**217,505**	226,304	(8,799)	(4%)	**37%**	37%
Total Liabilities and Equity	**₱595,519**	₱610,016	(₱14,497)	(2%)	**100%**	100%

The Company's consolidated total assets as at March 31, 2021 amounted to ₱595,519 million, lower by 2% or ₱14,497 million than December 31, 2020 balance of ₱610,016 million. The decrease was attributable to the following factors:

a. Decrease in cash and cash equivalents by ₱16,790 million was due mainly to the (i) redemption of the US$300 million USCS on February 26, 2021 by SMC Global Power, and payments of (ii) distributions to the holders of RPS, USCS and SPCS by SMC Global Power, and (iii) payments of maturing long-term borrowings of SCPC and SMCPC.

b. Decrease in trade and other receivables by ₱2,070 million was attributable to SPPC's collection from Meralco of November 2020 Power Bills in January 2021 following the payment term provisions of its PSAs.

c. Decrease in deferred tax assets by ₱292 million was due primarily to the impact of CREATE Law which reduced the corporate income tax rate from 30% to 25% thereby decreasing the deferred income tax benefit recognized on unrealized foreign exchange losses of MPPCL and on allowance for probable losses of APEC.

d. Decrease in other noncurrent assets by ₱972 million was due mainly to the (i) application of advances to contractors to progress billings for the ongoing constructions of the Mariveles Power Plant and of MPPCL's BESS and Unit 1 retrofit projects.

e. Increase in prepaid expenses and other current assets by ₱1,522 million was mainly due to higher restricted cash balances by ₱1,219 million of SMCPC and SCPC as required under its respective credit facility agreements.

The Company's consolidated total liabilities as at March 31, 2021 amounted to ₱378,014 million, 1% or ₱5,698 million slightly lower than the December 31, 2020 balance of ₱383,712 million. The major items accounting for the decrease are as follows:

a. Decrease in current maturities of long-term debt – net of debt issue costs by ₱9,495 million was mainly attributable to the settlement of the US$200 million term loan by SMC Global Power upon its maturity in March 2021.

b. Decrease in lease liabilities (including current portion) by ₱5,230 million was mainly on account of lease payments made by the IPPA entities to PSALM.

c. Decrease in deferred tax liabilities by ₱2,271 million was due primarily to the impact of CREATE Law which reduced the corporate income tax rate from 30% to 25% thereby decreasing the deferred income tax expense recognized by the IPPA entities on the difference of monthly fixed payments to PSALM over lease-related expenses.

d. Increase in long-term debt - net of current maturities and debt issue costs, by ₱9,212 million was mainly due to the US$200 million 5-year term loan availed on March 12, 2021 by SMC Global Power to refinance the US$200 million term loan maturing on the same date.

e. Increase in other noncurrent liabilities by ₱341 million was mainly due to the recognition of retention payable related to the ongoing Mariveles Power Plant project of MPGC.

f. Increase in income tax payable by ₱159 million was attributable mainly to the income tax due for the first quarter of 2021 of MPPCL.

The Company's consolidated total equity as at March 31, 2021 amounted to ₱217,505 million, lower by 4% or ₱8,799 million than the December 31, 2020 balance of ₱226,304 million. The decrease is accounted for as follows:

a. Decrease in USCS by ₱13,823 million pertains to the redemption on February 26, 2021 of the remaining US$300 million USCS issued in August 2015.

b. Decrease in equity reserves by ₱383 million resulted from the redemption of the US$300 million USCS by SMC Global Power in February 2021.

c. Increase in retained earnings by ₱5,417 million was mainly attributable to the net income recognized for the period reduced by distributions to SPCS, RPS and USCS holders.

2021 vs. 2020

	December		Horizontal Analysis Increase (Decrease)		Vertical Analysis	
	2021	2020	Amount	%	**2021**	2020
Cash and cash equivalents	**₱67,690**	₱110,718	(₱43,028)	(39%)	**11%**	18%
Trade and other receivables - net	**47,272**	36,162	11,110	31%	**7%**	6%
Inventories	**10,018**	5,582	4,436	79%	**2%**	1%
Prepaid expenses and other current assets	**31,490**	24,916	6,574	26%	**5%**	4%
Total Current Assets	**156,470**	177,378	(20,908)	(12%)	**25%**	29%
Investments and advances - net	**10,839**	9,957	882	9%	**2%**	2%
Property, plant and equipment - net	**211,859**	171,415	40,444	24%	**33%**	28%
Right-of-use assets - net	**157,160**	162,313	(5,153)	(3%)	**25%**	27%
Deferred exploration and evaluation costs	**719**	715	4	1%	**0%**	0%
Goodwill and other intangible assets - net	**72,943**	72,858	85	0%	**11%**	12%
Deferred tax assets	**1,447**	1,646	(199)	(12%)	**0%**	0%
Other noncurrent assets	**24,287**	13,734	10,553	77%	**4%**	2%
Total Noncurrent Assets	**479,254**	432,638	46,616	11%	**75%**	71%
Total Assets	**₱635,724**	₱610,016	₱25,708	4%	**100%**	100%
Loans payable	**1,530**	1,681	(151)	(9%)	**0%**	0%
Accounts payable and accrued expenses	**56,055**	40,279	15,776	39%	**9%**	7%
Lease liabilities - current portion	**21,677**	24,007	(2,330)	(10%)	**3%**	4%
Income tax payable	**25**	10	15	150%	**0%**	0%
Current maturities of long-term debt - net of debt issue costs	**30,185**	22,722	7,463	33%	**5%**	4%
Total Current Liabilities	**109,472**	88,699	20,773	23%	**17%**	15%
Long-term debt - net of current maturities and debt issue costs	**192,736**	196,831	(4,095)	(2%)	**30%**	32%
Deferred tax liabilities	**20,183**	19,456	727	4%	**3%**	3%
Lease liabilities - net of current portion	**56,536**	75,504	(18,968)	(25%)	**9%**	12%
Other noncurrent liabilities	**5,068**	3,222	1,846	57%	**1%**	1%
Total Noncurrent Liabilities	**274,523**	295,013	(20,490)	(7%)	**43%**	48%
Total Liabilities	**383,995**	383,712	283	0%	**60%**	63%
Equity Attributable to Equity Holders of the Parent Company						
Capital stock	**₱1,062**	₱1,062	P -	0%	**0%**	0%
Additional paid-in capital	**2,490**	2,490	-	0%	**0%**	0%
Senior perpetual capital securities	**167,767**	132,200	35,567	27%	**26%**	22%
Redeemable perpetual capital securities	**32,752**	32,752	-	0%	**5%**	5%
Undated subordinated capital securities	**-**	13,823	(13,823)	(100%)	**0%**	2%
Equity reserves	**(1,536)**	(4,228)	2,692	64%	**0%**	(1%)
Retained earnings	**48,248**	47,179	1,069	2%	**8%**	8%
	250,783	225,278	25,505	11%	**39%**	37%
Non-controlling Interests	**946**	1,026	(80)	(8%)	**0%**	0%
Total Equity	**251,729**	226,304	25,425	11%	**40%**	37%
Total Liabilities and Equity	**₱635,724**	₱610,016	₱25,708	4%	**100%**	100%

The Company's consolidated total assets as at December 31, 2021 amounted to ₱635,724 million, higher by 4% or ₱25,708 million than December 31, 2020 balance of ₱610,016 million. The increase was attributable to the following factors:

a. Increase in trade and other receivables by ₱11,110 million was mainly due to higher trade receivables from customers on account of (i) higher offtake volume due to improved customer nominations with the easing of community quarantine restrictions, (ii) higher spot sales; (iii) higher average realization prices due to increasing NewC coal indices as certain bilateral contracts have fuel pricing provisions that allows fuel pass-on charges; and (iv) granting of deferred payment schemes for credit-worthy customers.

b. Increase in inventories by ₱4,436 million was due mainly to higher average prices for coal inventories, with the rising of coal indices, and the purchase of spare parts for repairs and maintenance of Masinloc Power Plant and in preparation for the upcoming planned maintenance of Limay and Davao Greenfield Power Plants.

c. Increase in prepaid expenses and other current assets by ₱6,574 million was due mainly to higher input taxes recognized on capital expenditures relating to ongoing BESS projects of UPSI and MPPCL, and Ilijan LNG or BCCPP project of Excellent Energy Resources Inc., restricted cash set aside by SMCPC and SCPC for debt servicing requirements and advance payments to suppliers by MPPCL, SMCPC and SCPC.

d. Increase in property, plant and equipment by ₱40,444 million, attributable primarily to the ongoing constructions of the Mariveles Power Plant, BESS projects and Ilijan LNG project.

e. Increase in other noncurrent assets by ₱10,553 million, due mainly to advance payments made to contractors of the Ilijan LNG project and for Masinloc Units 4 and 5 construction.

f. Increase in investments and advances by ₱882 million was due mainly to additional deposits to various land holding companies to be applied to future stock subscriptions, offset by the share in net losses from an associate and joint ventures.

g. Decrease in cash and cash equivalents by ₱43,028 million was due mainly to: (i) payments of maturing long-term loans by SMC Global Power, MPPCL, SCPC and SMCPC; (ii) redemption of the US$300 million USCS in February 2021; (iii) distributions paid to holders of SPCS, RPS and USCS by SMC Global Power; (iv) capital expenditures for BESS, Mariveles Power Plant, Masinloc and Ilijan LNG projects; (v) redemption of the Series A Bonds amounting to ₱6,153 million in July 2021; and offset by (vi) net proceeds from the issuances of US$600 million and US$150 million SPCS on June 9 and September 15, 2021, respectively; and (vii) additional term loans availed by SMC Global Power.

h. Decrease in deferred tax assets by ₱199 million was due primarily to the impact of CREATE Law which reduced the corporate income tax rate from 30% to 25% thereby decreasing the deferred income tax recognized on unrealized foreign exchange losses and lease-related transactions of MPPCL and Strategic Energy Development Inc.

The Company's consolidated total liabilities as at December 31, 2021 amounted to ₱383,995 million, ₱283 million slightly higher than the December 31, 2020 balance of ₱383,712 million. The slight increase is a net result of the following:

a. Increase in accounts payable and accrued expenses by ₱15,776 million was mainly due to the additional payables recognized for the Mariveles Power Plant construction, Ilijan LNG project, for coal and power purchases and higher output taxes of the Company.

b. Increase in income tax payable by ₱15 million mainly pertain to the income tax due recognized by SCPC in 2021.

c. Increase in long-term debt - net of debt issue costs (including current maturities) by ₱3,368 million was mainly attributable to: (i) various term loans availed by SMC Global Power for capital expenditures in connection with Ilijan LNG project, for debt-refinancing and for general corporate purposes; (ii) recognized foreign exchange losses on US dollar-denominated borrowings; and offset by (iii) payments of maturing long-term loans by SMC Global Power, MPPCL, SCPC and SMCPC; and the redemption by SMC Global Power of its ₱6,153 million Series A Bonds that matured in July 2021

d. Increase in other noncurrent liabilities by ₱1,846 million was mainly due to the recognition of retention payable related to the ongoing Mariveles Power Plant project of MPGC.

e. Decrease in lease liabilities (including current portion) by ₱21,298 million was mainly on account of lease payments made by the IPPAs to PSALM.

f. Decrease in loans payable by ₱151 million was mainly due to the US$5 million partial settlement out of the US$35 million loan of MPPCL on September 20, 2021 offset by the translation loss recognized with the depreciation of the Philippine peso against the US dollar.

The Company's consolidated total equity as at December 31, 2021 amounted to ₱251,729 million, higher by 11% or ₱25,425 million than the December 31, 2020 balance of ₱226,304 million. The increase is accounted for as follows:

a. Increase in SPCS by ₱35,567 million pertains to the aforesaid issuances by SMC Global Power of SPCS amounting to US$750 million in total on various dates – June 9 and September 15, 2021.

b. Increase in equity reserves by ₱2,692 million pertains mainly to the currency translation adjustments for the year resulting from the depreciation of the Philippine Peso against the US dollar.

c. Decrease in USCS by ₱13,823 million pertains to the redemption on February 26, 2021 of the US$300 million USCS issued in August 2015.

d. Decrease in non-controlling interests by ₱80 million pertains to the non-controlling interests' share in the net loss of MPGC that was consolidated to the Company's net income.

2020 vs. 2019

	December		Horizontal Analysis Increase (Decrease)		Vertical Analysis	
	2020	2019	Amount	%	**2020**	2019
Cash and cash equivalents	**₱110,718**	₱79,954	₱30,764	38%	**18%**	14%
Trade and other receivables - net	**36,162**	29,989	6,173	21%	**6%**	6%
Inventories	**5,582**	5,086	496	10%	**1%**	1%
Prepaid expenses and other current assets	**24,916**	23,590	1,326	6%	**4%**	4%
Total Current Assets	**177,378**	138,619	38,759	28%	**29%**	25%
Investments and advances - net	**9,957**	11,001	(1,044)	(9%)	**2%**	2%
Property, plant and equipment - net	**171,415**	150,344	21,071	14%	**28%**	27%
Right-of-use assets - net	**162,313**	166,517	(4,204)	(3%)	**27%**	30%
Deferred exploration and evaluation costs	**715**	711	4	1%	**0%**	0%
Goodwill and other intangible assets	**72,858**	72,771	87	0%	**12%**	13%
Deferred tax assets	**1,646**	1,129	517	46%	**0%**	0%
Other noncurrent assets	**13,734**	16,027	(2,293)	(14%)	**2%**	3%
Total Noncurrent Assets	**432,638**	418,500	14,138	3%	**71%**	75%
Total Assets	**₱610,016**	₱557,119	₱52,897	9%	**100%**	100%
Loans payable	**₱1,681**	₱2,279	(₱598)	(26%)	**0%**	0%
Accounts payable and accrued expenses	**40,279**	35,403	4,876	14%	**7%**	7%
Lease liabilities – current portion	**24,007**	23,085	922	4%	**4%**	4%
Income tax payable	**10**	215	(205)	(95%)	**0%**	0%
Current maturities of long-term debt - net of debt issue costs	**22,722**	6,036	16,686	276%	**4%**	1%
Total Current Liabilities	**88,699**	67,018	21,681	32%	**15%**	12%
Long-term debt - net of current maturities and debt issue costs	**196,831**	220,763	(23,932)	(11%)	**32%**	40%
Deferred tax liabilities	**19,456**	13,197	6,259	47%	**3%**	2%
Lease liabilities - net of current portion	**75,504**	101,117	(25,613)	(25%)	**12%**	18%
Other noncurrent liabilities	**3,222**	1,599	1,623	102%	**1%**	0%
Total Noncurrent Liabilities	**295,013**	336,676	(41,663)	(12%)	**48%**	60%
Total Liabilities	**383,712**	**403,694**	**(19,982)**	**(5%)**	**63%**	**72%**
Equity Attributable to Equity Holders of the Parent Company						
Capital stock - common	**1,062**	1,062	-	0%	**0%**	0%
Additional paid-in capital	**2,490**	2,490	-	0%	**0%**	0%
Senior perpetual capital securities	**132,200**	65,886	66,314	101%	**22%**	12%
Redeemable perpetual capital securities	**32,752**	32,752	-	0%	**5%**	6%
Undated subordinated capital securities	**13,823**	13,823	-	0%	**2%**	2%
Equity reserves	**(4,228)**	(2,568)	(1,660)	(65%)	**(1%)**	0%
Retained earnings	**47,179**	38,987	8,192	21%	**8%**	7%
	225,278	152,432	72,846	48%	**37%**	27%
Non-controlling Interests	**1,026**	993	33	3%	**0%**	0%
Total Equity	**226,304**	153,425	72,879	48%	**37%**	28%
Total Liabilities and Equity	**₱610,016**	₱557,119	₱52,897	9%	**100%**	100%

The Company's consolidated total assets as at December 31, 2020 amounted to ₱610,016 million, higher by 9% or ₱52,897 million than December 31, 2019 balance of ₱557,119 million. The increase was attributable to the following factors:

a. Increase in cash and cash equivalents by ₱30,764 million was mainly due to the net proceeds from the issuances of SPCS amounting to US$1,350 million in total on January 21, October 21 and December 15, 2020 by SMC Global Power (equivalent to ₱66,314 million, net of transaction cost) and proceeds from MPPCL borrowings (₱2,179 million), offset by payments of (i) lease liabilities, comprising largely of the IPPAs' lease payments to PSALM (₱22,630 million); (ii) distributions to the holders of USCS, RPS and SPCS by SMC Global Power (₱10,480 million); and (iii) short and long-term borrowings of MPPCL, SCPC, SMCPC and SMC Global Power (₱6,759 million).

b. Increase in trade and other receivables by ₱6,173 million was mainly due to the deferred collections of the Company's Power Bills, following the ERC and the Philippine DOE advisories directing distribution utilities to allow staggered payments without interest, penalties and other charges, and implementing a "no-disconnection policy", for customer bills falling due within the community quarantine period. Full collection of these Power Bills is expected to be completed within 2021.

c. Increase in inventories by ₱496 million was mainly due to higher purchases of materials and supplies over the total consumptions of SMCPC, SCPC and MPPCL.

d. Increase in prepaid expenses and other current assets by ₱1,326 million was mainly due to higher input taxes recognized on capital expenditures relating to ongoing power plant and BESS projects.

e. Increase in property, plant and equipment by ₱21,071 million was mainly due to the additional construction costs incurred by MPGC for its Mariveles Power Plant project and by UPSI, MPPCL, and SMCGP Philippines Energy for its BESS projects.

f. Increase in deferred tax assets by ₱517 million was mainly due to the deferred tax benefit of MPPCL recognized on the net unrealized foreign exchange losses arising from the translation of its US dollar-denominated financial assets and liabilities.

g. Decrease in investments and advances by ₱1,044 million was mainly due to consolidation to the Company of Dewsweeper Industrial Park, Inc. upon its acquisition on November 3, 2020, and share in higher net losses of AHC.

h. Decrease in other noncurrent assets by ₱2,293 million was mainly due to the (i) application of advances to contractors to progress billings relating to the Mariveles Power Plant construction, and (ii) use of restricted cash to fund the Unit 3-Masinloc Power Plant construction and for loan and interest payments by MPPCL.

The Company's consolidated total liabilities as at December 31, 2020 amounted to ₱383,712 million, slightly lower by 5% or ₱19,982 million than the December 31, 2019 balance of ₱403,694 million. The major items accounting for the decrease are as follows:

a. Decrease in loans payable by ₱598 million was attributable to the partial payment of US$10 million (equivalent to ₱499 million), out of the US$45 million short-term loan of MPPCL in June 2020, and to the translation gain recognized with the appreciation of the Philippine peso against the US dollar.

b. Decrease in income tax payable by ₱205 million mainly pertain to the decline in taxable income for the year of MPPCL.

c. Decrease in lease liabilities (including current portion) by ₱24,691 million was mainly on account of lease payments made by the IPPA entities to PSALM and partly offset by additional lease liabilities recognized for the new lease agreements entered in 2020.

d. Decrease in long-term debt - net of debt issue costs (including current maturities) by ₱7,246 million, was mainly attributable to: (i) payments made by SMC Global Power, SMCPC, SCPC and MPPCL of its maturing obligations under its respective credit facilities (₱6,261 million); (ii) foreign exchange gain recognized on the translation of US dollar-denominated borrowings (₱3,765 million); offset by (iii) additional loan drawn in March 2020 by MPPCL from its credit facility, amounting to US$43 million (equivalent to ₱2,179 million); and (iv) amortizations of debt issue costs (₱556 million).

e. Increase in accounts payable and accrued expenses by ₱4,876 million was mainly due to the additional payables recognized for the Mariveles Power Plant and BESS construction projects, and offset by settlements of trade payables related to energy fees, inventories and power purchases.

f. Increase in deferred tax liabilities by ₱6,259 million was primarily attributable to the higher provision for deferred income tax expense recognized by the IPPA entities on the difference of monthly fixed payments to PSALM over lease-related expenses, particularly on the foreign exchange gain recognized on its US dollar-denominated lease liabilities.

g. Increase in other noncurrent liabilities by ₱1,623 million was mainly due to the retention payables recognized by MPGC to its contractors, recognition of additional asset retirement obligation of SCPC, SMCPC, MPPCL for its respective power plants and UPSI for its BESS projects, and additional distribution wheeling services and bill deposits collected from SCPC, MPPCL and APEC customers.

The Company's consolidated total equity as at December 31, 2020 amounted to ₱226,304 million, higher by 48% or ₱72,879 million than the December 31, 2019 balance of ₱153,425 million. The increase is accounted for as follows:

a. Increase in SPCS by ₱66,314 million pertains to the aforesaid issuances by SMC Global Power of SPCS amounting to US$1,350 million in total on various dates - January 21, October 21 and December 15, 2020.

b. Increase in retained earnings by ₱8,192 million was mainly attributable to the net income recognized for the year reduced by distributions to SPCS, RPS and USCS holders.

c. Decrease in equity reserves by ₱1,660 million pertains mainly to the currency translation adjustments for the year resulting from the appreciation of the Philippine Peso against the US dollar.

2019 vs. 2018

	December		Horizontal Analysis Increase (Decrease)		Vertical Analysis	
	2019	2018	Amount	%	**2019**	2018
Cash and cash equivalents	**₱79,954**	₱28,512	₱51,442	180%	**14%**	6%
Trade and other receivables - net	**29,989**	33,047	(3,058)	(9%)	**5%**	7%
Inventories	**5,086**	5,294	(208)	(4%)	**1%**	1%
Prepaid expenses and other current assets	**23,590**	21,762	1,828	8%	**4%**	4%
Total Current Assets	**138,619**	88,615	50,004	56%	**25%**	18%
Investments and advances - net	**11,001**	12,149	(1,148)	(9%)	**2%**	2%

Property, plant and equipment - net	**150,344**	312,315	(161,971)	(52%)	**27%**	63%
Right-of-use assets - net	**166,517**	-	166,517	100%	**30%**	0%
Deferred exploration and evaluation costs	**711**	705	6	1%	**0%**	0%
Goodwill and other intangible assets - net	**72,771**	72,613	158	0%	**13%**	15%
Deferred tax assets	**1,129**	1,138	(9)	(1%)	**0%**	0%
Other noncurrent assets	**16,027**	6,315	9,712	154%	**3%**	1%
Total Noncurrent Assets	**418,500**	405,235	13,265	3%	**75%**	82%
Total Assets	**₱557,119**	₱493,850	₱63,269	13%	**100%**	100%
Loans payable	**2,279**	8,676	(6,397)	(74%)	**0%**	2%
Accounts payable and accrued expenses	**35,403**	31,110	4,293	14%	**6%**	6%
Lease liabilities - current portion	**23,085**	19,660	3,425	17%	**4%**	4%
Income tax payable	**215**	311	(96)	(31%)	**0%**	0%
Current maturities of long-term debt - net of debt issue costs	**6,036**	4,939	1,097	22%	**1%**	1%
Total Current Liabilities	**67,018**	64,696	2,322	4%	**12%**	13%
Long-term debt - net of current maturities and debt issue costs	**220,763**	202,026	18,737	9%	**40%**	41%
Deferred tax liabilities	**13,197**	8,180	5,017	61%	**2%**	2%
Lease liabilities - net of current portion	**101,117**	122,347	(21,230)	(17%)	**18%**	25%
Other noncurrent liabilities	**1,599**	843	756	90%	**0%**	0%
Total Noncurrent Liabilities	**336,676**	333,396	3,280	1%	**60%**	68%
Total Liabilities	**403,694**	398,092	5,602	1%	**72%**	81%
Equity Attributable to Equity Holders of the Parent Company						
Capital stock	**₱1,062**	₱1,062	P -	0%	**0%**	0%
Additional paid-in capital	**2,490**	2,490	-	0%	**0%**	1%
Senior perpetual capital securities	**65,886**	-	65,886	100%	**12%**	0%
Redeemable perpetual capital securities	**32,752**	32,752	-	0%	**6%**	7%
Undated subordinated capital securities	**13,823**	26,934	(13,111)	(49%)	**2%**	5%
Equity reserves	**(2,568)**	618	3,186	516%	**0%**	0%
Retained earnings	**38,987**	31,902	7,085	22%	**7%**	6%
	152,432	95,758	56,674	59%	**27%**	19%
Non-controlling Interests	**993**	-	993	100%	**0%**	0%
Total Equity	**153,425**	95,758	57,667	60%	**28%**	19%
Total Liabilities and Equity	**₱557,119**	₱493,850	₱63,269	13%	**100%**	100%

The Company's consolidated total assets as at December 31, 2019 amounted to ₱557,119 million, higher by 13% or ₱63,269 million than the December 31, 2018 balance of ₱493,850 million. The net increase is attributable to the following factors:

a. Higher cash and cash equivalents was due mainly to: (i) the issuances by SMC Global Power of Fixed Rate Peso Bonds in April 2019 amounting to ₱30,000 million, and of SPCS in April, July and November 2019 amounting to US$500 million, US$300 million and UbS$500 million, respectively (equivalent to ₱65,886 million, net of transaction costs), (ii) additional US$75 million drawn by MPPCL from its OEFA credit facility (equivalent to ₱3,857 million), and (iii) ₱978 million drawn by SMCPC from its OLSA credit facility, partly offset by: (iv) partial payments of long-term debts by SMC Global

Power, MPPCL, SMCPC and SCPC (₱12,407 million), (v) redemption in November 2019 of the US$300 million USCS issued in May 2014 (₱15,183 million), (vi) down payments to contractors of the Mariveles Power Plant and BESS Projects (₱5,903 million and ₱1,680 million, respectively), (vii) additions to property, plant and equipment (₱10,117 million) and (viii) full settlement by SMC Global Power of its US$120 million short-term loan (₱6,257 million).

b. Increase in prepaid expenses and other current assets by ₱1,828 million was mainly due to higher excess tax credits and prepayments for real property and local business taxes of the Company and higher restricted cash balances of SCPC, SMCPC and MPPCL.

c. Increase in other noncurrent assets by ₱9,712 million was due mainly to: (i) down payments made to contractors for the construction of the Mariveles Power Plant and BESS Projects (₱7,583 million), and (ii) increase in MPPCL's restricted cash due to the remaining proceeds from the loan drawn in January and November 2019 (₱1,525 million).

d. Decrease in trade and other receivables by ₱3,058 million was primarily due to collections of advances made to certain related party land holding companies by SMC Global Power.

e. Decrease in investments and advances by ₱1,148 million was attributable to the derecognition of the investment in MPGC as the latter was consolidated to the Company when SMC Global Power increased its percentage of ownership in MPGC from 49% to 90% through capital infusion in 2019.

f. Decrease in property, plant and equipment by ₱161,971 million was primarily due to the reclassification of the Company's IPPA power plants to right-of-use assets account as a result of the adoption of the PFRS 16 (₱167,387 million) in 2019.

The Company's consolidated total liabilities as at December 31, 2019 amounted to ₱403,694 million, 1% or ₱5,602 million slightly higher than the December 31, 2018 balance of ₱398,093 million. The major items accounting for the increase are as follows:

a. Higher long-term debt due to issuance of ₱30,000 million Fixed Rate Peso Bonds by SMC Global Power in April 2019, additional loan drawn by MPPCL and SMCPC in 2019 from its credit facilities to finance its projects, amounting to US$75 million (equivalent to ₱3,857 million) and ₱978 million, respectively, and offset by settlements of long-term borrowings of the Company amounting to ₱12,407 million and the effect of the foreign exchange gain, amounting to ₱2,829 million, recognized on the outstanding US dollar-denominated debts of MPPCL and SMC Global Power.

b. Full settlement of the US$120 million (equivalent to ₱6,257 million) short-term loan of SMC Global Power using in part the proceeds of the ₱30,000 million Fixed Rate Peso Bonds.

c. Increase in deferred tax liabilities by ₱5,017 million was primarily attributable to higher provision for deferred income tax expense recognized by the IPPA entities on the temporary differences arising from the foreign exchange translation of their US dollar-denominated finance lease liabilities.

d. Increase in accounts payable and accrued expense was due mainly to higher payables to suppliers and contractors recognized by MPGC for its Mariveles Power Plant Project (₱2,122 million), remaining balance of GPII for its land acquisition (₱1,231 million), and higher trade payables of MPPCL, SMCPC, SCPC and SMEC (₱1,555 million).

e. Increase in other noncurrent liabilities by ₱756 million was due to the additional distribution wheeling services and bill deposits collected from SCPC, MPPCL and APEC customers and recognition of additional asset retirement obligation of SCPC for its Unit 4-Limay Greenfield Power Plant.

f. Decrease in income tax payable by ₱96 million mainly pertain to the decline in taxable income tax for the year of MPPCL.

g. Lower lease liabilities (including current portion) was due to payments made by the IPPA entities (₱22,081 million) and offset by the additional lease liabilities recognized for the lease of land by SMCPC, SCPC, MPGC and MPPCL as a result of the adoption of PFRS 16 (₱4,296 million).

Equity

The increase in equity is due to:

(in Millions)	**March 31**	
	2022	2021
Net income attributable for the period attributable to equity holders of SMC Global Power	**₱1,896**	₱7,787
Distributions paid to USCS holders	**-**	(703)
Redemption of USCS	**-**	(14,582)
Distributions paid to RPS holder	**(520)**	(492)
Distributions paid to SPCS holders	**(1,171)**	(1,174)
Others	**20**	365
	₱225	(₱8,799)

III. CASH FLOW

SOURCES AND USES OF CASH

A brief summary of cash flow movements is shown below:

(in Millions)	**March 31**	
	2022	2021
Net cash flows provided by operating activities	**₱1,209**	₱11,909
Net cash flows used in investing activities	**(10,620)**	(5,398)
Net cash flows provided by (used in) financing activities	**342**	(23,637)

Net cash flows from operations basically consist of income for the period and changes in noncash current assets, certain current liabilities and others.

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

(in Millions)	**March 31**	
	2022	2021
Additions to deferred exploration and development costs	(₱3)	(₱1)
Additions to intangible assets	(35)	(8)
Additions to investments and advances	(46)	(8)
Decrease (increase) in other noncurrent assets	(76)	101
Advances paid to suppliers and contractors	(2,856)	(77)
Additions to property, plant and equipment	(7,604)	(5,405)

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

(in Millions)	March 31	
	2022	2021
Proceeds from long-term debt	₱10,274	₱9,691
Proceeds from short-term borrowings	782	1,683
Distributions paid to USCS holders	-	(703)
Redemption of USCS	-	(14,582)
Payment of stock issuance costs	(29)	-
Distributions paid to RPS holder	(520)	(492)
Payments of long-term debts	(927)	(10,560)
Distributions paid to SPCS holders	(1,171)	(1,174)
Payments of short-term borrowing	(1,564)	(1,683)
Payments of lease liabilities	(6,503)	(5,817)

The effect of exchange rate changes on cash and cash equivalents amounted to ₱402 million, and ₱336 million on March 31, 2022 and 2021, respectively.

IV. KEY PERFORMANCE INDICATORS

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

LIQUIDITY RATIO

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

	Conventional		***Adjusted***[(1)]	
(in Millions Peso)	**March 2022**	December 2021	**March 2022**	December 2021
(A) Current Assets	**157,646**	156,470	**157,646**	156,470
(B) Current Liabilities	**144,564**	109,472	**124,855**	87,876
Current Ratio (A) / (B)	**1.09**	1.43	**1.26**	1.78

(1) Current portion of lease liabilities, in relation to the IPPA Agreements with PSALM, are excluded from the total current liabilities as these current obligations on lease are pass-through charges billable to customers. As at March 31, 2022 and December 31, 2021, current portion of lease liabilities to PSALM amounted to ₱19,710 million and ₱21,596 million, respectively.

SOLVENCY RATIO

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

Per relevant Loan Covenants of SMC Global Power *(in Millions Peso)*	**March 2022**	December 2021
(A) Net Debt[(2)]	**197,644**	184,001
(B) Total Equity[(3)]	**246,756**	247,603

Net Debt-to-Equity Ratio (A) / (B)	**0.80**	0.74

**All items are net of amounts attributable to Ring-fenced Subsidiaries*

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

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

	Conventional		***Adjusted***[(4)]	
(in Millions Peso)	**March 2022**	December 2021	**March 2022**	December 2021
(A) Total Assets	**646,290**	635,724	**495,759**	483,896
(B) Total Equity	**251,953**	251,729	**251,953**	251,729
Asset-to-Equity Ratio (A) / (B)	**2.57**	2.53	**1.97**	1.92

(4) Net carrying amount of the IPPA power plants, in relation to the IPPA Agreements with PSALM, was omitted in total assets as these power plant assets were capitalized with corresponding lease liabilities. As at March 31, 2022 and December 31, 2021, the net carrying amount of the IPPA power plant assets amounted to ₱150,531 million and ₱151,828 million, respectively.

PROFITABILITY RATIO

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

(in Millions Peso)	**March 2022**	December 2021
(A) Net Income[(5)]	**10,129**	15,978
(B) Total Equity	**251,953**	251,729
Return on Equity (A) / (B)	**4.0%**	6.3%

(5) Annualized for quarterly reporting.

Interest Coverage Ratio = $\dfrac{\textbf{EBITDA}}{\textbf{Interest Expense}}$

Per relevant Loan Covenants of SMC Global Power

(in Millions Peso)	**March 2022**	December 2021
(A) EBITDA[(6)]	**30,901**	33,542
(B) Interest Expense[(7)]	**12,969**	13,405
Interest Coverage Ratio (A) / (B)	**2.38**	2.50

(6) Most recent four quarterly period consolidated EBITDA (gross of PSALM payments and excluding amounts attributable to Ring-fenced Subsidiaries).
(7) Most recent four quarterly period consolidated interest expense (excluding amounts attributable to Ring-fenced Subsidiaries).

OPERATING EFFICIENCY

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

	Periods Ended March 31	
(in GWh)	**2022**	2021
(A) Current Period Offtake Volume	**6,991**	6,344
(B) Prior Period Offtake Volume	**6,344**	6,644
Volume Growth (Decline) [(A / B) – 1]	**10.2%**	(4.5%)

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

	Periods Ended March 31	
(in Millions Peso)	**2022**	2021
(A) Current Period Revenue	**43,036**	27,366
(B) Prior Period Revenue	**27,366**	28,298
Revenue Growth (Decline) [(A / B) – 1]	**57.3%**	(3.3%)

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

	Periods Ended March 31	
(in Millions Peso)	**2022**	2021
(A) Income from Operations	**6,071**	8,423
(B) Revenues	**43,036**	27,366
Operating Margin (A) / (B)	**14.1%**	30.8%

Management

The overall management and supervision of SMC Global Power is undertaken by the Board. The executive officers and management team cooperate with the Board by preparing appropriate information and documents concerning the SMC Global Power's business operations, financial condition and results of operations for its review.

BOARD OF DIRECTORS AND SENIOR MANAGEMENT

Currently, the Board consists of seven members, of which three are independent directors. The table below sets forth certain information regarding the members of the Board as of March 31, 2022.

Name	Age	Position	Citizenship
Ramon S. Ang	68	Director / Chairman	Filipino
John Paul L. Ang	42	Director / Vice Chairman	Filipino
Aurora T. Calderon	67	Director	Filipino
Virgilio S. Jacinto	65	Director	Filipino
Jack G. Arroyo, Jr.	63	Independent Director	Filipino
Consuelo Ynares-Santiago...........	82	Independent Director	Filipino
Josefina Guevara-Salonga	80	Independent Director	Filipino

The business experience for the past five years of each of the directors and executive officers is set forth below.

Ramon S. Ang is the incumbent Chairman of the Board and Chief Executive Officer of SMC Global Power since August 31, 2010, and concurrently, the President and Chief Operating Officer of the Company since April 30, 2017. He is also the Chairman of the Executive Committee of SMC Global Power since September 2, 2011. He is the President and Chief Operating Officer of SMC since March 6, 2002 and Vice Chairman since 1999. He is the Chairman and President of several subsidiaries of SMC Global Power such as SMEC, SMELC, SPPC, SPDC, SCPC, SMCPC, UPSI, CLPPC, Lumiere Energy Technologies Inc. ("**LETI**") and KWPP Holdings Corporation; Chairman of AHC; and the Chairman and President and CEO of MPGC. He also holds, among others, the following positions in other listed and public companies: President and Chief Executive Officer of Top Frontier Investment Holdings, Inc. and Petron Corporation; President of Ginebra San Miguel Inc.; Chairman of the Board of San Miguel Brewery Hong Kong Limited (listed in the Hong Kong Stock Exchange), Petron Malaysia Refining & Marketing Bhd (a company publicly listed in Malaysia), and Eagle Cement Corporation; and Vice Chairman of the Board, President and Chief Executive Officer of San Miguel Food and Beverage, Inc. He is the Chairman of the Board of San Miguel Brewery Inc., San Miguel Foods, Inc., San Miguel Yamamura Packaging Corporation, Sea Refinery Corporation, Clariden Holdings, Inc., Anchor Insurance Brokerage Corporation, and Philippine Diamond Hotel & Resort, Inc. He is the President of San Miguel Northern Cement, Inc.; President and Chief Executive Officer of Northern Cement Corporation; and the Chairman and President of San Miguel Properties, Inc., San Miguel Holdings Corp., San Miguel Equity Investments Inc. and San Miguel Aerocity Inc. He is the Chairman of the Board and Chief Executive Officer of SMC Asia Car Distributors Corp. He is also the sole director and shareholder of Master Year Limited and the Chairman of the Board of Privado Holdings, Corp. He formerly held the following positions: Chairman of the Board of Liberty Telecoms Holdings, Inc. and Cyber Bay Corporation; President and Chief Operating Officer of PAL Holdings, Inc. and Philippine Airlines, Inc.; Director of Air Philippines Corporation; and Vice Chairman of the Board and Director of Manila Electric Company. Mr. Ang holds directorships in various domestic and international subsidiaries of SMC in the last five years. He has a Bachelor of Science degree in Mechanical Engineering from Far Eastern University. On November 15, 2019, he attended a corporate governance training seminar conducted by Risk, Opportunities, Assessment and Management Inc. ("**ROAM**"). On October 29, 2021, he attended a corporate governance training seminar conducted by Center for Global Best Practices.

John Paul L. Ang is a Director and Vice Chairman of SMC Global Power since June 1, 2021. He is a member of the Executive Committee, Corporate Governance Committee, Audit and Risk Oversight Committee and Related Party Transaction Committee of SMC Global Power. He is also the President and Chief Executive Officer of Eagle Cement Corporation ("**Eagle Cement**") 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., San Miguel Corporation, Petron Corporation; San Miguel Food and Beverage, and KB Space Holdings, Inc. He was the Managing Director of Sarawak ClinkerSdn. Bhd. Malaysia (2002 – 2008) and the Purchasing Officer of Basic Cement (2002–2003). He graduated in 2002 from the Ateneo de Manila University with a Bachelor of Arts degree in Interdisciplinary Studies. On September 23, 2021, he attended a corporate governance training seminar conducted by SGV & Co.

Aurora T. Calderon is a Director of SMC Global Power since August 31, 2010, and has been a member of its Executive Committee since September 2, 2011. Ms. Calderon is also a member of the Audit and Risk Oversight Committee and Related Party Transaction Committee of SMC Global Power. She is a Director of several subsidiaries of SMC Global Power. She is the Senior Vice President, Senior Executive Assistant to the President and Chief Operating Officer of SMC since January 20, 2011 and has served as a director of SMC since June 10, 2014. She holds the following positions in other publicly listed companies: Director and Treasurer of Top Frontier Investment Holdings, Inc. and Director of San Miguel Food and Beverage, Inc., Ginebra San Miguel, Inc., Petron Corporation and Petron Malaysia Refining & Marketing Bhd (a company publicly listed in Malaysia). She is also a member of the Board of Directors of Petron Marketing Corporation, Petron Freeport Corporation, New Ventures Realty Corporation, Las Lucas Construction and Development Corporation, Thai San Miguel Liquor Company Limited, San Miguel Equity Investments Inc., SMC Asia Car Distributors Corp., San Miguel Yamamura Packaging Corp. and San Miguel Aerocity Inc. She was formerly a Director of PAL Holdings, Inc., Philippine Airlines, Inc., Trustmark Holdings Corporation, Zuma Holdings and Management Corporation, Air Philippines Corporation, and Manila Electric Company. A certified public accountant, Ms. Calderon graduated *magna cum laude* from the University of the East with a degree in BS Business Administration, major in Accountancy. In addition, Ms. Calderon holds directorships in various domestic and international subsidiaries of SMC. On September 23, 2021, she attended a corporate governance training seminar conducted by SGV & Co.

Virgilio S. Jacinto is the Corporate Secretary of SMC Global Power since August 31, 2010, a Director, and its Compliance Officer since September 2, 2011. He is also a member of the Corporate Governance Committee of SMC Global Power. He is the Senior Vice-President, General Counsel, Corporate Secretary and Compliance Officer of SMC (since October 2010). He is also the Corporate Secretary of several subsidiaries of SMC Global Power such as SMEC, SMELC, SPPC, SPDC, SCPC, and SMCPC. He is also the Corporate Secretary and Compliance Officer of Top Frontier Investment Holdings, Inc., and Ginebra San Miguel, Inc. He is a Director of Petron Corporation and is a Director and Corporate Secretary of various domestic and international subsidiaries and affiliates of SMC. He was formerly the Vice President and First Deputy General Counsel of SMC. He was a Director and Corporate Secretary of United Coconut Planters Bank, and a Partner at Villareal Law Offices. Atty. Jacinto is an Associate Professor at the University of the Philippines, College of Law. He obtained his law degree from the University of the Philippines *cum laude* where he was the class salutatorian and placed sixth in the 1981 bar examinations. He holds a Masters of Laws degree from Harvard Law School. He holds directorships in various domestic and international subsidiaries of SMC. On September 9, 2020, he attended a corporate governance training seminar conducted by SGV & Co. He attended (i) a corporate governance training seminar conducted by ROAM, Inc. on October 15, 2021, and (ii) a corporate governance training seminar conducted by Center for Global Best Practices on October 29, 2021.

Jack G. Arroyo, Jr. is an Independent Director of SMC Global Power since September 2, 2011. He is also the Chairperson of the Audit and Risk Oversight Committee, and a member of the Corporate Governance Committee and Related Party Transaction Committee of SMC Global Power. He is a medical doctor and who specializes in Ophthalmology, and a sub-specialist in refractive surgery. He is currently affiliated with The American Eye Center, The Medical City, and Eye Referral Center. He is also a member of the Board of Directors of the Philippine Healthcare

Educators, Inc., and the Philippine Health Insurance Corporation, representing the Elected Local Chief Executives. He is also a member of the Board of Trustees and Treasurer of Philippine Society of Cataract and Refractive Surgery, and the Vice-President for the National Capital Region of Centrist Democratic Political Educators, Inc. He is also currently the President of Casino Español de Manila. Dr. Arroyo obtained his Doctor of Medicine degree from the University of the Philippines College of Medicine. He attended a corporate governance training seminar conducted by ROAM on October 15, 2021.

Consuelo M. Ynares-Santiago is an Independent Director of SMC Global Power since September 2, 2011. She is also the Chairperson of the Corporate Governance Committee, and a member of the Audit and Risk Oversight Committee and Related Party Transaction Committee of SMC Global Power. She is also an Independent Director of Top Frontier Investment Holdings, Inc., SMC SLEX Inc. (formerly, South Luzon Tollway Corporation), Anchor Insurance Brokerage Corporation and Phoenix Petroleum Phil. Inc. She served as an Associate Justice of the Supreme Court of the Philippines; Associate Justice of the Court of Appeals of the Philippines; and a Regional Trial Court Judge of Makati City. She graduated from the University of the Philippines College of Law. She attended a corporate governance training seminar conducted by ROAM on October 15, 2021.

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

SENIOR MANAGEMENT

The table below sets forth certain information regarding the executive officers of SMC Global Power as of March 31, 2022.

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

The business experience for the past five years of each of the executive officers who are not directors is set forth below.

Elenita D. Go is the General Manager of SMC Global Power since December 14, 2011. She joined SMC Global Power in June 2011 as Head of its Sales and Trading Group. She is currently the General Manager of several subsidiaries of the Company, including SMEC, SPPC, SPDC, SCPC, SMCPC, CLPPC and LETI, and is the Chairman in other subsidiaries of SMC Global Power. She is also the President of SMGCP Philippines Power Foundation Inc., the Managing Partner and Chief Executive Officer of MPPCL and SMCGP Philippines Energy, and the Chief Operating Officer of MPGC. Previously, she was a Director of Manila Electric Company and Head of the Corporate Procurement Unit of SMC. She graduated with a degree in Bachelor of Science in Electrical Engineering from Mapua Institute of Technology. On December 3, 2020, she attended a corporate governance training seminar conducted by the Center for Global Best Practices. She attended a corporate governance training seminar conducted by ROAM on October 15, 2021.

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

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

Irene M. Cipriano is the Assistant Corporate Secretary of SMC Global Power since 2010. She is an Assistant Vice President and Associate General Counsel of SMC. She is also the Assistant Corporate Secretary of Top Frontier Investment Holdings, Inc., and the Corporate Secretary and Assistant Corporate Secretary of various subsidiaries of SMC Global Power and SMC. Atty. Cipriano was formerly the Assistant Corporate Secretary of PAL Holdings, Inc. and Philippine Airlines Inc. She is a Certified Public Accountant and holds a degree in B.S. Accountancy from De La Salle University. She completed her Bachelors of Law degree from San Beda College of Law in 2000. On October 29, 2021, she attended a corporate governance training seminar conducted by Center for Global Best Practices.

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

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

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

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

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

Julie Ann B. Domino-Pablo is the Assistant Vice President and General Counsel of SMC Global Power effective July 1, 2020, after having served as its Legal Officer since 2014. She is also the Corporate Secretary of various subsidiaries of SMC Global Power. She was admitted to the Philippine Bar and the New York State Bar in 2009 and is a Certified Public Accountant. Prior to SMC Global Power, Atty. Domino-Pablo was the Chief-of-Staff of the Office of the President & CEO and the concurrent Corporate Planning Department Manager of PSALM 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. She attended a corporate governance training seminar conducted by ROAM on October 15, 2021.

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

SIGNIFICANT EMPLOYEES

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

FAMILY RELATIONSHIPS

John Paul L. Ang, Director and Vice Chairman of SMC Global Power, 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 of the Company.

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 with final judgement in a criminal proceeding, domestic or foreign, (c) order, judgement 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) judgement 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.

Executive Compensation

The aggregate compensation paid or incurred during the last three 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	Bonus
Total compensation of the Chief Executive Officer (CEO), President and Chief Operating Officer (COO), and Senior Executive Officers For 2019-2022: *Ramon S. Ang is the CEO, President and COO; and the Senior Executive Officers comprise of Elenita D. Go (General Manager), Paul Bernard D. Causon (Chief Finance Officer), and Ramon U. Agay (Comptroller), among others*.	2022 (estimated) 2021 2020 2019	₱74.2 Million ₱73.9 Million ₱70.6 Million ₱67.0 Million	₱26.8 Million ₱24.2 Million ₱22.9 Million ₱24.7 Million
All other officers and managers as a group unnamed	2022 (estimated) 2021 2020 2019	₱44.4 Million ₱43.6 Million ₱34.1 Million ₱24.6 Million	₱24.3 Million ₱26.1 Million ₱19.9 Million ₱18.7 Million

Standard Arrangements

The By-Laws of the Company provides 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 director received a total ₱600,000 for their attendance in the board meetings, annual stockholders' meeting, and board committee meetings in 2021.

The 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, 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.

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.

Employment Contract

There is no employment contract between the Company and a named Executive Officer. There was neither a compensatory plan nor an 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.

Security Ownership of Certain Record and Beneficial Owners

Security Ownership of Certain Records and Beneficial Owners of more than 5% of the Voting Securities of the Company as at June 30, 2022

Title of Class	Name, address of Record Owner and Relationship with Issuer	Name of Beneficial Owner and Relationship with Record Owner	Citizenship	No. of Shares Held by the Beneficial Owners (includes Common Shares held by their nominees)	% Out of Total Outstanding Shares
Common	San Miguel Corporation No. 40 San Miguel Ave., Mandaluyong City (Parent Company)	San Miguel Corporation (SMC)	Filipino	1,250,000,500	100%
Common	Ramon S. Ang 671 Notre Dame St., Wack Wack Village, Mandaluyong City (Director)	SMC; Nominee-director of SMC in the Board	Filipino	500	nil
Common	John Paul L. Ang 780 Harvard St., Wack Wack Village, Mandaluyong City (Director)	SMC; Nominee-director of SMC in the Board	Filipino	500	nil
Common	Aurora T. Calderon 27 Carrot St., Valle Verde V, Pasig City (Director)	SMC; Nominee-director of SMC in the Board	Filipino	500	nil
Common	Virgilio S. Jacinto 51 Cauliflower St., Valle Verde V., Pasig City (Director)	SMC; Nominee-director of SMC in the Board	Filipino	500	nil
	Total			**1,250,002,500**	

Security Ownership of Directors and Management as at June 30, 2022

Title of Class	Name of Record Owner and Relationship with Issuer	Position	Name of Beneficial Owner and Relationship	Citizenship	Total No. of Shares	% 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	nil
Common	John Paul L. Ang	Vice Chairman	SMC; Nominee-director of SMC in the Board	Filipino	500	nil
Common	Aurora T. Calderon	Director	SMC; Nominee-director of SMC in the Board	Filipino	500	nil

Title of Class	Name of Record Owner and Relationship with Issuer	Position	Name of Beneficial Owner and Relationship	Citizenship	Total No. of Shares	% of Total Outstanding Shares
Common	Virgilio S. Jacinto	Director	SMC; Nominee-director of SMC in the Board	Filipino	500	nil
Common	Jack G. Arroyo, Jr.	Independent Director	Jack G. Arroyo, Jr.	Filipino	500	nil
Common	Consuelo M. Ynares-Santiago	Independent Director	Consuelo M. Ynares-Santiago	Filipino	500	nil
Common	Josefina Guevarra-Salonga	Independent Director	Josefina Guevarra-Salonga	Filipino	500	nil

Security Ownership of Certain Records and Beneficial Owners of more than 5% of the Voting Securities of the Company as of the date of this Prospectus

Title of Class	Name 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 (Parent Company)	San Miguel Corporation (SMC)	Filipino	1,250,000,500	100%
Common	Ramon S. Ang (Director)	SMC; Nominee-director of SMC in the Board	Filipino	500	nil
Common	John Paul L. Ang (Director)	SMC; Nominee-director of SMC in the Board	Filipino	500	nil
Common	Aurora T. Calderon (Director)	SMC; Nominee-director of SMC in the Board	Filipino	500	nil
Common	Virgilio S. Jacinto (Director)	SMC; Nominee-director of SMC in the Board	Filipino	500	nil
	Total			**1,250,002,500**	

Security Ownership of Directors and Management as of the date of this Prospectus

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

As of March 31, 2022, the aggregate number of shares owned of record by the directors of the Company 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.

Related Party Transactions

Related Party Transactions

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

The following are the transactions with related parties and the outstanding balances as at March 31, 2022 (Unaudited) and December 31, 2021 (Audited):

(in thousands)	Year	Revenues from Related Parties	Purchases from Related Parties	Amounts Owed by Related Parties	Amounts Owed to Related Parties	Terms	Conditions
San Miguel Corporation	**2022**	**₱108,358**	**₱172,306**	**₱92,985**	**₱31,675**	On demand or 30 days;	Unsecured;
	2021	399,320	721,640	92,027	18,228	non-interest bearing	no impairment
	2022	-	-	**132,277**	-	1 year;	Unsecured;
	2021	-	-	12,551	-	non-interest bearing	no impairment
Entities Under Common Control	**2022**	**1,285,199**	**783,883**	**1,258,815**	**6,107,422**	On demand or 30 days;	Unsecured;
	2021	3,908,994	2,124,649	1,028,637	4,945,538	non-interest bearing	no impairment
	2022	-	-	-	**492**	More than 1 year;	Unsecured;
	2021	-	-	-	492	non-interest bearing	
Associate	**2022**	**183,480**	**3,860**	**1,066,636**	**29,490**	On demand or 30 days;	Unsecured;
	2021	1,999,770	10,954	1,238,266	29,570	non-interest bearing	no impairment
	2022	**1,829**	-	**129,158**	-	9 years;	Unsecured;
	2021	9,408	-	139,775	-	Interest bearing	no impairment
Joint Venture	**2022**	**7,673**	-	**9,618**	-	30 days;	Unsecured;
	2021	29,732	1,299,496	3,985	155,292	non-interest bearing	no impairment
	2022	**1,319**	-	**147,041**	-	92 days;	Unsecured;
	2021	5,138	-	143,665	-	interest bearing	no impairment
	2022	**13,156**	-	**1,039,477**	-	10.5 years;	Unsecured;
	2021	18,840	-	1,026,815	-	interest bearing	no impairment
Associate and Joint Ventures of Entities Under Common Control	**2022**	18,029	-	8,820	1,155	30 days;	Unsecured;
	2021	54,913	-	8,116	1,155	non-interest bearing	no impairment
	2022	-	**49,887**	-	**2,567,232**	12 years;	
	2021	-	211,738	-	2,615,936	Interest bearing	Secured
Others	**2022**	**873,417**	-	**742,294**	**51,604**	On demand or 30 days;	Unsecured;
	2021	2,488,888	-	574,430	51,604	non-interest bearing	no impairment
	2022	**₱2,492,460**	**₱1,009,936**	**₱4,627,121**	**₱8,789,070**		
	2021	₱8,915,003	₱4,368,477	₱4,268,267	₱7,817,815		

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

b. Amounts owed to related parties consist of trade and non-trade payables, management fees, purchases of fuel, reimbursement of expenses, rent, insurance, services rendered, customer's deposits and subscription payable to OEDC.

c. Amounts owed by an associate mainly consist of interest-bearing loan granted to

OEDC included as part of “Trade and other receivables” and “Other noncurrent assets” accounts in the consolidated statements of financial position.

d. Amounts owed by a joint venture consist 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

e. Amounts owed to an associate and joint venture of entities under common control pertains to an interest-bearing long-term loan of SMCPC to BOC, included as part of “Long-term debt” account in the consolidated statements of financial position. The loan is secured by certain property, plant and equipment as at March 31, 2022 and December 31, 2021.

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

	March 31, 2022 (Unaudited)	December 31 2021 (Audited)
Short-term employee benefits	**₱41,628**	₱134,074
Retirement cost	**3,880**	15,520
	₱45,508	₱149,594

There were no known transactions with parties that fall outside the definition “related parties” under PAS 24, *Related Party Disclosures*, but with whom the Company 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.

Corporate Governance

Manual on Corporate Governance

Pursuant to Article 9 of the Revised Code of Corporate Governance, the Manual on Corporate Governance (the "**Manual**") of the Company was approved by the Board of Directors on August 19, 2011 and was amended on April 11, 2016. The Manual was further amended on May 5, 2017 pursuant to the new Code of Corporate Governance for Publicly Listed Companies, which requires all publicly-listed companies to submit a new Manual on Corporate Governance to the SEC on or before May 31, 2017. The Manual was amended a third time on May 12, 2020 to comply with SEC Memorandum Circular No. 24, Series of 2019, or the Code of Corporate Governance for Public Companies and Registered Issuers (the "**CG Code for PCs and RIs**").

Compliance and Monitoring System

The monitoring of the implementation of the evaluation system of the Company to measure and determine the adherence to and the level of compliance of the Board of Directors and top-level management with the Manual is vested by the Board of Directors in the Compliance Officer. To ensure adherence to corporate governance principles and best practices, the Board of Directors has appointed a Compliance Officer.

The Compliance Officer is responsible for monitoring compliance by the Company with the provisions and requirements of the Manual and the rules and regulations of the relevant regulatory agencies and ensures adherence to corporate principles and best practices. The Compliance Officer holds the position of a Vice President or its equivalent and has direct reporting responsibilities to the Chairman of the Board of Directors. In accordance with applicable rules and regulations of the SEC, the Compliance Officer shall certify whether the Company has substantially adopted all the provisions of the Manual on Corporate Governance.

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

Under the CG Code for PCs and RIs, the Company 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.

Pursuant to its commitment to good governance and business practice, the Company shall continue 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 the Company and its stockholders. Furthermore, in keeping abreast of the latest best practices in corporate governance and complying with applicable legal requirements, including SEC MC No. 13, directors and officers of the Company shall regularly attend corporate governance training seminars

Independent Directors

Under the implementing rules and regulations of the SRC, an independent director is defined as a person who, apart from his fees and shareholdings, is independent of management and free from any business or other relationship which could, or could reasonably be perceived to, materially interfere with his exercise of independent judgment in carrying out his responsibilities as a director. An independent director must satisfy the qualifications and must have none of the disqualifications of an independent director set out in the SRC and its implementing rules and regulations, the Manual, the Amended Articles of Incorporation and Amended By-Laws of the Company.

Under the SRC, the Company is required to have at least two (2) independent directors in its Board of Directors. The Manual, as amended, in turn, requires at least two (2) independent directors to serve on each of the Audit and Risk Oversight Committee and Related Party Transaction Committee of the Company and three (3) independent directors on the Corporate Governance Committee.

Justice Consuelo M. Ynares-Santiago, Dr. Jack G. Arroyo, Jr. and Justice Josefina Guevarra-Salonga are the independent directors of the Company as of date.

Board Committees

On August 8, 2017, the Board of Directors of the Company approved (i) the creation of the following committees: Audit and Risk Oversight Committee, Corporate Governance Committee and Related Party Transaction Committee (the "**New Board Committees**"), and (ii) the Charter of the New Board Committees, pursuant to the Company's Manual as Amended on May 5, 2017.

A brief description of the New Board Committees is as follows:

Audit and Risk Oversight Committee

The Audit and Risk Oversight Committee of SMC Global Power shall be composed of at least three (3) directors, majority of whom should be independent directors.

The Audit and Risk Oversight Committee is responsible for assisting the Board of Directors in overseeing the senior management, in establishing and maintaining an adequate, effective and efficient internal control framework and functional and effective enterprise risk management system, and in ensuring that systems and processes are designed to provide assurance in areas, including reporting, monitoring compliance with laws, regulations and internal policies, efficiency and effectiveness of operations, and safeguarding of assets.

The incumbent members of the Audit and Risk Oversight Committee are Jack G. Arroyo, Jr., Consuelo M. Ynares-Santiago, Josefina Guevarra-Salonga, John Paul L. Ang, and Aurora T. Calderon.

Corporate Governance Committee

The Corporate Governance Committee of SMC Global Power shall have at least three (3) independent directors as members.

The Corporate Governance Committee is responsible for overseeing the periodic performance evaluation of the Board and its committees as well as executive management, conducting an annual self-evaluation of its performance, determining the nomination and election process for the Company's directors, defining the general profile of Board members that the Company may need and ensuring appropriate knowledge, competencies and expertise that complement the existing skills of the Board, and designating the amount of remuneration, which shall be in a sufficient level to attract and retain directors and officers who are needed to run the Company successfully. It prescreens and shortlists the nominees to the Board in accordance with the qualifications and disqualifications for directors set out in the Manual.

The incumbent members of the Corporate Governance Committee are Consuelo M. Ynares-Santiago, Jack G. Arroyo, Jr. Josefina Guevarra-Salonga, John Paul L. Ang, and Virgilio S. Jacinto.

Related Party Transaction Committee

The Related Party Transaction Committee of SMC Global Power shall be composed of at least three (3) directors, two (2) of whom shall be independent directors.

The Related Party Transaction Committee is responsible for evaluating on an ongoing basis existing relations between and among businesses and counterparties to ensure that all related parties are continuously identified, related party transactions are monitored, and subsequent changes in relationships with counterparties (from non-related to related and vice versa) are captured, evaluating all material related party transactions to ensure that these are not undertaken on more favorable economic terms to such related parties than similar transactions with non-related parties under similar circumstances and that no corporate or business resources of the Corporation are misappropriated or misapplied, and in determining any potential reputational risk issues that may arise as a result of or in connection with the transactions.

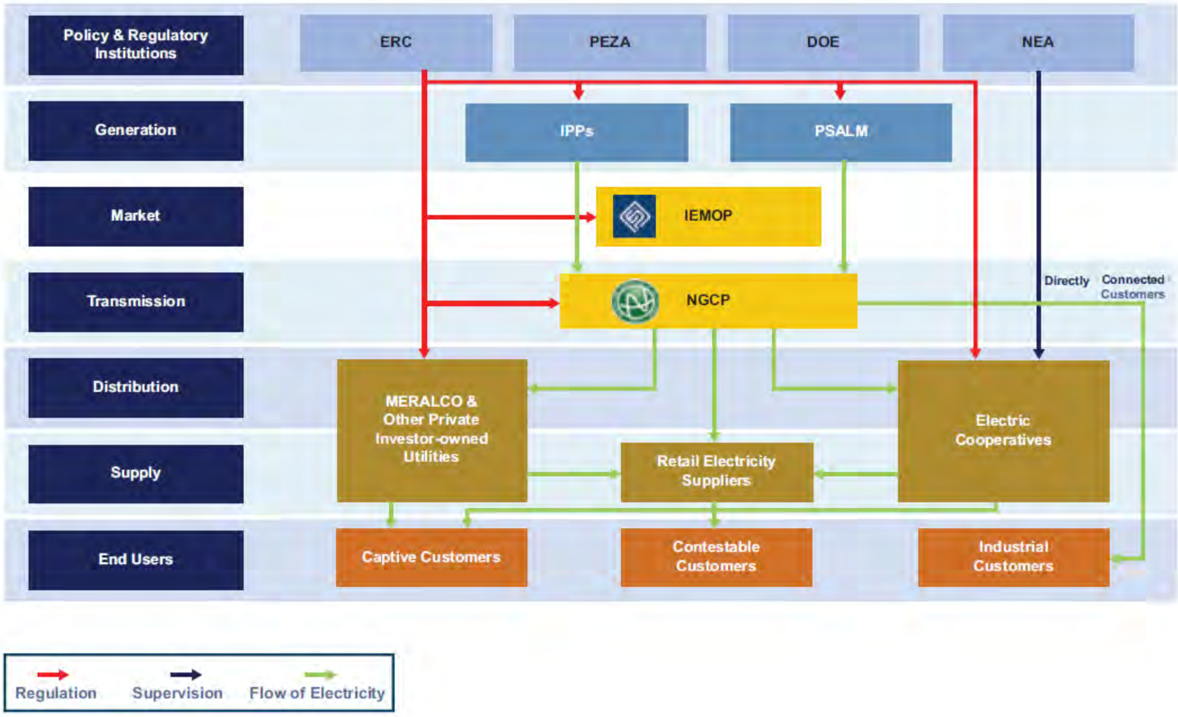
The incumbent members of the Related Party Transaction Committee are Josefina Guevarra-Salonga, Consuelo M. Ynares-Santiago, Jack G. Arroyo, Jr. John Paul L. Ang, and Aurora T. Calderon.

Regulatory Framework

ORGANIZATION AND OPERATION OF THE POWER INDUSTRY

Republic Act No. 9136 or the Electric Power Industry Reform Act of 2001 (“**EPIRA**”) established a framework for the organization, operation and restructuring of the electric power industry, with the industry divided into four sectors: generation, transmission, distribution and supply. The following diagram shows the current structure of the electric power industry under the EPIRA.

Industry structure under the EPIRA:



Through the EPIRA, the Government instituted major reforms with the goal of fully privatizing all aspects of the power industry. The principal objectives of the EPIRA are:

- to ensure and accelerate the total electrification of the country;
- to ensure the quality, reliability, security and affordability of the supply of electric power;
- to ensure transparent and reasonable prices of electricity in a regime of free and fair competition and full public accountability to achieve greater operational and economic efficiency and enhance the competitiveness of Philippine products in the global market;
- to enhance the inflow of private capital and broaden the ownership base of the power generation, transmission and distribution sectors;
- to ensure fair and non-discriminatory treatment of public and private sector entities in the process of restructuring the electric power industry;
- to protect the public interest as it is affected by the rates and services of electric utilities and other providers of electric power;
- to assure socially and environmentally compatible energy sources and infrastructure;

- to promote the utilization of indigenous and new and renewable energy resources in power generation in order to reduce dependence on imported energy;
- to provide for an orderly and transparent privatization of the assets and liabilities of NPC;
- to establish a strong and purely independent regulatory body and system to ensure consumer protection and enhance the competitive operation of the electricity market; and
- to encourage the efficient use of energy and other modalities of demand side management.

With a view to implementing these objectives, the DOE, in consultation with the relevant Government agencies, electric power industry participants, non-Government organizations and electricity consumers, promulgated the Implementing Rules and Regulations (the "**IRR**") of the EPIRA on February 27, 2002 (subsequently amended in 2007).

The IRR governs the relations between, and respective responsibilities of, the different electric power industry participants as well as the particular Governmental authorities involved in implementing the structural reforms in the industry, including, but not limited to, the DOE, NPC, NEA, ERC and PSALM.

Reorganization of the Electric Power Industry

Of the many changes initiated by the EPIRA, of primary importance is the reorganization of the electric power industry by segregating the industry into four sectors: (i) the generation sector; (ii) the transmission sector; (iii) the distribution sector; and (iv) the supply sector. The goal is for the generation and supply sectors to be fully competitive and open, while the transmission sector will be a regulated common electricity carrier business and the distribution sector will be a regulated common carrier business requiring a national franchise, thus both the transmission and distribution sectors will be regulated as public utilities. Prior to the EPIRA, the industry was regulated as a whole, with no clear distinctions between and among the various sectors and/or services.

The Generation Sector

Under the EPIRA, power generation per se is not a public utility operation. Thus, generation companies are not required to secure congressional franchises, and there are no restrictions on the ability of non-Filipinos to own and operate generation facilities. However, generation companies must obtain a certificate of compliance from the ERC, as well as health, safety and environmental clearances from appropriate Government agencies under existing laws. Furthermore, PPAs and PSAs between generation companies and distribution utilities are subject to the review and approval of the ERC. Generation companies are also subject to the rules and regulations of the ERC on abuse of market power and anticompetitive behavior. In particular, the ERC has the authority to impose price controls, issue injunctions, require divestment of excess profits and impose fines and penalties for violation of the EPIRA and the IRR policy on market power abuse, cross-ownership and anti-competitive behavior.

The goal of the EPIRA is for the generation sector to be open and competitive, while the private sector is expected to take the lead in introducing additional generation capacity. Generation companies will compete either for bilateral contracts with various RESs, electric cooperatives and private distribution utilities, or through spot sale transactions in the WESM. With the implementation of RCOA in Luzon and Visayas, generation companies are already able to sell electricity to eligible end-users. "Open Access" is defined under the IRR as the system of allowing any qualified person the use of electric power transmission and distribution systems and associated facilities subject to the payment of transmission and/or distribution retail wheeling rates; while "Retail Competition" is defined as the provision of electricity to a contestable market (which, under prevailing regulations, refer to electricity end-users with monthly average peak demand of at least 500 KW) by persons licensed by the ERC to engage in the business of supplying electricity end-users through Open Access.

To prevent monopolies and anti-competitive behavior, House Bill No. 9260 was filed in the House of Representatives on April 27, 2021. The bill, which seeks to prohibit ownership by distribution utilities in generation companies and retail electricity suppliers, has been pending in the House of Representatives Committee on Energy since May 17, 2021.

Recovery by distribution utilities of their purchased power cost is subject to review by the ERC to determine reasonableness of the cost and to ensure that the distribution utilities do not earn any revenue therefrom. With the commencement of the RCOA, generation rates, except those intended for such end-users who may not choose their supplier of electricity (the "**Captive Market**"), ceased to be regulated.

The generation sector converts fuel and other forms of energy into electricity. It consists of the following: (i) NPC-owned-and-operated generation facilities; (ii) NPC-owned plants, which consist of plants operated by IPPs, as well as IPP-owned-and-operated plants, all of which supply electricity to NPC; and (iii) IPP-owned-and-operated plants that supply electricity to customers other than NPC.

Under the EPIRA, generation companies are allowed to sell electricity to distribution utilities or to RESs through either bilateral contracts or the WESM as described below. With the implementation of RCOA on December 26, 2013, as supplemented by DOE Department Circular No. DC2015-06-0010, generation companies may likewise sell electricity to eligible end-users with an average monthly peak demand of 750 KW and certified by the ERC to be contestable customers. In 2016, the ERC issued the implementing rules governing the issuance and renewal of licenses to RESs and the rules governing contestability of qualified end-users (collectively, the "**2016 ERC RES Issuances**"). However, in February 2017, the Philippine Supreme Court, acting on the petition filed by certain entities, issued a temporary restraining order enjoining the DOE and the ERC from implementing DC 2015-06-0010 and the 2016 ERC RES Issuances.

In response to the temporary restraining order, and to provide guidance to relevant power industry players, the DOE issued DC2017-12-0013 and DC2017-12-0014 encouraging eligible contestable customers to voluntarily participate in RCOA.

Subsequently, the DOE issued DC 2019-07-11 (Amending Various Issuances on the Implementation of the RCOA), which provides that contestable customers may voluntarily register as a trading participant in the WESM and that it shall source its electricity supply requirements from ERC-licensed/authorized suppliers. On March 2, 2021, the Philippine Supreme Court promulgated its decision, a copy of which was made publicly available on September 24, 2021, finally declaring DC 2015-06-0010 and the 2016 ERC RES Issuances void for being bereft of legal basis. As a result, the temporary restraining order issued by the Philippine Supreme Court in February 2017, which enjoined the DOE and ERC from implementing DC 2015-06-0010 and the 2016 ERC RES Issuances, has been made final. In the same decision, the Philippine Supreme Court also directed the ERC to promulgate the supporting guidelines to DC 2017-12-0013 and DC 2017-12-0014.

In 2020, the ERC resumed the processing of RES license applications on the basis of a 2011 ERC resolution on RES licensing (the "**2011 ERC Resolution**") in light of the temporary restraining order issued by the Philippine Supreme Court in 2017. As of date of this Prospectus, the ERC continues to process RES license applications on the basis of the 2011 ERC Resolution as it has yet to issue supporting guidelines to DC 2017-12-0013 and DC 2017-12-0014 in compliance with the directive of the Supreme Court.

The generation sector must observe the Market Share Limitations set in the EPIRA which states that no generation company or related group is allowed to own more than 30% of the installed generating capacity of the Luzon, Visayas or Mindanao Grids and/or 25% of the national installed generating capacity. Also, no generation company associated with a distribution utility may supply more than 50% of the distribution utility's total demand under bilateral contracts, without prejudice to the bilateral contracts entered into prior to the effectivity of the said Act.

Historically, the generation sector has been dominated by NPC. To introduce and foster competition in the sector, and, more importantly, to lessen the debt of NPC, the EPIRA mandates the total privatization of the generation assets and IPP contracts of NPC, which exclude the assets devoted to missionary electrification through the small power utilities group of NPC. NPC is directed to transfer ownership of all the assets for privatization to a separate entity, PSALM, which is specially tasked to manage the privatization. Beginning early 2004, PSALM has been conducting public bidding for the generation facilities owned by NPC.

Based on latest available data from PSALM as of August 31, 2021, PSALM has privatized and turned over to the successor generating companies a combined capacity of 5,251.43 MW covering 32 generating assets, and assigned seven IPP contracts to IPP administrators with a combined contracted capacity of 3,610.25 MW. As of June 30, 2021, PSALM has transferred at least four decommissioned plants to winning bidders. Major generation assets sold include the 747.53 MW Tiwi-Makban geothermal power plant, the 600 MW Batangas (Calaca) coal-fired thermal power plant, the 600 MW Masinloc coal fired power plant, the 620 MW Limay combined cycle power plant, 360 MW Magat hydroelectric power plant, and the 305 MW Palinpinon-Tongonan geothermal power plant. Among the capacities privatized through IPPA Agreements include the 1,000 MW Sual coal-fired power plant, the 700 MW Pagbilao coal-fired power plant, the 345 MW of the San Roque Power Plant, the 70 MW Bakun hydroelectric power plant, the 40 MW Unified Leyte Geothermal Power Plant, and the 1,200 MW Ilijan combined-cycle gas-fired power plant. In 2018, PSALM also commenced the privatization of the 650 MW Malaya thermal power plant in Rizal and the 210 MW Mindanao coal-fired plant in Misamis Oriental.

Section 47(j) of the EPIRA prohibits NPC from incurring any new obligations to purchase power through bilateral contracts with generation companies or other suppliers. Also, NPC is only allowed to generate and sell electricity from generating assets and IPP contracts that have not been disposed of by PSALM.

Generation companies which are not publicly listed are required to offer and sell to the public a portion of not less than 15% of their common shares of stock. Under prevailing regulations, any offer of common shares of stock for sale to the public through any of the following modes shall be deemed as public offering:

- listing in the PSE;
- a public offering undertaken in accordance with the Securities Regulation Code and its implementing rules and regulations; and
- listing in any accredited stock exchange or direct offer of a portion of registered enterprises' capital stock to the public and/or their employees, when deemed feasible and desirable by the BOI.

Senate Bill No. 2217, filed in the Philippine Senate on May 24, 2021, aims to remove the public offering requirement of generation companies. The bill is currently pending in the Philippine Senate Committee on Energy.

On February 16, 2021, the ERC issued Resolution No. 03, series of 2021, dated November 11, 2020 entitled "A Resolution Adopting the Revised Guidelines for the Financial Capability Standards of Generation Companies" (the "**Revised Financial Guidelines**"). The Revised Financial Guidelines apply to all generation companies including IPPAs, except those which own only generation facilities exclusively for its own consumption or unless otherwise exempted by any law or statute. Under the Revised Financial Guidelines, a generation company is required, among others, to meet a minimum annual debt service capability ratio of 1.25x throughout the period covered by its ERC certificate of compliance, provided that if its financial or loan agreements require a higher debt service capability ratio, then such higher ratio shall serve as its minimum requirement. A generation company performing below the benchmark is required to submit its program to comply, setting forth the specific activities to be undertaken in order to meet the financial capability benchmark, within 60 days from receipt of an ERC directive. A generation company that fails to comply with the requirements set forth under the Revised Financial Guidelines shall be subject to imposition of fines and penalties. In addition, non-compliance with financial capability standards may result in the disclosure by the ERC of such fact, together with any mitigating or aggravating circumstances related thereto, via periodic bulletins.

The Transmission Sector

Pursuant to the EPIRA, NPC has transferred its transmission and sub-transmission assets to TransCo, which was created pursuant to the EPIRA to assume, among other functions, the electrical transmission function of the NPC. The principal function of TransCo is to ensure and maintain the reliability, adequacy, security, stability and integrity of the nationwide electrical grid in accordance with the Philippine Grid Code (the "**Grid Code**"). TransCo is also mandated to provide open and non-discriminatory access to its transmission system to all electricity users.

The transmission of electricity through the transmission grid is subject to transmission wheeling charges. As the transmission of electric power is a regulated common carrier business, TransCo's transmission wheeling charges are subject to regulation and approval by the ERC.

The EPIRA also requires the privatization of TransCo through an outright sale of, or the grant of, a concession over the transmission assets while the sub-transmission assets of TransCo are to be offered for sale to qualified distribution utilities. In December 2007, NGCP, comprising a consortium of Monte Oro Grid Resources, Calaca High Power Corporation and State Grid Corporation of China, won the concession contract to operate, maintain and expand the TransCo assets with a bid of US$3.95 billion. On January 15, 2009, NGCP was officially granted the authority to operate the sole transmission system of the country pursuant to a legislative franchise granted by the Philippine Congress under Republic Act No. 9511.

The Grid Code establishes the basic rules, requirements, procedures and standards that govern the operation, maintenance and development of the Philippine Grid, or the high-voltage backbone transmission system and its related facilities. The Grid Code identifies and provides for the responsibilities and obligations of three key independent functional groups, namely: (a) the grid owner, or TransCo; (b) the system operator, or NGCP as the current concessionaire of TransCo; and (c) the market operator, or the PEMC. These functional groups, as well as all users of the grid, including generation companies and distribution utilities, must comply with the provisions of the Grid Code as promulgated and enforced by the ERC.

In order to ensure the safe, reliable and efficient operation of the Philippine Grid, the Grid Code provides for, among others, the following regulations:

- the establishment of a grid management committee, which is tasked with the monitoring of the day-to-day operations of the grid;
- performance standards for the transmission of electricity through the grid, as well as the operation and maintenance thereof, which standards shall apply to TransCo, NGCP, distribution utilities and suppliers of electricity; and
- technical and financial standards and criteria applicable to users of the grid, including generation companies and distribution utilities connected or seeking to connect thereto; and other matters relating to the planning, management, operation and maintenance of the grid.

On March 21, 2022, President Duterte signed into law Republic Act No. 11659, which amended the Public Service Act (the "**PSA Amendment**"). The PSA Amendment limited the definition of public utility to a public service that operates, manages, or controls for public use any of the following: (1) distribution of electricity; (2) transmission of electricity; (3) petroleum and petroleum products pipeline transmission systems; (4) water pipeline distribution systems and wastewater pipeline system, including sewerage pipeline systems; (5) seaports; and (6) public utility vehicles. The PSA Amendment provides for an exclusive enumeration of what constitutes a public utility, and states that "[n]o other person shall be deemed a public utility unless otherwise subsequently declared by law." The PSA Amendment also expressly provides that "notwithstanding any law to the contrary, nationality requirements shall not be imposed by the relevant administrative agencies on any public service not classified as a public utility." Under the PSA Amendment, transmission of electricity continues to be a public utility subject to nationality restrictions and applicable regulations.

The Distribution Sector

The distribution of electric power to end-users may be undertaken by private distribution utilities, cooperatives, local Government units presently undertaking this function, and other duly authorized entities, subject to regulation by the ERC. The distribution business is a regulated public utility business requiring a franchise from the Philippine congress, although franchises relating to electric cooperatives remained under the jurisdiction of the NEA until the end of 2006. All distribution utilities are also required to obtain a certificate of public convenience and necessity from the ERC to operate as public utilities. Based on the latest available data from the DOE, there are 26 private distribution utilities and 124 electric cooperatives in the Philippines.

They are also required to submit to the ERC a statement of their compliance with the technical specifications prescribed in the Philippine Distribution Code (the "**Distribution Code**") (which provides the rules and regulations for the operation and maintenance of distribution systems), the Distribution Services and Open Access Rules and the performance standards set out in the IRR of the EPIRA.

The distribution sector is regulated by the ERC, with distribution wheeling charges, as well as connection fees from its consumers, subject to ERC approval. The retail rate imposed by distribution utilities for the supply of electricity to its captive consumers is also subject to ERC approval. In addition, as a result of the policy of the Government in promoting free competition and Open Access, distribution utilities are now required to provide universal and non-discriminatory access to their systems within their respective franchise areas following commencement of the RCOA.

The Distribution Code establishes the basic rules and procedures that govern the operation, maintenance, development, connection and use of the electric distribution systems in the Philippines. The Distribution Code defines the technical aspects of the working relationship between the distributors and all the users of the distribution system, including distribution utilities, embedded generators and large customers. All such electric power industry participants in distribution system operations are required to comply with the provisions of the Distribution Code as promulgated and enforced by the ERC.

To ensure the safe, reliable and efficient operation of distribution systems in the Philippines, the Distribution Code provides for, among others, the following regulations:

- technical, design and operational criteria and procedures to be complied with by any user who is connected or seeking connection to a distribution system;
- performance and safety standards for the operation of distribution systems applicable to distributors and suppliers; and
- other matters relating to the planning, development, management, operation and maintenance of distribution systems.

The Supply Sector

The supply of electricity refers to the sale of electricity directly to end-users. The supply function used to be undertaken largely by franchised distribution utilities. However, with the commencement of the RCOA, the supply function has become competitive. The retail supply business is not considered a public utility operation and suppliers are not required to obtain franchises. However, the supply of electricity to a market of end-users who have a choice on their supplier of electricity is considered a business affected with public interest. As such, the EPIRA requires all RESs to obtain a license from the ERC and they are subject to the rules and regulations of the ERC on the abuse of market power and other anti-competitive or discriminatory behavior.

A RES may only sell up to 50% of its total capacity to all of its end-user affiliates.

With the RCOA already implemented, a RES license will allow a generation company to enter into retail electricity supply agreements with contestable customers. This will encourage competition at the retail level and it is planned that retail competition will gradually increase over time, provided that supply companies are sufficiently creditworthy to be suitable offtakers for generation companies.

The following table summarizes the power supply and demand highlights in the Philippines for 2020 based on data from the DOE:

Grid	Installed capacity (MW)	Dependable capacity (MW)	Peak demand (MW)
Luzon	17,840	16,010	11,103
Visayas	3,863	3,369	2,201
Mindanao	4,548	4,031	1,978
Philippines	26,250	23,410	15,282

Role of the ERC

The ERC is the independent, quasi-judicial regulatory body created under the EPIRA that replaced the Energy Regulatory Board. The ERC plays a significant role in the restructured industry environment, consisting of, among others, promoting competition, encouraging market development, ensuring consumer choice and penalizing abuse of market power by industry participants.

Among the primary powers and functions of the ERC are:

- to determine, fix and approve, after conducting public hearings, transmission and distribution wheeling charges and retail rates and to fix and regulate the rates and charges to be imposed by distribution utilities on their captive end-users, as well as the universal charge to be imposed on all electricity end-users, including self-generating entities;
- to grant, revoke, review or modify the certificates of compliance required of generation companies and the licenses required of suppliers of electricity in the contestable market;
- to enforce the Grid Code and Distribution Code, which shall include performance standards, the minimum financial capability standards, and other terms and conditions for access to and use of transmission and distribution facilities;
- to enforce the rules and regulations governing the operations of the WESM and the activities of the WESM operator and other WESM participants to ensure a greater supply and rational pricing of electricity;
- to ensure that the electric power industry participants and NPC functionally and structurally unbundled their respective business activities and rates and to determine the levels of cross-subsidies in the existing and retail rates until the same is removed in accordance with the different sectors;
- to set a lifeline rate for marginalized end-users;
- to promulgate rules and regulations prescribing the qualifications of suppliers which shall include, among others, their technical and financial capability and creditworthiness;
- to determine the electricity end-users comprising the contestable and Captive Markets;
- to fix user fees to be charged by TransCo/NGCP for ancillary services to all electric power industry participants or self-generating entities connected to the grid;
- to monitor and adopt measures to discourage or penalize abuse of market power, cartelization and any anticompetitive or discriminatory behavior by any electric power industry participant;
- to review and approve the terms and conditions of service of TransCo/NGCP and any distribution utility or any changes therein;

- to perform such other regulatory functions as are appropriate and necessary in order to ensure the successful restructuring and modernization of the electric power industry; and
- to have original and exclusive jurisdiction over all cases that involve the contesting of rates, fees, fines and penalties imposed in the exercise of its powers, functions and responsibilities and over all cases involving disputes between and among participants or players in the energy industry relating to the foregoing powers, functions and responsibilities except cases which involve abuse of market power, cartelization and any anticompetitive or discriminatory behavior by any electric power industry participant.

Role of the DOE

In accordance with its mandate to supervise the restructuring of the electric power industry, the DOE exercises, among others, the following functions:

- preparation and annual updating of the Philippine Energy Plan and the Philippine Power Development Program, and thereafter integrate the latter into the former;
- ensuring the reliability, quality and security of the supply of electric power;
- exercise of supervision and control over all Government activities pertaining to energy projects;
- encouragement of private investment in the power industry and promotion of the development of indigenous and renewable energy sources for power generation;
- facilitation of reforms in the structure and operation of distribution utilities for greater efficiency and lower costs;
- promotion of a system of incentives to encourage industry participants, including new generating companies and end-users, to provide adequate and reliable electric supply; education of the public (in coordination with NPC, ERC, NEA and the Philippine Information Agency) on the restructuring of the industry and the privatization of NPC assets; and
- establishment of the WESM in cooperation with electric power industry participants, and formulating rules governing its operations.

Role of the Joint Congressional Power Commission

The Joint Congressional Power Commission created pursuant to the EPIRA consists of 14 members selected from the members of the Philippine senate and house of representatives. Its responsibilities and functions include, among others, the following:

- monitoring and ensuring the proper implementation of the EPIRA;
- endorsement of the initial privatization plan of PSALM for approval by the President of the Philippines;
- ensuring transparency in the public bidding procedures adopted for the privatization of the generation and transmission assets of NPC;
- evaluation of the adherence of industry participants to the objectives and timelines under the EPIRA; and
- determination of inherent weaknesses in the EPIRA and recommend necessary remedial legislation or executive measures.

Pursuant to Republic Act No. 11571 which was signed into law on July 6, 2021, Section 62 of the EPIRA was amended to enhance the powers and functions of the Joint Congressional Power Commission (now named Joint Congressional Energy Commission). Republic Act No. 11571 also conferred upon the Joint Congressional Energy Commission jurisdiction to exercise oversight functions over the implementation of all existing energy laws as of the date of effectivity of Republic Act No. 11571, except Republic Act No. 9367, otherwise known as the "Biofuels Act of 2006."

Competitive Market Devices

WESM

The EPIRA mandates the establishment of the WESM, which is a pre-condition for the implementation of the RCOA, within one year from its effectivity. The WESM provides a venue whereby generators may sell power, and at the same time, suppliers and wholesale consumers can purchase electricity where no bilateral contract exists between the two.

The rules and regulations of the WESM set the guidelines and standards for participation in the market, reflecting accepted economic principles and providing a level playing field for all electric power industry participants, and procedures for establishing the merit order dispatch for each time (hourly) trading period. These rules also provide for a mechanism for setting electricity prices that are not covered by bilateral contracts between electricity buyers and sellers.

On November 18, 2003, upon the initiative of the DOE, the PEMC was incorporated as a non-stock, non-profit corporation with membership comprising an equitable representation of electricity industry participants and chaired by the DOE. The PEMC acts as the autonomous market group operator and the governing arm of the WESM and was tasked to undertake the preparatory work for the establishment of the WESM, pursuant to Section 30 of the EPIRA and in accordance with the WESM Rules. Its primary purpose is to establish, maintain, operate and govern an efficient, competitive, transparent and reliable market for the wholesale purchase of electricity and ancillary services in the Philippines in accordance with relevant laws, rules and regulations.

The WESM commercial operations in the Luzon Grid started on June 26, 2006. The Visayas Grid was integrated into the WESM on December 26, 2010.

As of June 2017, there were 260 wholesale membership participants and 946 retail membership entities registered at the WESM based on its 2017 Annual Report.

The PEMC and the IEMOP have executed an operating agreement to formalize the transfer of all functions, assets and liabilities associated with market operations from the PEMC to the IEMOP effective September 26, 2018. With the signing of the operating agreement, the IEMOP took over the market operations of the WESM, a function that was previously performed by the PEMC. Republic Act No. 9136 requires the PEMC to divest itself of this function in favor of a separate entity that is independent of the market participants. To comply with the requirement, on February 6, 2018, the market participants and the DOE Secretary approved the transition plan calling for the formation of an independent market operator and the transfer of the market operation functions to it. The IEMOP is a non-stock, non-profit corporation led by a board of directors, all of whom are independents and do not have any interest or connection to the WESM participants, that was incorporated and organized to implement the plan. Beginning on September 26, 2018, the IEMOP has been running the electricity market and, among other things, managing the registration of market participants, receiving generation offers, announcing market prices, dispatching schedules of the generation plants and handling billing, settlement and collections. Under the policy and regulatory oversight of the DOE and the ERC, the PEMC has remained as the governing body for the WESM to monitor compliance by the market participants with the market rules.

DOE recently amended the WESM Rules to, among others: (i) clarify the roles of PEMC as the governance arm of WESM and IEMOP as market operator, and the composition of their respective boards, (ii) include the system operator and market operator within the coverage of WESM Rules, (iii) require the market operator to report to the ERC, DOE, PCC and the PEMC any incidents of non-compliance by an WESM member, including any potential anti-competitive behavior, and (iv) establish the several committees of PEMC, including the WESM Compliance Committee to monitor compliance by IEMOP and system operator, and oversee the investigations of breaches of the WESM rules and market manuals. In June 2021, the DOE further amended the WESM Rules, as well as retail rules and various market manual for the implementation of enhancements to WESM design and operations to promote participation in the retail competition. In August 2021, the WESM Rules were further amended to harmonize WESM Rules, retail rules and Renewable Energy Market rules, and to enable the Renewable Energy Registrar to carry out its functions in issuing Renewable Energy Certificates by granting it rights of access to information that are vital to its operations. In December 2021, the WESM Rules were again amended through DOE Department Circular No. DC2021-12-0041 to clarify the responsibilities of the Compliance Committee, and to amend the clauses on Enforcement and Disputes and Designation of Compliance Officers. In the same circular, the Market Manual on the WESM Compliance Officers Certification and Registration was approved and adopted.

On February 24, 2021, the DOE adopted the WESM Industry Code of Ethics which is intended to supplement other regulatory issuances, promote professionalism and integrity, and prescribe general standards of behavior which ought to be followed by the WESM participants and members, IEMOP, the WESM governance arm, the PEMC board and the WESM governance committees. Through DOE Department Circular No. DC2021-06-0015 ("**DC2021-06-0015**"), the DOE declared the commercial operation of the Enhanced WESM Design and Operations ("**EWDO**") effective June 26, 2021 in Luzon, Visayas and Mindanao. Except for certain instances where compliance with (i) dispatch conformance standards and (ii) posting of prudential requirements is relaxed, all WESM members and concerned electric power industry participants are required to comply with the provisions of DOE Department Circular No. DC2021-06-0015 and the WESM Rules and market manuals covering the EWDO.

WESM in Mindanao

In anticipation of the increase of supply condition in Mindanao, the DOE, through DOE Department Circular No. DC2017-05-0009, has declared the launch of the WESM. Similar to the operations in Luzon and Visayas, WESM's primary function is to be the venue for efficient scheduling, dispatch, and settlement of energy withdrawal and injections in the Mindanao Grid.

The PEMC has already initiated some preparatory activities in the upcoming WESM in Mindanao. During the first quarter of 2017, PEMC have conducted a series of public consultations. The WESM Trial Operation Program commenced on June 26, 2017 where its objective is to familiarize all Mindanao participants in the implementation of the WESM. Commercial operations of WESM in Mindanao will commence upon compliance with certain criteria set out in DOE Department Circular No. DC2017-05-0009.

RCOA

The EPIRA likewise provides for a system of Open Access on transmission and distribution wires, whereby TransCo/NGCP and distribution utilities may not refuse the use of their wires by qualified persons, subject to the payment of distribution wheeling charges. The full commercial operation of RCOA in Luzon and Visayas commenced on June 26, 2013 with a total of 275 registered participants. Conditions for the commencement of such Open Access system are as follows:

- establishment of the WESM;
- approval of unbundled transmission and distribution wheeling charges;
- initial implementation of the cross-subsidy removal scheme;
- privatization of at least 70% of the total capacity of generating assets of NPC in Luzon and Visayas; and
- transfer of the management and control of at least 70% of the total energy output of power plants under contract with NPC to the IPPAs.

On June 6, 2011, pursuant to Resolution No. 10, Series of 2011, the ERC declared December 26, 2011 as the "Open Access Date" to mark the commencement of the full operations of the competitive retail electricity market in Luzon and Visayas. Accordingly, all electricity-end users with an average monthly peak demand of one MW for the 12 months preceding the Open Access

Date, as certified by the ERC to be contestable customers, shall have the right to choose their own electricity suppliers.

To ensure smooth transition from the existing structure to RCOA, the ERC promulgated Resolution No. 16, Series of 2012, providing for a transition period from December 26, 2012 until June 25, 2013. However, the ERC effectively extended the transition period when it issued Resolution No. 11, Series of 2013, which allowed contestable customers to stay with their current distribution utility until December 25, 2013, or until such time that they were able to find a RES provided that it promptly informs the distribution utility of such fact. On June 19, 2015, the Department of Energy promulgated Department Circular No. DC2015-06-0010, which mandated contestable customers to secure their RSCs by June 25, 2016, including contestable customers with an average demand of 750 KW to 999 KW for the 12-month period preceding June 25, 2016.

With the implementation of the RCOA, the contestable markets (i.e., under prevailing regulations, electricity end-users with monthly average peak demand of at least 500 KW) may choose where to source their electric power requirements and can negotiate with suppliers for their electricity. Likewise, certain end-users will be allowed to directly source power through the WESM or by entering into contracts with generation companies. This will encourage competition at the retail level and it is anticipated that retail competition will gradually increase over time, provided that supply companies are sufficiently creditworthy to be suitable offtakers for generation companies.

With the implementation of the RCOA, certain contracts entered into by utilities and suppliers may potentially be stranded. Stranded contract cost refers to the excess of the contracted cost of electricity under eligible contracts of NPC over the actual selling price of the contracted energy output of such contracts in the market. Under the EPIRA, recovery of stranded contract cost may be allowed provided that such contracts were approved by the Energy Regulatory Board (now the ERC) as of December 31, 2000.

In response to the temporary restraining order, and to provide guidance to relevant power industry players, the DOE issued DC2017-12-0013 and DC2017-12-0014 encouraging eligible contestable customers to voluntarily participate in the RCOA.

Subsequently, the DOE issued DC 2019-07-11 (Amending Various Issuances on the Implementation of the RCOA), which provides that contestable customers may voluntarily register as a trading participant in the WESM and that it shall source its electricity supply requirements from ERC-licensed/authorized suppliers. On March 2, 2021, the Philippine Supreme Court promulgated its decision, a copy of which was made publicly available on September 24, 2021, finally declaring DC 2015-06-0010 and the 2016 ERC RES Issuances void for being bereft of legal basis. As a result, the temporary restraining order issued by the Philippine Supreme Court in February 2017, which enjoined the DOE and ERC from implementing DC 2015-06-0010 and the 2016 ERC RES Issuances, has been made final. In the same decision, the Philippine Supreme Court also directed the ERC to promulgate the supporting guidelines to DC 2017-12-0013 and DC 2017-12-0014.

On December 28, 2020, the ERC issued Resolution No. 12, series of 2020 dated December 3, 2020 entitled “A Resolution Prescribing the Timeline for the Implementation of Retail Competition and Open Access (RCOA)”. ERC Resolution No. 12, series of 2020, mandates that RCOA shall be effective in grids where the WESM is operational and a separate rule shall be issued for the implementation of RCOA in Mindanao. Further, all suppliers of electricity shall be licensed/authorized by the ERC to supply electricity in the competitive retail electricity market.

Under ERC Resolution No. 12, the coverage of the RCOA is expanded for end-users with an average monthly peak demand of at least 500kW in the preceding 12 months, on a voluntary basis, subject to the effectivity dates prescribed by ERC. Under ERC Resolution No. 12, qualified contestable customers, with existing electronic meters capable of recording and reading interval of time with built-in communication port for remote and manual data retrieval, shall be allowed to switch to the competitive retail electricity market starting February 26, 2021. Meanwhile, qualified contestable customers with existing electronic meters capable of recording and reading interval of time, but which would need to be enhanced with a communication port for remote and manual data removal, shall be allowed to switch to the competitive retail electricity market upon completion of installations of such enhancements until March 28, 2021.

Unbundling of Rates and Removal of Cross Subsidies

The EPIRA mandates that distribution wheeling charges be unbundled from retail rates and that rates reflect the respective costs of providing each service. The EPIRA also states that cross-subsidies shall be phased out within a period not exceeding three years from the establishment by the ERC of a universal charge, which shall be collected from all electricity end-users. However, the ERC may extend the period for the removal of the cross-subsidies for a maximum of one year if it determines that there will be a material adverse effect upon the public interest or an immediate, irreparable and adverse financial effect on a distribution utility.

These arrangements are now in place, in satisfaction of the conditions for the RCOA.

The EPIRA likewise provides for a socialized pricing mechanism called a lifeline rate to be set by the ERC for marginalized or low-income captive electricity consumers who cannot afford to pay the full cost of electricity. These end-users are exempt from the cross-subsidy phase-out for a period of ten years, which exemption was extended until 2021 under Republic Act No. 10150. On May 27, 2021, President Duterte signed into law Republic Act No. 11552, which further amended the EPIRA by extending the implementation of the lifeline rate until 2051, unless extended by law. The amendatory law also specified the qualified marginalized end-users who are entitled to the lifeline rate, namely, (i) qualified household-beneficiaries under the *Pantawid Pamilyang Pilipino* Program of the Philippine government whose level of consumption are within the threshold determined by the ERC, and (ii) marginalized end-users who have been certified and continually validated as such by their distribution utility based on a criteria determined by the ERC.

Implementation of the Performance-Based Regulation ("PBR")

The ERC issued the Rules for Setting Distribution Wheeling Rates that apply to privately owned distribution utilities entering PBR, which set out the manner in which the new PBR rate-setting mechanism for distribution-related charges will be implemented. PBR is intended to replace the return-on-rate-base regulation that has historically determined the distribution charges paid by the distribution companies' customers. Under the PBR, the distribution-related charges that distribution utilities can collect from customers over a four-year regulatory period will be set by reference to projected revenues determined through a set regulatory asset base, the efficiency of the distribution utility and the latter's capital, all of which are reviewed and approved by the ERC and used by the ERC to determine the efficiency factor of a distribution utility. For each year during the regulatory period, the distribution charge of a distribution utility is adjusted upwards or downwards taking into consideration the efficiency factor of the utility set against changes in overall consumer prices in the Philippines. The ERC has also implemented a performance incentive scheme whereby annual rate adjustments under PBR will also take into consideration the ability of a distribution utility to meet or exceed service performance targets set by the ERC, such as the average duration of power outages, the average time to provide connections to customers and the average time to respond to customer calls, with utilities being rewarded or penalized depending on their ability to meet these performance targets.

Competitive Selection Process

Under prevailing regulations, DUs and ECs are mandated to undertake a CSP in the procurement of PSAs to ensure the security and certainty of electricity prices of electric power in the long-term.

On February 1, 2018, the DOE issued the DOE CSP Policy, which sets forth the department's policy on the conduct of CSP in the procurement by DUs and ECs. Under the DOE CSP Policy, all PSAs are required to be procured through the CSP, except in the following instances: (i) generation project owned by the DU funded by grants or donations; (ii) negotiated procurement of emergency power supply with a cooperation period not exceeding one year; (iii) provision of power supply by any mandated government owned and controlled corporations for off-grid areas prior to, and until the entry of new power providers in the area; and (iv) provision of power supply by PSALM through bilateral contracts. In the event the CSP fails twice, and there is no outstanding dispute on the conducted CSP, the DU or EC may use direct negotiation for purposes of procuring the relevant PSA. While the DOE CSP Policy effectively revoked the authority of the ERC to issue supplemental guidelines and procedures relating to implement the CSP, the DOE directed the ERC to: (i) establish and impose existing fines and/or penalties for non-compliance with the DOE CSP Policy, (ii) review compliance with the requirements of CSP, (iii) develop a template PSA to be used with electric power industry participants, and (iv) develop rules and procedures to address disputes arising from the conduct of the CSP.

On September 24, 2021, the DOE issued DC 2021-09-0030 amending and supplementing certain provisions of the DOE CSP Policy. Under the DOE CSP Policy, as amended by DC 2021-09-0030, DUs and ECs shall, as a general rule, adopt competitive public bidding. However, alternative methods of procurement may be resorted to subject to the conditions provided therein. DC 2021-09-0030 also introduced procurement through unsolicited proposal as an alternative mode of procurement. In any given year, the capacity to be procured through unsolicited proposal shall not exceed 25% of the DU's or EC's peak demand for the year of the commercial operations of such unsolicited proposal, less any capacity procured through unsolicited proposal for commercial operations in the same year.

Reduction of Taxes and Royalties on Indigenous Energy Resources

To equalize prices between imported and indigenous fuels, the EPIRA mandates the President of the Philippines to reduce the royalties, returns and taxes collected for the exploitation of all indigenous sources of energy, including but not limited to, natural gas and geothermal steam, so as to effect parity of tax treatment with the existing rates for imported coal, crude oil, bunker fuel and other imported fuels. Following the promulgation of the IRR, then President Arroyo issued Executive Order No. 100, s. 2002, to equalize the taxes among fuels used for power generation. This mechanism, however, is yet to be implemented.

Framework for Energy Storage System in the Electric Power Industry

DOE Department Circular No. DC2019-08-0012 dated August 1, 2019 sets forth the framework for energy storage systems in the electric power industry in the Philippines (the "**ESS Framework**"). An energy storage system ("**ESS**") refers to a facility acting as a load and a generator, which is designed to receive, store and convert such energy to electricity. ESS technologies include BESS, compressed air energy storage, flywheel energy storage, pumped-storage hydropower, and other emerging technologies that may be identified, qualified and approved by the DOE as ESS.

Under the ESS Framework, the following electric power industry participants may own and operate ESS: (i) generation companies, either as a stand-alone generating facility or an integrated ESS in its existing generating facilities; (ii) directly connected customers, for the purpose of managing their energy demands; (iii) end-users, for the purpose of managing their energy demands; (iv) qualified third parties, in conjunction with renewable energy-based generating facilities or as part of hybrid power systems to provide continuous electric service to households in the form of either a micro-grid or a distributed energy resource. Transmission network provider, small grid owner, system operator and system operator-small grid are prohibited from owning and operating an ESS. Further, the Transmission network provider is required to consider BESS as an alternative solution in addressing transmission issues such as line congestion and to consider ESS applications to defer network upgrades. In addition, the system operator is directed to optimize the addition of BESS (or ESS) into its ancillary services pool and prioritize environmentally friendly sources of energy.

Under the ESS Framework, ESS proponents shall apply and register their ESS for one or more of the following purposes:

- provision of ancillary services;
- provision of energy through bilateral supply contract or trading in the WESM;
- manage the penetration of renewable energy;

- auxiliary load management for generation companies;
- transmission/distribution facility upgrades deferment;
- transmission congestion relief;
- end-user demand management;
- distribution utility demand management; and
- distribution utility power quality management.

An ESS that provides frequency regulation, as part of the ancillary services, must be at least 20 MW for the Luzon Grid and at least 5 MW for the Visayas and Mindanao Grids.

All ESS proponents are required to secure (i) a Certificate of Compliance as a generation company from the ERC pursuant to existing guidelines on licensing of generation facilities; (ii) an environmental compliance certificate or any other equivalent document from the DENR; and (iii) other requirements by relevant government agencies pursuant to their existing guidelines. Distribution utilities that intend to enter into a PSA with ESS proponents for the supply of electricity to its captive customers shall observe (a) market share and bilateral contract limitations under Section 45 of the EPIRA; and (b) the DOE CSP Policy.

All ESS facilities shall comply with the rules and regulations on safety, health, environmental standards and proper disposal enforced by appropriate government agencies. In addition, ESS facilities connected to the transmission system as well as ESS connected to the distribution system with capacity equal to or above the following regional thresholds:

- 10 MW for Luzon Grid;
- 5 MW for Visayas Grid; and
- 5 MW for Mindanao Grid.

are mandated to register in the WESM and shall be classified under the generation company category, in accordance with the WESM rules and market manuals. All ESS integrated in generation facilities of generation companies are required have a separate registration in the WESM and shall comply with the requirements on separate metering and monitoring facilities, among others.

Government Approval Process

As set forth in the EPIRA, power generation is not considered a public utility operation. Thus, an entity engaged or intending to engage in the generation of electricity is not required to secure a national franchise. However, no person or entity may engage in the generation of electricity unless such person or entity has complied with the standards, requirements and other terms and conditions set by the ERC and has received a certificate of compliance from the ERC to operate facilities used in the generation of electricity. A certificate of compliance is valid for a period of five years from the date of issuance.

In addition to the certificate of compliance requirement, a generation company must comply with government-prescribed technical, financial capability, health, safety and environmental standards. A generation company must ensure that all its facilities connected to the grid meet the technical design and operational criteria of the Grid Code and Distribution Code promulgated by the ERC. In this connection, the ERC has issued guidelines setting the minimum financial capability standards for generation companies. Under the guidelines, a generation company is required to meet a minimum annual interest cover ratio or debt service capability ratio (which measures the ability of the power generation company to service its debts) of 1.5x throughout the period covered by its certificate of compliance. For certificate of compliance applications and renewals, the guidelines require the submission to the ERC of, among other things, a schedule of liabilities, and a five-year financial plan. For the duration of the certificate of compliance, the guidelines also require a generation company to submit audited financial statements and forecast financial statements to the ERC for the next two financial years, as well as other documents. The failure by a generation company to submit the requirements prescribed by the guidelines may be grounds for the imposition of fines and penalties.

With the introduction of RCOA, the rates charged by a generation company are no longer regulated by the ERC, except rates for Captive Markets (as determined by the ERC). In addition, since the establishment of the WESM, generation companies are now required to comply with the membership criteria and appropriate dispatch scheduling as prescribed under the WESM Rules.

In the course of developing a power plant, other permits, approvals and consents must also be obtained from relevant national, provincial and local Government authorities, relating to, among others, site acquisition, construction and operation, including environmental-related licenses and permits.

In October 2020, DOE Secretary Alfonso G. Cusi announced that the periodic assessment of the country's energy requirements has led the DOE to declare a moratorium on endorsements for greenfield coal power plants.

On January 11, 2021, the DOE issued an advisory dated December 22, 2020 with subject "Moratorium of Endorsements for Greenfield Coal-Fired Power Projects in Line with Improving the Sustainability of the Philippines' Electric Power Industry." Under this advisory, effective October 27, 2020, the DOE would no longer process applications for greenfield coal-fired power generation facility projects requesting for endorsements. However, existing and operational coal-fired power generation facilities as well as any coal-fired power project which comply with the following parameters will not be affected by the moratorium:

(i) committed power projects;

(ii) existing power plant complexes which already have firm expansion plans and existing land site provision; and

(iii) indicative power project with substantial accomplishments, specifically:

- with signed and notarized acquisition of land or lease agreement for the project; and
- with approved permits or resolutions from local government units and the relevant regional development council where the power plant will be located.

Ancillary Services

Under the EPIRA, NGCP has the obligation to ensure and maintain the reliability, adequacy, security, stability and integrity of the grid in accordance with the performance standards for its operations and maintenance, as set forth in the Grid Code, and to adequately serve generation companies, distribution utilities and suppliers requiring transmission service and/or ancillary services through the transmission system.

In the performance of its functions as the grid system operator, NGCP requires ancillary services to ensure the power quality and stability of the grid. Ancillary services, as defined in Section 4(b) of the EPIRA, are services necessary to support the transmission of capacity and energy from resources to loads while maintaining reliable operation of the transmission system in accordance with the good utility practice and the Grid Code. These are support services to provide frequency control and include Primary Reserve, Secondary Reserve, and Tertiary Reserve.

In order to maintain the security and integrity of the grid, the system operator shall operate the grid in such a manner as to provide adequate frequency control to achieve operations within frequency limits at all times. Achieving effective frequency control requires the following ancillary services which are differentiated depending on their response time and sustainability.

- Primary Reserve Ancillary Service ("**PRAS**"). This reserve shall cover sudden outage or failure of synchronized generating unit or transmission line links or the power import from a single circuit interconnection, whichever is larger. The capacity of the PRAS provider should not be used in the regular energy supply but can be set to respond on small variations to system frequency to support the Secondary Reserves.

- Secondary Reserve Ancillary Service ("**SRAS**"). The system operator through AGC shall use the Secondary Reserve to restore the system frequency from the quasi-steady state value as established by the Primary Response and Reserve of generating units back to the nominal frequency of 60 Hz during contingent event. Small variations to system frequency to support the balance through Governor Control Mode ("**GCM**") may be initiated. Where the Automatic Generation Control ("**AGC**") function of the system operator is not fully operational, dispatcher may instruct the generator to transfer to GCM as well. SRAS should be controlled by the system operator through AGC with various AGC modes and frequency deadband settings in order to regulate the system frequency and the speed governing system shall be capable of accepting raise and lower signals or set point signals from the Control Center of the system operator.

- Tertiary Reserve Ancillary Service ("**TRAS**"). The capacity of the qualified generating units offered for this Ancillary Service should not be part of the regular energy supply and can either be synchronized to respond within 15 minutes or off-line provided that it can fully provide the required reserve within 30 minutes from the receipt of dispatch instruction. The Tertiary Reserve provider should be able sustain its contributed capacity for at least 60 minutes. If and only if, the Primary and Secondary Reserves have been exhausted, the system operator shall make use of the Tertiary Reserve to return/maintain the system frequency to 60Hz in cases of: tripping of a generating unit or a transmission line which creates generation-load unbalance, unplanned loss of the power import, disconnection of a large load or load blocks, system frequency increases above 60.1 Hz or reduces below 59.9 Hz and it is not possible to return it to nominal values with appropriate use of the Primary and Secondary Reserves. TRAS should be capable of operating through AGC or manual mode and shall be monitored and controlled by the system operator.

To implement and regulate the procurement of ancillary services, the ERC approved the Ancillary Services Procurement Plan (the "**ASPP**") and the Ancillary Services — Cost Recovery Mechanism (the "**AS-CRM**") on March 9, 2006 and October 3, 2007, respectively. Under the AS-CRM, NGCP secures Ancillary Services through the ASPA with qualified generation companies. For ancillary services arranged via the ASPA, the OATS Rules, the ASPP and the AS-CRM will be applied.

All ancillary services contracted by NGCP from qualified generators will be recovered through rates and charges from the generation customers, embedded generation customers and load customers, where applicable, subject to approval of the ERC.

ASPAs require the substantial completion of the project prior to contracting with the NGCP and are subject to ERC approval. These are generally for a term of five years, extendible for another five years with relatively standard rates, particularly for regulating reserves.

Under prevailing DOE regulations, the system operator (or NGCP as the current concessionaire of TransCo) is mandated to conduct CSP for its ASPAs in accordance with the guidelines promulgated by the DOE. On October 4, 2021, DOE issued DC2021-10-0031 which prescribes the policy for the transparent and efficient procurement of ancillary services by the system operator and requires that all ASPAs shall be entered into by NGCP in accordance with the competitive procurement mechanisms provided thereunder. DC2021-10-0031 provides that within six months from effectivity thereof, NGCP shall conduct a CSP for the procurement of ancillary services for a contract period of a maximum of five years. Direct negotiation may be made after at least two CSPs, provided that there is no outstanding dispute on the conducted CSP. The ERC, in the exercise of its powers and functions under the EPIRA shall have the power to review whether the parties have complied with the requirements of CSP for ancillary services. All non-firm ASPAs not converted to firm ASPAs upon effectivity of DC2021-10-0031 shall be valid and effective. However, for purposes of dispatching of ancillary services, the firm ASPAs will be prioritized.

Philippine Downstream Natural Gas Regulations

On November 28, 2017, DOE issued DC2017-11-0012 which provides the rules and regulations governing the Philippine Downstream Natural Gas Industry ("**PDNGI**"). DC2017-11-0012 sets forth the rules and regulations for siting, design, construction, expansion, rehabilitation, modification, operation, and maintenance of the downstream natural gas industry value chain. DC2017-11-0012 covers all downstream natural gas facilities and the operations or activities relating thereto, such as importation of LNG, storage, regasification, transmission and distribution to customers including the pipeline and its related facilities used to transport natural gas, as well as the operations or activities related thereto after the point of sale up to the last connection point to the customers.

Under DC2017-11-0012, no person, natural or juridical, shall construct, expand, rehabilitate, modify, operate or maintain a downstream natural gas facility unless authorized to do so by the DOE. Further, a person who intends to engage in the importation of any quantity of natural gas shall apply for accreditation with the Oil Industry Management Bureau of the DOE ("**DOE-OIMB**"). Prior to any importation, the accredited importer shall send a pre-importation notice to DOE-OIMB within the required period prior to loading of every importation. Upon compliance with the pre-importation requirements of the DOE, the DOE-OIMB shall issue an Acknowledgement to Import LNG which shall serve as primary authority for the accredited importer to import the specified quantity of LNG. Post-importation notice shall be submitted to the DOE-OIMB not later than 20 working days after unloading of every importation.

Retail prices of natural gas converted from LNG shall be deregulated. However, such retail price is required to be unbundled to the extent of reflecting the following basic pricing components: (i) Landed Cost of the natural gas; and (ii) Tolling Fee. The term "Landed Cost" refers to the cost of imported LNG upon delivery to the Philippines, which consists generally of the total of free on board, insurance, freight cost, currency conversion, custom duties, taxes, port-related fees, and other applicable fees. The "Tolling Fee" is composed of capacity payments, operating expenses, taxes and other incidental costs used for receiving, storage, and regasification of LNG into natural gas form usable as fuel and its delivery to the customer or buyer.

Excess capacity of the LNG import terminal facilities, transmission system (i.e., the pipeline and related facilities used to transport LNG extending between the connections from the gathering facilities to the last connection point before the distribution system), distribution system (i.e., the pipeline and related facilities used to transport LNG extending between the last delivery points of the transmission system to the last connection point to the customer) and other services offered by the grantee of a permit to operate and maintain under DC2017-11-0012 (the "**POM Grantee**") shall be available and accessible to third parties on a transparent and non-discriminatory basis. The term "capacity" is defined under DC2017-11-0012 as the "maximum capacity of the natural gas facility to provide the services for which that natural gas facility is developed, expressed in normal cubic meters per time unit or in energy unit per time."

As of the date hereof, the guidelines for third party access has yet to be issued by the DOE. Such guidelines shall however be based on the principles espoused under Section 1, Rule 8 of the DC2017-11-0012 which focuses primarily on transparency and encouraging competition to provide efficiencies and lower costs and prices to consumers. Under DC2017-11-0012, the POM Grantee shall determine, subject to the review and recommendation of the DOE's Downstream Natural Gas Review and Evaluation Committee and approval of the DOE Secretary, the maximum and excess capacity of the natural gas facilities to be offered to third parties. The POM Grantee shall allocate such excess capacity based on, but not limited to, the following criteria, as they pertain to the third-party user:

(a) proposed contract price and terms;

(b) credit-worthiness;

(c) existence of offtake facility; and

(d) ability to meet fuel specification parameters of the LNG facility.

On February 1, 2019, the DOE issued DC2019-02-004, requiring all entities engaged in the business of importing, trading, supply and distribution of natural gas to comply with the specifications of PNS/DOE QS 011:2016 "Petroleum gases — Natural gas — Quality Specification". Non-compliance with the foregoing requirement shall be a ground for the suspension or cancellation of the accreditation and the non-issuance of Acknowledgement to Import for succeeding applications.

Regulations relating to energy projects of national significance

On June 28, 2017, President Duterte issued Executive Order No. 30 ("**EO 30**") which created the Energy Investment Coordinating Council (the "**EICC**") in order to streamline the regulatory procedures affecting energy projects. In the said order, the President declared that it is the policy of the Philippine Government to ensure a continuous, adequate and economic supply of energy; and, accordingly, an efficient and effective administration process for energy projects of national significance ("**EPNS**") should be developed in order to avoid unnecessary delays in the implementation of the Philippine Energy Plan ("**PEP**"). EPNS are major energy projects for power generation, transmission and/or ancillary services including those required to maintain grid stability and security for on and off-Grid areas, identified and endorsed by the DOE as "projects of national significance" that are in consonance with the policy thrusts and specific goals of the PEP, and which possess any of the following attributes:

(a) significant capital investment of at least ₱3.5 billion;

(b) significant contribution to the country's economic development, provided that this pertains to the potential of the project to promote to greater access to energy and energy supply security of the country;

(c) significant consequential economic impact, provided that this pertains to the potential of the project to generate jobs, employment and increase revenues for the government, among others;

(d) significant potential contribution to the country's balance of payments, provided that this refers to the potential of the project to contribute to the inflow of foreign investment capital;

(e) significant impact on the environment, provided that this pertains to the potential of the project to contribute to sustainability with minimal adverse effects to the environment;

(f) complex technical processes and engineering designs, provided that these refer to projects involving newly developed or pioneering energy systems and/or technologies; and

(g) significant infrastructure requirements, provided that the project has associated infrastructure necessary for the delivery of energy services and/or supply such as transmission and distribution networks.

The EICC is mandated to spearhead and coordinate national government efforts to harmonize, integrate and streamline regulatory processes, requirements and forms relevant to the development of energy investments in the country, primarily with regard to EPNS, to uphold transparency and accountability among concerned agencies. The rules, regulations and processes to be agreed upon within the EICC and to be adopted by its member-agencies shall adhere to the following baselines with regard to EPNS:

- *Presumption of prior approvals* — Government agencies and instrumentalities that receive an application for a permit involving EPNS shall process such applications without awaiting the action of any other agency. The processing agency shall act on the presumption that the relevant permits from other government agencies had already been issued.

- *Action within 30 days* — Government agencies and instrumentalities shall act upon applications for permits involving EPNS within a specified processing timeframe not exceeding 30 days from the submission of complete documentary requirements. Should such application be denied, the denial should be made in writing, expressly providing the grounds therefor. If no decision is made within the specified processing timeframe, the approving authority may no longer deny the application and shall issue the relevant permit within five working days after the lapse of such period.

No deviation from the baselines shall be allowed except when absolutely necessary either to enable an agency to comply with specific statutory directive or to avoid prejudicing the public interest. The procedures for the issuance of environmental compliance certificates which may be required for EPNS shall be among the matters to be discussed within the EICC.

On April 25, 2018, the DOE issued Department Circular No. 2018-04-0013, setting for the implementing rules and regulations of EO 30. The rules provide, among others, that a project registered with the DOE as an EPNS is entitled to the following rights, among others: (i) processing time of 30-working days upon submission to the relevant government agency of complete documentary requirements, (ii) to have its application processed, without awaiting the action of other government agencies where such action is a precondition to such application, (iii) on the assumptions that the submitted requirements are complete in substance and form, actions to be taken for the project must not exceed 30 working days and (iv) upon the determination of any defect or lapses in substance and form of the submitted documents, the project proponent shall be notified and will be given appropriate time to take the necessary actions. The foregoing rights extend to associated infrastructure of the project registered as an EPNS.

Energy Virtual One-Stop Shop ("EVOSS")

On March 8, 2019, Republic Act No. 11234, otherwise known as the "Energy Virtual One-Shop Act" (the "**EVOSS Act**"), was signed into law establishing an energy virtual one-stop shop under the supervision of the DOE. The EVOSS is a web-based system that allows the coordinated submission and synchronous processing of all required data and information and provides a single decision-making portal for actions on applications for permits and/or certifications necessary for, or related to, an application of a proponent for new power generation, transmission or distribution projects.

Under the EVOSS Act, the relevant government agencies have the obligation to ensure that all actions on applications before it and its attached bureaus, offices, and agencies, at both the national and local levels, government-owned and -controlled corporations as well as local government units and other entities involved in the permitting process shall be released within the time frames stated in the EVOSS Act. Failure of the mother agency and its attached bureaus, offices, and agencies at both the national and local levels, including government-owned and -controlled corporations as well as local government units and other entities involved in the permitting process, to release its action on applications duly submitted with complete supporting electronic documents within the prescribed time frame shall cause applications to be deemed approved, provided that such deemed approval shall not apply to actions by DENR and ERC on applications by fossil fuel-based technologies such as coal, natural gas, and oil.

The EVOSS Act mandates participation and compliance by all government agencies and other relevant entities involved in the permitting process of all new power generation, transmission and distribution projects. A government's official and/or employee's willful refusal to participate in the EVOSS and failure to comply with the mandated time frames as provided in the EVOSS Act and its implementing rules, or as imposed by the EVOSS steering committee, shall be considered an administrative offense, and may be penalized with suspension without pay or dismissal and perpetual disqualification from public service, as applicable, without prejudice to the filing of criminal, civil or other related charges under existing laws, as may be appropriate.

The EVOSS Steering Committee, the inter-agency body created by the EVOSS Act which was tasked to streamline the process flow of the permitting process for energy-related projects and to set up the EVOSS, was dissolved by operation of law on March 30, 2021, or two years from the effectivity of the EVOSS Act. On July 2, 2021, President Duterte issued Executive Order No. 143, series of 2021, creating the EVOSS Task Group to oversee the continued implementation of EVOSS and its implementing rules and regulations. The task force shall exercise the same functions and powers as the EVOSS Steering Committee, as provided under the EVOSS Act, and other additional functions such as monitoring and ensuring the increasing operationalization of EVOSS.

Registration under the BOI

Under the Executive Order No. 226, otherwise known as the Omnibus Investments Code, as amended, a BOI-registered enterprise enjoy certain incentives, both financial and non-financial, provided such enterprise invests in preferred areas of investment enumerated in the Investment Priorities Plan annually prepared by the Government. However, prior to registration with the BOI, the enterprise must first satisfy the minimum equity required to finance the project applied equivalent to 25% of the estimated project cost, or as may be prescribed by the BOI. Such incentives include: (i) income tax holiday, (ii) exemption from taxes and duties on imported spare parts; (iii) exemption from wharfage dues and export tax, duty, impost and fees; (iv) reduction of the rates of duty on capital equipment, spare parts and accessories; (v) tax exemption on breeding stocks and genetic materials; (vi) tax credits; (vii) additional deductions from taxable income; (viii) employment of foreign nationals; (ix) simplification of customs procedure; and (x) unrestricted use of consigned equipment.

On April 12, 2019, Republic Act No. 11285, otherwise known as the Energy Efficiency and Conservation Act, was enacted. Under the said law, upon certification by the DOE, energy efficiency projects shall be included in the annual investment priorities plan of the BOI and shall be entitled to the incentives provided under Executive Order No. 226, as amended, and any other applicable laws for 10 years from the effectivity of the Act. Said energy efficiency projects shall also be exempt from the requirements provided under Article 32(1) of Executive Order No. 226. Energy efficiency projects refer to projects designed to reduce energy consumption and costs by any improvement, repair, alteration, or betterment of any building or facility, or any equipment, fixture, or furnishing to be added to or used in any building, facility, or vehicle including the manufacturing and provision of services related thereto: provided, that such projects shall be cost-effective and shall lead to lower energy or utility costs during operation and maintenance.

In view of the effectivity of the CREATE Law, registered business enterprises with incentives granted prior to the effectivity of the CREATE Law shall be subject to the following rules:

(i) registered business enterprises whose projects or activities were granted only an income tax holiday prior to the effectivity of the law shall be allowed to continue to avail of the income tax holiday for the remaining period specified in the terms and conditions of their registration, provided that enterprises that have been granted the income tax holiday but have not yet availed of such incentive upon the effectivity of the law may use the income tax holiday for the period specified in the terms and conditions of their registration;

(ii) registered business enterprises whose projects or activities were granted an income tax holiday prior to the effectivity of the law and that are entitled to 5% tax on gross income earned incentive after the income tax holiday shall be allowed to avail of the 5% tax on gross income incentive subject to the 10-year limit under the CREATE Law; and

(iii) registered business enterprises currently availing of the 5% gross income earned incentive granted prior to the effectivity of the law shall be allowed to continue of such tax incentive for 10 years.

Philippine Competition Act

On July 21, 2015, the President of the Philippines signed into law Republic Act No. 10667 or the Philippine Competition Act, which became effective on August 8, 2015. It aims to enhance economic efficiency and promote free and fair competition in trade, industry and all commercial economic activities, prevent economic concentration which will manipulate or constrict the discipline of free markets, and penalize all forms of anti-competitive agreements, abuse of dominant position and anti-competitive mergers and acquisitions, with the objective of protecting consumer welfare and advancing domestic and international trade and economic development. Although the Philippine Competition Act is silent on its applicability specifically to the electric power industry, Section 55(c) of the Philippine Competition Act provides that insofar as Section 43(u) of the EPIRA is inconsistent with provisions of the Philippine Competition Act, it shall be repealed. In view of this, the Philippine Competition Commission (the "**PCC**") now has the original and exclusive jurisdiction over anti-competitive cases in the energy sector.

On May 31, 2016, the PCC promulgated rules and regulations in order to effectively carry out the provisions of the Philippine Competition Act. Under the Rules, parties to a merger or acquisition are required to provide notification to the PCC when the following thresholds are met: (i) the aggregate annual gross revenues in, into or from the Philippines, or value of the assets in the Philippines of the ultimate parent company of at least one of the acquiring or acquired entities, including that of all entities that the ultimate parent company controls, directly or indirectly ("**Size of Party/Person**"), exceeds ₱1,000,000,000.00; and (ii) the value of the transaction ("**Size of Transaction**") exceeds ₱1,000,000,000.00.

The Size of Party/Person and Size of Transactions have been gradually increased by the PCC to ensure that the thresholds maintain their real value over time and relative to the size of the economy. Beginning March 1, 2019 and for every subsequent year, the notification thresholds will be indexed based on the official estimates by the Philippine Statistics Authority of the nominal GDP growth for the previous calendar year rounded up to the nearest hundred million.

Under Commission Resolution No. 02-2020, effective March 1, 2020, the threshold in relation to the Size of Person was increased to ₱6,000,000,000.00, and the threshold for the Size of Transaction was increased to ₱2,400,000,000.00.

Notably, Bayanihan II exempted (a) from the compulsory notification requirement all mergers and acquisitions with transaction values below ₱50,000,000,000.00 if entered into within two years from Bayanihan II's effectivity; and (b) from the power of the PCC to review mergers and acquisitions motu proprio for a period of one year from Bayanihan II's effectivity. Bayanihan II became effective immediately upon its publication in a newspaper of general circulation or in the Official Gazette. Bayanihan II was published in Manila Bulletin on September 15, 2020.

On September 24, 2020, the PCC issued Commission Resolution No. 22-2020 adopting the "Rules for the Implementation of Section 4 (eee) of Republic Act No. 11494, otherwise known as the 'Bayanihan to Recover as One Act,' Relating to the Review of Mergers and Acquisitions" (the "**Bayanihan II PCC Rules**"). Under PCC's Commission Resolution No. 22-2020, it shall be effective upon publication in a newspaper of general circulation.

The Bayanihan II PCC Rules provides that in determining the transaction value, ₱50,000,000,000.00 shall be used as the new Size of Party/Person and Size of Transaction thresholds for compulsory notification. Mergers and acquisitions with at least ₱50,000,000,000.00 transaction value, and those that are entered into before the effectivity of Bayanihan II and exceed the applicable thresholds when the definitive agreement was signed, are still subject to compulsory notification. In terms of motu proprio review, mergers and acquisitions entered into before the effectivity of Bayanihan II which have not yet been the subject of PCC's review, or pending review by PCC before the effectivity of Bayanihan II Act, are not covered by Bayanihan II's exemption. Further, under the Bayanihan II PCC Rules, mergers and acquisitions that are likely to substantially lessen competition may be reviewed motu proprio after one year from Bayanihan II's effectivity.

Local Government Code

Republic Act No. 7160, otherwise known as the Local Government Code of 1991 (the "**LGC**") establishes the system and powers of provincial, city, municipal, and barangay governments in the country. The LGC general welfare clause states that every local government unit (the "**LGU**") shall exercise the powers expressly granted, those necessarily implied, as well as powers necessary, appropriate, or incidental for its efficient and effective governance, and those which are essential to the promotion of the general welfare.

The power to tax and police power are exercised by the LGU through their respective legislative bodies. Specifically, the LGU, through its legislative body, has the authority to enact such ordinances as it may deem necessary and proper for sanitation and safety, the furtherance of the prosperity, and the promotion of the morality, peace, good order, comfort, convenience, and general welfare of the locality and its inhabitants. Ordinances can reclassify land, impose real property taxes, regulate business establishments, and require permits and licenses from businesses operating within the territorial jurisdiction of the LGU.

Labor and Employment

The Department of Labor and Employment ("**DOLE**") is the Philippine government agency mandated to formulate policies, implement programs and services, and serves as the policy-coordinating arm of the Executive Branch in the field of labor and employment. The DOLE has exclusive authority in the administration and enforcement of labor and employment laws such as the Labor Code of the Philippines and the Occupational Safety and Health Standards (which sets out, among others, the guidelines applicable to different establishments intended for the protection of every workingman against the dangers of injury, sickness or death through safe and healthful working conditions), as amended, and such other laws as specifically assigned to it or to the Secretary of the DOLE.

Social Security System, PhilHealth and the Pag-IBIG Fund

An employer or any person who uses the services of another person in business, trade, industry or any undertaking is required under Republic Act No, 11199, the Social Security Act of 2018 to ensure coverage of employees following procedures set out by the law and the Social Security System ("**SSS**"). Under the said law, an employer must deduct from its employees their monthly contributions in an amount corresponding to his salary, wage, compensation or earnings during the month in accordance with the monthly salary credits, the schedule and the rate of contributions as may be determined and fixed by the Social Security Commission, pay its share of contribution and remit these to the SSS within a period set by law and/ or SSS regulations.

Employers are likewise required to ensure enrollment of its employees in a National Health Insurance Program administered by the Philippine Health Insurance Corporation a government corporation attached to the Department of Health tasked with ensuring sustainable, affordable and progressive social health insurance pursuant to the provisions of Republic Act No. 10606, the National Health Insurance Act of 2013. On February 20, 2019, Republic Act No. 11223, the Universal Health Care Act, was enacted, which amended certain provisions of the National Health Insurance Act of 2013. Under the said law, all Filipino citizens are now automatically enrolled into the National Health Program. However, membership is classified into two types, direct contributors and indirect contributors. Direct contributors refer to those who have the capacity to pay premiums, are gainfully employed and are bound by an employer-employee relationship, or are self-earning, professional practitioners, migrant workers, including their qualified dependents, and lifetime members. On the other hand, indirect contributors refer to all others not included as direct contributors, as well as their qualified dependents, whose premium shall be subsidized by the national government including those who are subsidized as a result of special laws. Every member is also granted immediate eligibility for health benefit package under the program.

Under Republic Act No. 9679, the Home Development Mutual Fund Law of 2009, all employees who are covered by the SSS must also be registered with and covered by the Home Development Mutual Fund, more commonly referred to as the Pag-IBIG Fund.

Revised Corporation Code

Republic Act No. 11232, also known as the Revised Corporation Code, was signed into law by President Duterte on February 20, 2019. The Revised Corporation Code took effect on February 23, 2019 upon completion of its publication in Manila Bulletin and the Business Mirror on February 23, 2019.

Among the notable amendments in the Revised Corporation Code are as follows: (i) corporations are now generally given a perpetual existence; (ii) a new section on one-person corporation was added; (iii) the requirement that at least 25% of the authorized capital stock must be subscribed, and at least 25% of the subscribed shares must be paid-up upon incorporation was removed; (iv) stockholders can now vote in absentia; (v) incorporators now include any person, partnership, association or corporation; and (vi) the powers of the SEC to prosecute and investigate offenses under the Revised Corporation Code has been expanded.

Foreign Investments Act of 1991 ("FIA")

The FIA liberalized the entry of foreign investment into the Philippines. Under the FIA, foreigners can own as much as 100% equity in domestic market enterprises, except in areas specified in the Twelfth Regular Foreign Investment Negative List (the "**Negative List**"). This Negative List enumerates industries and activities which have foreign ownership limitations under the FIA and other existing laws. Nationalized activities include, among others, land ownership, telecommunications, mining and the operation of public utilities.

In connection with the ownership of private land, the Philippine Constitution states that no private land shall be transferred or conveyed except to citizens of the Philippines or to corporations or associations organized under the laws of the Philippines at least 60% of whose capital is owned by such citizens. Likewise, under the Philippine Constitution, only citizens of the Philippines or corporations or associations organized under the laws of the Philippines at least 60% of whose capital is owned by such citizens may engage in activities relating to the exploration, development and utilization of natural resources, which covers the utilization of natural resources for the operation of renewable energy power plants.

For the purpose of complying with nationality laws, the term Philippine National is defined under the FIA as any of the following:

- a citizen of the Philippines;
- a domestic partnership or association wholly-owned by citizens of the Philippines;
- a corporation organized under the laws of the Philippines of which at least 60% of the capital stock outstanding and entitled to vote is owned and held by citizens of the Philippines;
- a corporation organized abroad and registered to do business in the Philippines under the Revised Corporation Code, of which 100% of the capital stock outstanding and entitled to vote is wholly-owned by Filipinos; or
- a trustee of funds for pension or other employee retirement or separation benefits, where the trustee is a Philippine National and at least 60% of the fund will accrue to the benefit of Philippine Nationals.

In SEC Memorandum Circular No. 08 dated May 20, 2013, or the Guidelines on Compliance with the Filipino-Foreign Ownership Requirements Prescribed in the Constitution and/or Existing Laws by Corporations Engaged in Nationalized and Partly Nationalized Activities, it is provided that for purposes of determining compliance with the nationality requirement, the required percentage of Filipino ownership shall be applied both to (a) the total number of outstanding shares of stock entitled to vote in the election of directors, and (b) the total number of outstanding shares of stock, whether or not entitled to vote in the election of directors. A petition for certiorari questioning the constitutionality of SEC Memorandum Circular No. 8 dated May 20, 2013 was filed in June 2013. In *Jose M. Roy III v. Chairperson Teresita Herbosa* (G.R. No. 207246) dated April 18, 2017, the Supreme Court affirmed the validity of SEC Memorandum Circular No. 08 dated May 20, 2013.

In the 2014 case of *Narra Nickel Mining and Development Corporation, et.al vs. Redmont Consolidated Mines Corp* (G.R. No. 195580) and its corresponding motions for reconsideration (the "**Narra Nickel Case**"), the Supreme Court affirmed that the Grandfather Rule, wherein shares owned by corporate shareholders are attributed either as Filipino or foreign equity by determining the nationality not only of such corporate shareholders, but also such corporate shareholders' own shareholders, until the nationality of shareholder individuals is taken into consideration, is to be used jointly and cumulatively with the Control Test, which merely takes into account the nationality of the listed shareholders of the corporation. Such joint and cumulative application shall be observed as follows: (i) if the corporation's Filipino equity falls below sixty percent (60%), such corporation is deemed foreign-owned, applying the Control Test; (ii) if the corporation passes the Control Test, the corporation will be considered a Filipino corporation only if there is no doubt as to the beneficial ownership and control of the corporation; and (iii) if the corporation passes the

Control Test but there is doubt as to the beneficial ownership and control of the corporation, the Grandfather Rule must be applied.

On March 2, 2022, President Duterte signed into law Republic Act No. 11647, which introduced amendments to the FIA. Among these amendments is the change in the definition of "investment" and "foreign investment." It also created and defined the powers and authority of the Inter-Agency Investment Promotion Coordination Committee, which shall be responsible, among others, for integrating all promotional and facilitation efforts to encourage foreign investments in the country, and reviewing foreign investments in industries that are involved in activities which may threaten the territorial integrity and safety, security and well-being of Filipino citizens, which investments are made by foreign government-controlled entities or state-owned enterprises except independent pension funds, sovereign wealth funds and multi-national banks or are located in geographical areas critical to national security, and mandated the development of the Foreign Investment Promotion and Marketing Plan. Amendments to the provision on the registration of investments of foreign nationals were likewise introduced.

Environmental Matters

Environmental Compliance Overview

SMC Global Power applies the same focus and resources on operational excellence in its portfolio of coal-fired power plants as with its environmental compliance. Efficient emission mitigation begins with a dynamic fuel preparation process that ensures coal fineness through the use of reliable and versatile coal milling and grinding equipment. SMC Global Power plans to use dynamic classifiers to further improve coal fineness in the future. This would allow more efficient burning of coal (reducing NOx) and the use of lower CV coal with lower sulfur content (reducing SOx). High CV coal with high sulfur content inherently does not only have higher emissions but are also significantly more expensive.

In addition to standard environmental control facilities customarily found in modern coal fired power plants such as enclosed coal conveyor and storage systems, ash storage systems, waste water treatment systems and air pollution and smoke stack systems, SMC Global Power's power plants have the following environmental control equipment and features that ensure that its NOx, SOx and particulate matter emissions within and below applicable local limits set by the DENR and emission limits set by the World Bank:

- CFB technology (used in SMC Global Power's greenfield power plants, Limay and Davao) operate the boilers at relatively lower pressure and temperatures (below 800 degrees centigrade) compared to pulverized coal technology. This results in better combustion and lower NOx and material particulates.

- Limestone injection to the fuel as it goes to the boiler is used for SMC Global Power's Plants to further reduce their SOx and particulate matter emissions.

- Unit 3 of Masinloc uses supercritical boiler technology which, relative to an ordinary PC boiler (subcritical), has a significantly better combustion process resulting to a much-improved heat rate of coal — meaning less coal is required to produce a megawatt of electricity. This also allows the use of lower CV and lower sulfur coal, which is a key factor to lower SOx emissions.

- For Sual and Masinloc PC units, SMC Global Power uses Flue Gas Desulfurization ("**FGD**") equipment that can remove up to 90% of the SOx and particulate matter in the flue gas emissions of these plants. The FGDs use limestone and seawater to scrub SOx and particulate matter from the flue gases.

- For the greenfield plants, SMC Global Power uses Electrostatic Precipitators ("**ESP**") to remove particulate matter such as dust and soot, through an electrostatic charge that captures these materials from the flowing gases on their way out the smoke stack.

- SMC Global Power conducts regular meetings with the IPP of the Sual Power Plant to ensure the Plant's fuel efficiency and compliance to environmental standards.

- For the Masinloc PC Units, SMC Global Power has reduced the CV and sulfur content of coal used from 6,100 kcal and 0.5% to only 5,500 kcal and 0.25%, respectively. This is accomplished without derating the power output of the units as a result of a recent retrofit work done on Unit 2 and preventive maintenance of Unit 1 that have retained and even improved the heat rate of these units.

SMC Global Power also plans to explore the use of catalytic reduction technology on its PC Plants to further improve its NOx emissions. This is an advanced active emission control technology that injects a liquid reductant agent through a special catalyst which is predominantly ammonia, into the flue gases to capture and remove NOx emissions.

SMC Global Power closely monitors and publishes on a weekly basis the emission data on the Limay and Davao Greenfield Power Plants, which is reviewed by both the DOE and the DENR. These power plants have emission levels that are less than 50% of the applicable local and World Bank emission limits.

Environmental Regulation

The operations of the businesses of SMC Global Power are subject to various laws, rules and regulations that have been promulgated for the protection of the environment.

EISS Law

The Philippine Environmental Impact Statement System (the "**EISS Law**") established under Presidential Decree No. 1586, which is implemented by the DENR, is the general regulatory framework for any project or undertaking that is either (i) classified as environmentally critical or (ii) is situated in an environmentally critical area. The DENR, through its regional offices or through the Environmental Management Bureau ("**EMB**"), determines whether a project is environmentally critical or located in an environmentally critical area and possesses all applications for an ECC.

The law requires an entity that will undertake any such declared environmentally critical project or operate in any such declared environmentally critical area to submit an Environmental Impact Statement (the "EIS") which is a comprehensive study of the significant impacts of a project on the environment. The EIS serves as an application for the issuance of an ECC, if the proposed project is environmentally critical or situated in an environmentally critical area; or for the issuance of a Certificate of Non-Coverage, if otherwise. An ECC is a Government certification that, among others, (i) the proposed project or undertaking will not cause significant negative environmental impact; (ii) the proponent has complied with all the requirements of the EISS Law in connection with the project; and (iii) the proponent is committed to implement its approved Environmental Management Plan (the "**EMP**") in the EIS. The EMP details the prevention, mitigation, compensation, contingency and monitoring measures to enhance positive impacts and minimize negative impacts and risks of a proposed project or undertaking.

Project proponents that prepare an EIS are required to establish an Environmental Guarantee Fund when the ECC is issued for projects determined by the DENR to pose a significant public risk to life, health, property and the environment or where the project requires rehabilitation or restoration. The Environmental Guarantee Fund is intended to meet any damage caused by such a project as well as any rehabilitation and restoration measures. Project proponents also required to establish an Environmental Monitoring Fund (the "**EMF**") when an ECC is eventually issued. The EMF is to support the activities of the team monitoring the project proponent's compliance with ECC conditions, EMP and applicable laws, rules and regulations.

Power plant operations are considered environmentally critical projects for which an EIS and an ECC are mandatory.

The Clean Water Act

The Clean Water Act (Republic Act No. 9275) and its implementing rules and regulations provide for water quality standards and regulations for the prevention, control, and abatement of pollution of the water resources of the country. The Clean Water Act requires owners or operators of facilities that discharge regulated effluents (such as wastewater from manufacturing plants or other commercial facilities) to secure a discharge permit from the DENR which authorizes the owners and operators to discharge waste and/or pollutants of specified concentration and volumes from their facilities into a body of water or land resource for a specified period of time. The DENR, together with other Government agencies and the different local Government units, is tasked to implement the Clean Water Act and to identify existing sources of water pollutants, as well as strictly monitor pollution sources which are not in compliance with the effluent standards provided in the law.

The Clean Air Act

Pursuant to the Clean Air Act of 1999 (Republic Act No. 8749) and its implementing rules and regulations, enterprises that operate or utilize air pollution sources are required to obtain a Permit to Operate from the DENR with respect to the construction or the use of air pollutants. The issuance of the said permit seeks to ensure that regulations of the DENR with respect to air quality standards and the prevention of air pollution are achieved and complied with by such enterprises.

The Renewable Energy Act

The Renewable Energy Act of 2008 (Republic Act No. 9513) aims to promote development and commercialization of renewable and environment-friendly energy resources such as biomass, solar, and wind through various tax incentives. Some of the tax incentives granted to renewable energy developers under the said law include (i) a seven-year income tax holiday; (ii) duty free importation of renewable energy machinery, equipment, and materials; (iii) special realty tax rates on equipment and machinery; (iv) zero percent VAT rate for power generated from these energy sources; and (v) the imposition of a reduced corporate tax of 10% on its net taxable income after the income tax holiday.

The RE Act establishes the framework for the accelerated development and advancement of renewable energy resources as well as the development of a strategic program to increase its utilization. The RE Act defines renewable energy resources as energy resources that do not have an upper limit on the total quantity to be used. Such resources are renewable on a regular basis, and their renewal rate is relatively rapid to consider availability over an indefinite period of time. These include, among others, biomass, solar, wind, geothermal, ocean energy, and hydropower conforming to internationally accepted norms and standards on dams, and other renewable energy technologies.

The DOE is the lead agency mandated to implement the provisions of the law.

On October 1, 2019, the DOE issued DC 2019-10-0013 which provided the omnibus guidelines governing the award and administration of renewable energy contracts and the registration of renewable energy developers. DC 2019-10-0013 became effective on November 22, 2019, or 15 days after its publication in two newspapers of general circulation. DC 2019-10-0013 primarily harmonized the existing guidelines and procedures governing the transparent and competitive system of awarding renewable energy contracts and registration of renewable energy projects.

Under DC 2019-10-0013, renewable energy contracts (i.e., service agreements between the government and a renewable energy developer which grant to the developer the exclusive right to explore, develop, or utilize the renewable energy resource within a particular area) shall be awarded through open and competitive selection process or direct application. The open and competitive selection process shall be adopted for the selection and award of the service contracts for pre-determined areas covering any type of resource for commercial purposes. On the other hand, direct application shall be available for the selection and award of (i) renewable energy operating contracts (i.e., service agreements for the development and/or utilization of renewable energy resources which, due to their technical characteristics need not go through pre-development stage); (ii) service contracts covering pre-determined areas following a failed open and competitive selection process; and (iii) service contracts for areas identified by the applicant and verified with and confirmed by the DOE-Information Technology Management Services as available for exploration, development and/or utilization of the proposed renewable energy resource.

On December 24, 2021, DOE issued DC2021-12-0042 which prescribed amendments to the rules and regulations implementing the RE Act. Among the amendments introduced is the requirement for registered renewable energy developers to submit a sworn undertaking to pass on the savings, which are derived from income tax incentives under the RE Act, to the end-users in the form of lower power rates. For purposes of availment of incentives under the RE Act, renewable energy developers must remain in good standing as determined based on specific criteria, such as, but not limited to: (i) compliance with obligations under the RE Act, its implementing rules and regulations and other applicable law; (ii) compliance with directives of DOE; (iii) compliance with pre-registration/registration conditions required by DOE; (iv) compliance with reportorial requirements; and (v) remittance of government shares and payment of applicable financial obligations. Failure by renewable energy developers to comply with the abovementioned criteria shall be sufficient ground for termination or cancellation of its renewable energy contract and certificate of registration.

On August 16, 2021, the ERC issued Resolution No. 08, series of 2021, dated April 22, 2021 entitled "A Resolution Adopting the Rules for the Green Energy Option Program." Issued pursuant to DOE Department Circular No. 2018-07-0019, this Resolution provides the necessary regulatory framework to operationalize Section 9 of the RE Act which calls for the establishment of a Green Energy Option Program ("**GEOP**") which provides end-users the option to choose RE resources as their sources of energy. The GEOP allows eligible end-users to directly contract with a renewable energy supplier for their electricity needs. Eligible end-users currently include those with a monthly average peak demand of 100 KW and above, for the past 12 months.

Renewable Portfolio Standards and Requirements

Under the Renewable Energy Act (Republic Act No. 9513), Renewable Portfolio Standards refers to a market-based policy that requires electricity suppliers to source an agreed portion of their energy supply from eligible renewable energy resources. The mandated participants to the annual Renewable Portfolio Standards requirements include: (i) all distribution utilities for their captive customers; (ii) all suppliers of electricity for the contestable market; (iii) generating companies only to the extent of their actual supply to their directly connected customers; and (iv) other entities as may be recommended by the National Renewable Energy Board and approved by the DOE.

Department Circular No. DC 2017-12-0015, which prescribes the rules and guidelines governing Renewable Portfolio Standards for on-grid areas, provides that the renewable energy share of electricity coming from renewable energy resources in the energy mix should be based on the aspirational target of 35% in the generation mix expressed in MWh by 2030, subject to regular review and assessment by the DOE. Non-compliance with the Renewable Portfolio Standards On-Grid Rules may result in administrative liability amounting to ₱100,000.00 to ₱500,000.00, criminal liability consisting of fine and/or imprisonment, or upon the DOE's discretion, the revocation of the mandated participant's license, franchise, or authority to operate.

DOE Circular No. DC2020-07-0017 was also issued to provide mandated participants with more avenues for compliance with their Renewable Portfolio Standards requirements, by providing the framework for green energy auction. Under DOE Circular No. DC2020-07-0017, there are two kinds of green energy auctions: (i) supply-only auction; and (ii) integrated open and competitive selection process ("**OCSP**")-supply auction. In a supply-only auction, only the green energy implementation agreement will be awarded to the qualified suppliers and only renewable energy projects already covered by renewable energy contracts, which includes those that are under the pre-development and development stages, will be qualified to participate. On the other hand, in an OCSP-supply auction, renewable energy contracts will be awarded together with green energy implementation agreement resulting from an integrated process for OCSP-supply auction. DOE Circular No. DC2020-07-0017 provides further that a distribution utility that contracts for renewable energy supply through the green energy auction shall be considered as having complied with the competitive selection process requirements.

The DOE updated its guidelines for the Green Auction Energy Program (GEAP) by issuing DOE Circular No. DC2021-11-0036 (the "**Revised GEAP Guidelines**") dated November 3, 2021, which repealed DOE Circular No. DC2020-07-0017. Under the Revised GEAP Guidelines, the distinction between supply-only auctions and OCSP-supply auctions were removed. The principles and provisions governing green energy tariffs and green energy auctions were likewise updated. Moreover, the Revised GEAP Guidelines introduced an opt-in mechanism in order to reduce FIT-All charges to the electricity end-users, and to meet any DU supply and Renewable Portfolio Standards requirements. Under said opt-in mechanism, any distribution utility has the option to procure from the green energy auction program pool of a winning bidder under a particular auction round and thereby carve-out such DU-procured volumes from the pool compensable by the FIT-All. Under the Revised GEAP Guidelines, a distribution utility that contracts for renewable energy supply through the green energy auction, including the opt-in mechanism, shall be considered as having complied with the competitive selection process requirements.

Other Environmental Laws

Other regulatory environmental laws and regulations applicable to the businesses of SMC Global Power include the following:

- The Toxic Substances and Hazardous and Nuclear Wastes Control Act of 1990 (Republic Act No. 6969), which regulates, restricts or prohibits the (i) importation, manufacture, processing, handling, storage, transportation, sale, distribution, use and disposal of chemical substance and mixtures that present unreasonable risk or injury to health or the environment, and (ii) entry into the Philippines, or the keeping in storage of hazardous wastes which include byproducts, process residue, contaminated plant or equipment or other substances from manufacturing operations. The said law is implemented by the DENR.

- The Ecological Solid Waste Management Act of 2000 (Republic Act No. 9003), which provides for the proper management of solid waste which includes discarded commercial waste and non-hazardous institutional and industrial waste. The said law prohibits, among others, the transporting and dumping of collected solid wastes in areas other than prescribed centers and facilities. The National Solid Waste Management Commission, together with other Government agencies and the different local Government units, are responsible for the implementation and enforcement of the said law.

- The Code on Sanitation of the Philippines (the "**Sanitation Code**") (Presidential Decree No. 856), which provides for sanitary and structural requirements in connection with the operation of certain establishments such as industrial establishments. Under the Sanitation Code, which is implemented by the Philippine Department of Health, no person, firm, corporation, or entity shall operate any industrial establishment without first obtaining a sanitary permit.

Taxation

The following is a discussion of the material Philippine tax consequences of the acquisition, ownership and disposition of the Bonds. This general description does not purport to be a comprehensive description of the Philippine tax aspects of the Bonds and no information is provided regarding the tax aspects of acquiring, owning, holding or disposing of the Bonds under applicable tax laws of other applicable jurisdictions and the specific Philippine tax consequence in light of particular situations of acquiring, owning, holding and disposing of the Bonds in such other jurisdictions. This discussion is based upon laws, regulations, rulings, and income tax conventions (treaties) in effect at the date of this Prospectus.

The tax treatment of a holder of Bonds may vary depending upon such holder's particular situation, and certain holders may be subject to special rules not discussed below. This summary does not purport to address all tax aspects that may be important to a Bondholder.

PROSPECTIVE PURCHASERS OF THE BONDS ARE URGED TO CONSULT THEIR OWN TAX ADVISORS AS TO THE PARTICULAR TAX CONSEQUENCES OF THE OWNERSHIP AND DISPOSITION OF A BOND, INCLUDING THE APPLICABILITY AND EFFECT OF ANY LOCAL OR FOREIGN TAX LAWS.

As used in this section, the term "resident alien" refers to an individual whose residence is within the Philippines and who is not a citizen thereof; a "non-resident alien" is an individual whose residence is not within the Philippines and who is not a citizen of the Philippines. A non-resident alien who is actually within the Philippines for an aggregate period of more than 180 days during any calendar year is considered a "non-resident alien doing business in the Philippines," otherwise, such non-resident alien who is actually within the Philippines for an aggregate period of 180 days or less during any calendar year is considered a "non-resident alien not doing business in the Philippines." A "domestic corporation" is a corporation created or organized in the Philippines or under its laws. A "resident foreign corporation" is a non-Philippine corporation engaged in trade or business within the Philippines; and a "nonresident foreign corporation" is a non-Philippine corporation not engaged in trade or business within the Philippines.

Philippine Taxation

On January 1, 2018, Republic Act No. 10963, otherwise known as the Tax Reform for Acceleration and Inclusion ("**TRAIN Act**"), took into effect. The TRAIN Act amended provisions of the Tax Code including provisions on documentary stamp tax, capital gains tax, estate tax, and donor's tax.

On March 26, 2021, President Rodrigo Duterte signed into law Republic Act No. 11534, otherwise known as the Corporate Recovery and Tax Incentives for Enterprises Act (or the CREATE Law). The CREATE Law is the second package of the tax reform program of the Philippine government. The amendments under the CREATE Law include the reduction of the regular corporate income tax rate for both domestic and foreign corporations from 30% to 25%. For domestic corporations, the regular corporate income tax rate may be further reduced to 20% depending on the net taxable income and total assets of such domestic corporation. In addition to the reduction of the regular corporate income tax, the rate of the Minimum Corporate Income Tax ("**MCIT**") was lowered to 1%, effective July 1, 2020 to June 30, 2023.

Taxation of Interest

The Tax Code provides that interest-bearing obligations of Philippine residents are Philippine-sourced income subject to Philippine income tax. Interest income derived by Philippine citizens and resident aliens from the Bonds is thus subject to income tax, which is withheld at source, at the rate of 20% based on the gross amount of interest. Generally, interest on the Bonds received by non-resident aliens engaged in trade or business in the Philippines is subject to a 20% final withholding tax while that received by non-resident aliens not engaged in trade or business is subject to a final withholding tax rate of 25%. Interest income received by domestic corporations and resident foreign corporations from the Bonds is subject to a final withholding tax of 20%. Interest income received by non-resident foreign corporations from the Bonds is subject to a 25% final withholding tax.

The foregoing rates imposed on non-resident aliens not engaged in trade or business in the Philippines and non-resident foreign corporations may be subject to further reduction by any applicable tax treaties in force between the Philippines and the country of residence of the non-resident income recipient. Most tax treaties to which the Philippines is a party generally provide for a reduced tax rate of 10% in cases where the interest arises in the Philippines in respect of a public issue of bonded indebtedness and is paid to a resident of the other contracting state. However, most tax treaties also provide that reduced withholding tax rates shall not apply if the recipient of the interest, who is a resident of the other contracting state, carries on business in the Philippines through a permanent establishment and the holding of the relevant interest-bearing instrument is effectively connected with such permanent establishment or perform in the Philippines professional services from a fixed base and the holding of the relevant interest-bearing instrument is effectively connected with such permanent establishment or fixed base.

Given the above, all Bondholders are required to provide the Issuer through the Paying Agent their valid Tax Identification Numbers issued by the BIR.

Tax-Exempt Status or Entitlement to Preferential Rate

The Philippine tax authorities have prescribed a certain procedure for claiming tax treaty benefits for interest income of non-resident income earners. Under Revenue Memorandum Order No. 14-2021, withholding agents or income payors may withhold tax on interest income payable to the non-resident income earner at the regular rate or at the applicable preferential tax rate depending on the documents submitted to the withholding agent or income payor.

For claims of tax exemption, BIR Revenue Memorandum Circular No. 8-2014 mandates withholding agents to require from individuals and entities claiming tax exemption a copy of a valid, current, and subsisting tax exemption certificate or ruling before payment of the related income. The tax exemption certificate or ruling must explicitly recognize the tax exemption, as well as the corresponding exemption from withholding tax. Failure on the part of the taxpayer to present the said tax exemption certificate or ruling shall subject the taxpayer to the payment of the appropriate withholding taxes due on the transaction.

If the withholding agent withheld taxes, or withheld the regular rate of tax imposed on interest under the Tax Code, the concerned Bondholder may file a claim for refund from the Philippine taxing authorities on the basis of a tax exemption certificate or ruling, or a certificate confirming the non-resident income recipient's entitlement to treaty benefits.

Value-Added Tax

Gross receipts arising from the sale of the Bonds in the Philippines by dealers in securities shall be subject to a 12% value-added tax. The term "gross receipt" means gross selling price less acquisition cost of the Bonds sold.

"Dealer in securities" means a merchant of stock or securities, whether an individual partnership or corporation, with an established place of business, regularly engaged in the purchase of securities and their resale to customers, that is, one who as a merchant buys securities and sells them to customers with a view to the gains and profits that may be derived therefrom.

Gross Receipts Tax

Bank and non-bank financial intermediaries performing quasi-banking functions are subject to gross receipts tax on gross receipts derived from sources within the Philippines in accordance with the following schedule:

On interest, commissions and discounts from lending activities as well as income from financial leasing, on the basis of remaining maturities of instruments from which such receipts are derived:

- Maturity period is five years or less 5%
- Maturity period is more than five years 1%

Non-bank financial intermediaries not performing quasi-banking functions doing business in the Philippines are likewise subject to gross receipts tax. Gross receipts of such entities derived from sources within the Philippines from interests, commissions and discounts from lending activities are taxed in accordance with the following schedule based on the remaining maturities of the instruments from which such receipts are derived:

- Maturity period is five years or less 5%
- Maturity period is more than five years 1%

In case the maturity period of the instruments held by banks, non-bank financial intermediaries performing quasi-banking functions and non-bank financial intermediaries not performing quasi-banking functions is shortened through pre-termination, then the maturity period shall be reckoned to end as of the date of pre-termination for purposes of classifying the transaction and the correct rate shall be applied accordingly.

Net trading gains realized within the taxable year on the sale or disposition of the Bonds by banks and nonbank financial intermediaries performing quasi-banking functions shall be taxed at 7%.

Documentary Stamp Tax

A documentary stamp tax is imposed upon the original issuance of debt instruments issued by Philippine companies, such as the Bonds, at the rate of ₱1.50 for each ₱200, or fractional part thereof, of the issue price of such debt instruments; provided that, for debt instruments with terms of less than one year, the documentary stamp tax to be collected shall be of a proportional amount in accordance with the ratio of its term in number of days to 365 days.

The documentary stamp tax is collectible wherever the document is made, signed, issued, accepted, or transferred, when the obligation or right arises from Philippine sources, or the property is situated in the Philippines. Any applicable documentary stamp taxes on the original issue shall be paid by the Issuer for its own account.

Taxation on Sale or Other Disposition of the Bonds

Income Tax

Any gain realized from the sale, exchange or retirement of bonds will, as a rule, form part of the gross income of the sellers, for purposes of computing the relevant taxable income subject to the regular rates of 0% to 35% effective January 1, 2018 until 31 December 2022 and 15% to 35% effective January 1, 2023 for individuals who are Philippine citizens, whether residents or non-residents, or resident foreign individuals or non-resident aliens engaged in trade or business in the Philippines, 25% final withholding tax for non-resident alien not engaged in trade or business, 25% regular corporate income tax or 20% regular corporate income tax for domestic corporations with net taxable income not exceeding ₱5 million and with total assets (excluding land on which the corporation's office, plant, and equipment are situated) not exceeding ₱100 million, or 1% MCIT (effective July 1, 2020 to June 30, 2023), as the case may be, for domestic and resident foreign corporations, and 25% final withholding tax for non-resident foreign corporations, as the case may be. If the bonds are sold by a seller, who is an individual and who is not a dealer in securities, who has held the bonds for a period of more than 12 months prior to the sale, only 50% of any capital gain will be recognized and included in the sellers' gross income.

However, under the Tax Code, any gain realized from the sale, exchange or retirement of bonds, debentures and other certificates of indebtedness with an original maturity date of more than five years (as measured from the date of issuance of such bonds, debentures or other certificates of indebtedness) shall not be subject to income tax.

Moreover, any gain arising from such sale, regardless of the original maturity date of the Bonds, may be exempt from income tax pursuant to various income tax treaties to which the Philippines is a party, and subject to procedures prescribed by the BIR for the availment of tax treaty benefits.

Estate and Donor's Tax

The transfer by a deceased person, whether a Philippine resident or a non-Philippine resident, to his heirs of the Bonds shall be subject to an estate tax which is levied on the net estate of the deceased at a fixed rate of 6%. A Bondholder shall be subject to donor's tax at the rate of 6% based on the total gifts in excess of ₱250,000 exempt gift made during the calendar year, whether the donor is a stranger or not.

The estate or donor's taxes payable in the Philippines may be credited with the amount of any estate or donor's taxes imposed by the authority of a foreign country, subject to limitations on the amount to be credited, and the tax status of the donor.

The estate tax and donor's tax, in respect of the Bonds, shall not be collected (i) if the deceased, at the time of death, or the donor, at the time of the donation, was a citizen and resident of a foreign country which, at the time of his death or donation, did not impose a transfer tax of any character in respect of intangible personal property of citizens of the Philippines not residing in that foreign country; or (ii) if the laws of the foreign country of which the deceased or donor was a citizen and resident, at the time of his death or donation, allows a similar exemption from transfer or death taxes of every character or description in respect of intangible personal property owned by citizens of the Philippines not residing in the foreign country.

In case the securities are transferred for less than an adequate and full consideration in money or money's worth, the amount by which the fair market value of the securities exceeded the value of the consideration may be deemed a gift and may be subject to donor's taxes. However, a sale, exchange, or other transfer made in the ordinary course of business (a transaction which is a bona fide, at arm's length, and free from any donative intent), will be considered as made for an adequate and full consideration in money or money's worth.

Documentary Stamp Tax

No documentary stamp tax is imposed on the subsequent sale or disposition of the Bonds, trading the Bonds in a secondary market or through an exchange, provided that such sale or disposition does not constitute a renewal or extension of maturity of the Bonds or carried with it a renewal or issuance of new instruments in the name of the transferee to replace the old ones. However, if the transfer constitutes a renewal of the Bonds, documentary stamp tax is payable anew.

Taxation Outside the Philippines

The tax treatment of non-resident Bondholders in jurisdictions outside the Philippines may vary depending on the tax laws applicable to such Bondholder by reason of domicile or business activities and such Bondholder's particular situation. This Prospectus does not discuss the tax considerations on such non-resident Bondholders under laws other than those of the Philippines.

Independent Auditors and Counsel

LEGAL MATTERS

All legal issues relating to the issuance of the Offer Bonds which are subject of this Offer shall be passed upon by SyCip Salazar Hernandez & Gatmaitan for the Joint Issue Managers and the Joint Lead Underwriters and Bookrunners, and Picazo Buyco Tan Fider & Santos for the Company. SyCip Salazar Hernandez & Gatmaitan and Picazo Buyco Tan Fider & Santos have no direct or indirect interest in SMC Global Power. SyCip Salazar Hernandez & Gatmaitan and Picazo Buyco Tan Fider & Santos may, from time to time be engaged by SMC Global Power to advise in the transactions of the Company and perform legal services on the same basis that SyCip Salazar Hernandez & Gatmaitan and Picazo Buyco Tan Fider & Santos provide such services to its other clients.

INDEPENDENT AUDITORS

R.G. Manabat & Co., the independent auditors, audited the financial statements of the Company as of and for the years ended December 31, 2021, 2020 and 2019, which are all included in the Prospectus. R.G. Manabat & Co. has no shareholdings in the Company, or any right, whether legally enforceable or not, to nominate or to subscribe to the securities of the Company, in accordance with the professional standards on independence set by the Board of Accountancy and Professional Regulation Commission.

The named independent auditor has not acted and will not act as promoter, underwriter, voting trustee, officer or employee of the Company.

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

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

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

Financial Information

The following pages set forth the audited financial statements of SMC Global Power as at December 31, 2021, 2020 and 2019 and consolidated financial statements as at and for the three months ended March 31, 2022 and 2021.

COVER SHEET

C	S	2	0	0	8	0	1	0	9	9

S. E. C. Registration Number

SMC GLOBAL POWER
HOLDINGS CORP.

(Company's Full Name)

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

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

Atty. Julie Ann B. Domino-Pablo
Contact Person

+632-53171000
Company Telephone Number

1	2		3	1

Month *Day*
Fiscal Year

SEC Form 17-Q
(1st Quarter ended 31 March 2022)
FORM TYPE

0	6		1st Tues.

Month *Day*
Annual Meeting

Secondary License Type, If Applicable

Dept. Requiring this Doc.

Amended Articles Number/Section

Total Amount of Borrowings

Total No. of Stockholders

Domestic

Foreign

To be accomplished by SEC Personnel concerned

File Number

LCU

Document I. D.

Cashier

- - - - - - - - - - - - - - - - - -

STAMPS

- - - - - - - - - - - - - - - - - -

Remarks = pls. Use black ink for scanning purposes

SECURITIES AND EXCHANGE COMMISSION

SEC FORM 17-Q

QUARTERLY REPORT PURSUANT TO SECTION 17 OF THE SECURITIES REGULATION CODE AND SRC RULE 17(2)(b) THEREUNDER

1. For the quarterly period ended **March 31, 2022**

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

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

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

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

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

7. **5th Floor, C5 Office Building Complex,**
   #100 E. Rodriguez Jr. Ave., C5 Road, Bo. Ugong
   Pasig City 1604, Metro Manila — **1604**
   Address of issuer's principal office — Postal Code

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

9. **N/A**
   Former name, former address and former fiscal year, if changed since last report

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

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

	Number of shares of stock and debt outstanding (as of March 31, 2022)
Common Shares	**1,250,004,000**
Consolidated Total Liabilities (in Thousands)	**P394,336,472**

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

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

12. Indicate by check mark whether the registrant:

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

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

PART I - FINANCIAL INFORMATION

Item 1. Financial Statements.

The unaudited consolidated financial statements of SMC Global Power Holdings Corp. ("SMC Global Power" or "Parent Company") and its subsidiaries (collectively, the "Group") as of and for the period ended March 31, 2022 (with comparative figures as of December 31, 2021 and for the period ended March 31, 2021) and Selected Notes to the Consolidated Financial Statements are hereto attached as **Annex "A"**.

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

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

PART II - OTHER INFORMATION

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

SIGNATURES

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

Issuer	**SMC GLOBAL POWER HOLDINGS CORP.**
Signature and Title	**PAUL BERNARD D. CAUSON** Chief Finance Officer/ Authorized Signatory
Date	May 16, 2022
Signature and Title	**RAMON U. AGAY** Comptroller/ Authorized Signatory
Date	May 16, 2022

SMC GLOBAL POWER HOLDINGS CORP. AND SUBSIDIARIES
(A Wholly-owned Subsidiary of San Miguel Corporation)
CONSOLIDATED STATEMENTS OF FINANCIAL POSITION
MARCH 31, 2022 AND DECEMBER 31, 2021
(In Thousands)

	Note	**2022 (Unaudited)**	2021 (Audited)
ASSETS			
Current Assets			
Cash and cash equivalents	*7, 20, 21*	**P59,023,294**	P67,690,151
Trade and other receivables - net	*8, 13, 20, 21*	**57,874,472**	47,272,302
Inventories		**9,678,764**	10,017,822
Prepaid expenses and other current assets	*20, 21*	**31,069,784**	31,489,892
Total Current Assets		**157,646,314**	156,470,167
Noncurrent Assets			
Investments and advances - net		**10,945,153**	10,838,846
Property, plant and equipment - net	*9*	**221,075,040**	211,858,532
Right-of-use assets - net	*6*	**156,728,230**	157,159,661
Deferred exploration and development costs		**722,321**	719,393
Goodwill and other intangible assets - net		**73,779,606**	72,943,146
Deferred tax assets	*18*	**1,578,117**	1,447,415
Other noncurrent assets	*20, 21*	**23,814,995**	24,287,040
Total Noncurrent Assets		**488,643,462**	479,254,033
		P646,289,776	P635,724,200
LIABILITIES AND EQUITY			
Current Liabilities			
Loans payable	*10, 20, 21*	**P776,100**	P1,529,970
Accounts payable and accrued expenses	*11, 12, 13, 20, 21*	**60,220,958**	56,055,226
Lease liabilities - current portion	*6, 20, 21*	**19,809,006**	21,677,035
Income tax payable		**24,596**	24,754
Current maturities of long-term debt - net of debt issue costs	*12, 20, 21*	**63,733,615**	30,185,418
Total Current Liabilities		**144,564,275**	109,472,403
Noncurrent Liabilities			
Long-term debt - net of current maturities and debt issue costs	*12, 20, 21*	**169,597,311**	192,736,025
Deferred tax liabilities	*18*	**21,560,254**	20,182,639
Lease liabilities - net of current portion	*6, 20, 21*	**53,400,355**	56,536,324
Other noncurrent liabilities	*20, 21*	**5,214,277**	5,068,211
Total Noncurrent Liabilities		**249,772,197**	274,523,199
Total Liabilities		**394,336,472**	383,995,602

Forward

	Note	2022 (Unaudited)	2021 (Audited)
Equity			
Equity Attributable to Equity Holders of the Parent Company			
Capital stock		**P1,062,504**	P1,062,504
Additional paid-in capital		**2,490,000**	2,490,000
Senior perpetual capital securities		**167,767,364**	167,767,364
Redeemable perpetual securities		**32,751,570**	32,751,570
Equity reserves		**(1,519,191)**	(1,536,280)
Retained earnings		**48,426,235**	48,247,948
		250,978,482	250,783,106
Non-controlling Interests		**974,822**	945,492
Total Equity		**251,953,304**	251,728,598
		P646,289,776	P635,724,200

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

Certified Correct:

PAUL BERNARD D. CAUSON
Chief Finance Officer / Authorized Signatory

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

CONSOLIDATED STATEMENTS OF INCOME
FOR THE PERIODS ENDED MARCH 31, 2022 AND 2021

(In Thousands, Except Per Share Data)

	Note	**2022 (Unaudited)**	2021 (Unaudited)
REVENUES	*5, 13, 15*	**P43,036,057**	P27,365,880
COST OF POWER SOLD	*13, 16*	**35,807,064**	17,730,296
GROSS PROFIT		**7,228,993**	9,635,584
SELLING AND ADMINISTRATIVE EXPENSES	*8, 9*	**1,158,134**	1,212,425
INCOME FROM OPERATIONS		**6,070,859**	8,423,159
INTEREST EXPENSE AND OTHER FINANCING CHARGES	*6, 10, 12*	**(4,092,076)**	(4,595,202)
INTEREST INCOME	*7*	**216,824**	124,709
EQUITY IN NET EARNINGS OF AN ASSOCIATE AND JOINT VENTURES		**60,373**	36,736
OTHER INCOME - Net	*17*	**1,084,997**	2,083,265
INCOME BEFORE INCOME TAX		**3,340,977**	6,072,667
INCOME TAX EXPENSE (BENEFIT)	*18*	**1,413,326**	(1,704,100)
NET INCOME		**P1,927,651**	P7,776,767
Attributable to:			
Equity holders of the Parent Company		**P1,895,982**	P7,786,903
Non-controlling interests		**31,669**	(10,136)
		P1,927,651	P7,776,767
Earnings (Loss) Per Common Share Attributable to Equity Holders of the Parent Company			
Basic/diluted	*19*	**(P1.79)**	P3.17

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

Certified Correct:

PAUL BERNARD D. CAUSON
Chief Finance Officer / Authorized Signatory

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

CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME
FOR THE PERIODS ENDED MARCH 31, 2022 AND 2021
(In Thousands)

	Note	**2022 (Unaudited)**	2021 (Unaudited)
NET INCOME		**P1,927,651**	P7,776,767
OTHER COMPREHENSIVE INCOME (LOSS)			
Items that may not be reclassified to profit or loss			
Equity reserve for retirement plan		**-**	(59)
Items that may be reclassified to profit or loss			
Gain on exchange differences on translation of foreign operations		**5,566**	354,947
Net gain on cash flow hedges	*21*	**11,523**	20,082
		17,089	375,029
OTHER COMPREHENSIVE INCOME - Net of tax		**17,089**	374,970
TOTAL COMPREHENSIVE INCOME - Net of tax		**P1,944,740**	P8,151,737
Attributable to:			
Equity holders of the Parent Company		**P1,913,071**	P8,161,873
Non-controlling interests		**31,669**	(10,136)
		P1,944,740	P8,151,737

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

Certified Correct:

PAUL BERNARD D. CAUSON
Chief Finance Officer / Authorized Signatory

SMC GLOBAL POWER HOLDINGS CORP. AND SUBSIDIARIES
(A Wholly-owned Subsidiary of San Miguel Corporation)
CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY
FOR THE PERIODS ENDED MARCH 31, 2022 AND 2021
(In Thousands)

		Equity Attributable to Equity Holders of the Parent Company												
							Equity Reserves							
	Note	Capital Stock	Additional Paid-in Capital	Senior Perpetual Capital Securities	Undated Subordinated Capital Securities	Redeemable Perpetual Securities	Equity Reserves	Translation Reserves	Reserve for Retirement Plan	Hedging Reserve	Retained Earnings	Total	Non-controlling Interests	Total Equity
As at January 1, 2022 (Audited)		**P1,062,504**	**P2,490,000**	**P167,767,364**	**P -**	**P32,751,570**	**(P2,379,442)**	**P880,548**	**(P46,195)**	**P8,809**	**P48,247,948**	**P250,783,106**	**P945,492**	**P251,728,598**
Net income		-	-	-	-	-	-	-	-	-	1,895,982	1,895,982	31,669	1,927,651
Other comprehensive income - net of tax		-	-	-	-	-	-	5,566	-	11,523	-	17,089	-	17,089
Total comprehensive income		-	-	-	-	-	-	5,566	-	11,523	1,895,982	1,913,071	31,669	1,944,740
Stock issuance cost		-	-	-	-	-	-	-	-	-	(26,838)	(26,838)	(2,339)	(29,177)
Distributions:														
Redeemable perpetual securities	*14*	-	-	-	-	-	-	-	-	-	(520,305)	(520,305)	-	(520,305)
Senior perpetual capital securities	*14*	-	-	-	-	-	-	-	-	-	(1,170,552)	(1,170,552)	-	(1,170,552)
Transactions with owners		-	-	-	-	-	-	-	-	-	(1,717,695)	(1,717,695)	(2,339)	(1,720,034)
As at March 31, 2022 (Unaudited)		**P1,062,504**	**P2,490,000**	**P167,767,364**	**P -**	**P32,751,570**	**(P2,379,442)**	**P886,114**	**(P46,195)**	**P20,332**	**P48,426,235**	**P250,978,482**	**P974,822**	**P251,953,304**
As at January 1, 2021, (Audited)		P1,062,504	P2,490,000	P132,199,732	P13,823,499	P32,751,570	(P1,621,661)	(P2,500,221)	(P59,057)	(P47,153)	P47,178,853	P225,278,066	P1,025,955	P226,304,021
Net income (loss)		-	-	-	-	-	-	-	-	-	7,786,903	7,786,903	(10,136)	7,776,767
Other comprehensive income (loss) - net of tax		-	-	-	-	-	-	354,947	(59)	20,082	-	374,970	-	374,970
Total comprehensive income (loss)		-	-	-	-	-	-	354,947	(59)	20,082	7,786,903	8,161,873	(10,136)	8,151,737
Redemption of undated subordinated capital securities	*14, 22*	-	-	-	(13,823,499)	-	(758,001)	-	-	-	-	(14,581,500)	-	(14,581,500)
Distributions:														
Senior perpetual capital securities	*14*	-	-	-	-	-	-	-	-	-	(1,174,037)	(1,174,037)	-	(1,174,037)
Undated subordinated capital securities	*14*	-	-	-	-	-	-	-	-	-	(703,037)	(703,037)	-	(703,037)
Redeemable perpetual securities	*14*	-	-	-	-	-	-	-	-	-	(492,375)	(492,375)	-	(492,375)
Transactions with owners		-	-	-	(13,823,499)	-	(758,001)	-	-	-	(2,369,449)	(16,950,949)	-	(16,950,949)
As at March 31, 2021 (Unaudited)		P1,062,504	P2,490,000	P132,199,732	P -	P32,751,570	(P2,379,662)	(P2,145,274)	(P59,116)	(P27,071)	P52,596,307	P216,488,990	P1,015,819	P217,504,809

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

Certified Correct:

PAUL BERNARD D. CAUSON
Chief Finance Officer / Authorized Signatory

SMC GLOBAL POWER HOLDINGS CORP. AND SUBSIDIARIES
(A Wholly-owned Subsidiary of San Miguel Corporation)
CONSOLIDATED STATEMENTS OF CASH FLOWS
FOR THE PERIODS ENDED MARCH 31, 2022 AND 2021
(In Thousands)

	Note	2022 (Unaudited)	2021 (Unaudited)
CASH FLOWS FROM OPERATING ACTIVITIES			
Income before income tax		**P3,340,977**	P6,072,667
Adjustments for:			
Interest expense and other financing charges	*6, 12*	**4,092,076**	4,595,202
Depreciation and amortization	*9, 16*	**2,940,135**	2,777,198
Unrealized foreign exchange losses - net		**397,285**	467,933
Impairment loss on trade receivables	*8*	**14,871**	-
Retirement cost		**12,519**	11,729
Reversal of allowance on other receivables	*8, 17*	**(11,462)**	(99,089)
Equity in net earnings of an associate and joint ventures - net		**(60,373)**	(36,736)
Interest income	*7*	**(216,824)**	(124,709)
Unrealized marked-to-market gain on derivatives	*21*	**(699,655)**	(48,377)
Operating income before working capital changes		**9,809,549**	13,615,818
Decrease (increase) in:			
Trade and other receivables - net		**(11,139,044)**	2,337,695
Inventories		**339,058**	169,024
Prepaid expenses and other current assets		**506,628**	(1,407,068)
Increase in:			
Accounts payable and accrued expenses		**5,267,671**	1,274,966
Other noncurrent liabilities and others		**196,663**	380,630
Cash generated from operations		**4,980,525**	16,371,065
Interest income received		**197,473**	131,690
Income taxes paid		**(68,484)**	(130,540)
Interest expense and other financing charges paid		**(3,900,690)**	(4,463,035)
Net cash flows provided by operating activities		**1,208,824**	11,909,180
CASH FLOWS FROM INVESTING ACTIVITIES			
Additions to deferred exploration and development costs		**(2,819)**	(657)
Additions to intangible assets		**(34,386)**	(7,927)
Additions to investments and advances		**(45,934)**	(8,432)
Decrease (increase) in other noncurrent assets		**(75,908)**	100,915
Advances paid to suppliers and contractors		**(2,856,366)**	(77,232)
Additions to property, plant and equipment	*9*	**(7,604,345)**	(5,404,954)
Net cash flows used in investing activities		**(10,619,758)**	(5,398,287)

Forward

	Note	**2022 (Unaudited)**	2021 (Unaudited)
CASH FLOWS FROM FINANCING ACTIVITIES			
Proceeds from long-term debt	*12, 22*	**P10,274,000**	P9,691,000
Proceeds from short-term borrowings	*10, 22*	**782,100**	1,682,800
Distributions paid to undated subordinated capital securities holders	*14*	**-**	(703,037)
Redemption of undated subordinated capital securities	*14, 22*	**-**	(14,581,500)
Payments of stock issuance costs		**(29,177)**	-
Distributions paid to redeemable perpetual securities holder	*14*	**(520,305)**	(492,375)
Payments of long-term debts	*12, 22*	**(926,686)**	(10,559,973)
Distributions paid to senior perpetual capital securities holders	*14*	**(1,170,552)**	(1,174,037)
Payments of short-term borrowings	*10, 22*	**(1,564,200)**	(1,682,800)
Payments of lease liabilities	*6, 22*	**(6,503,642)**	(5,817,250)
Net cash flows provided by (used in) financing activities		**341,538**	(23,637,172)
EFFECT OF EXCHANGE RATE CHANGES ON CASH AND CASH EQUIVALENTS		**402,539**	336,296
NET DECREASE IN CASH AND CASH EQUIVALENTS		**(8,666,857)**	(16,789,983)
CASH AND CASH EQUIVALENTS AT BEGINNING OF PERIOD		**67,690,151**	110,717,686
CASH AND CASH EQUIVALENTS AT END OF PERIOD	*7*	**P59,023,294**	P93,927,703

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

Certified Correct:

PAUL BERNARD D. CAUSON
Chief Finance Officer / Authorized Signatory

SMC GLOBAL POWER HOLDINGS CORP. AND SUBSIDIARIES
TRADE AND OTHER RECEIVABLES
March 31, 2022
(Amounts in Thousands)

	Total	Current	Past Due			
			1 - 30 Days	31 - 60 Days	61 - 90 Days	Over 90 Days
Trade	P 48,483,748	P 25,847,330	P 3,561,467	P 1,812,424	P 974,890	P 16,287,637
Non-trade	8,865,178	29,456	165,377	144,645	291,189	8,234,511
Amounts owed by related parties	3,206,367	2,032,277	528,344	10,876	40,284	594,586
Total	60,555,293	P 27,909,063	P 4,255,188	P 1,967,945	P 1,306,363	P 25,116,734
Less allowance for impairment losses	2,680,821					
Net	P 57,874,472					

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

SELECTED NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

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

1. Reporting Entity

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

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

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

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

2. Basis of Preparation

Statement of Compliance

The accompanying interim consolidated financial statements have been prepared in accordance with Philippine Accounting Standards (PAS) 34, *Interim Financial Reporting,* and should be read in conjunction with the Group's last annual audited consolidated financial statements as at and for the year ended December 31, 2021. They do not include all the information required for a complete set of Philippine Financial Reporting Standards (PFRS) financial statements. However, selected explanatory notes are included to explain events and transactions that are significant to an understanding of the changes in the Group's financial position and performance since the last annual audited consolidated financial statements.

The interim consolidated financial statements were approved and authorized for issue in accordance with a resolution by the Board of Directors (BOD) on May 2, 2022.

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

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

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

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

	Percentage of Ownership	
	March 31, 2022	December 31, 2021
Power Generation		
San Miguel Energy Corporation (SMEC)	**100**	100
South Premiere Power Corp. (SPPC)	**100**	100
Strategic Power Devt. Co. (SPDC)	**100**	100
SMC PowerGen Inc.	**100**	100
SMC Consolidated Power Corporation (SCPC) [a]	**100**	100
San Miguel Consolidated Power Corporation (SMCPC) [b]	**100**	100
Central Luzon Premiere Power Corp.	**100**	100
Lumiere Energy Technologies Inc.	**100**	100
PowerOne Ventures Energy Inc. (PVEI) [c]	**100**	100
Prime Electric Generation Corporation (PEGC)	**100**	100
Oceantech Power Generation Corporation (OPGC)	**100**	100
Masinloc Power Partners Co. Ltd. (MPPCL) [d]	**100**	100
SMCGP Philippines Energy Storage Co. Ltd. (SMCGP Philippines Energy) [e]	**100**	100
Premiere Energy Resources, Inc. (formerly Masinloc Energy Resources Inc. [MERI]) [f]	**100**	100
Power Ventures Generation Corporation	**100**	100
TopGen Energy Development Inc.	**100**	100
Universal Power Solutions, Inc. (UPSI)	**100**	100
Mariveles Power Generation Corporation (MPGC) [g]	**92**	92
Everest Power Development Corporation	**100**	100
SMC Global Light and Power Corp.	**100**	100
Prestige Power Resources Inc.	**100**	100
Reliance Energy Development Inc.	**100**	100
Ascend Power Resources Inc.	**100**	100
Converge Power Generation Corp.	**100**	100
EnergyCore Resources Inc.	**100**	100
Strategic Energy Development Inc.	**100**	100
Excellent Energy Resources Inc. (EERI)	**100**	100

Forward

	Percentage of Ownership	
	March 31, 2022	December 31, 2021
Retail and Other Power-related Services		
San Miguel Electric Corp. (SMELC)	**100**	100
Albay Power and Energy Corp.	**100**	100
SMC Power Generation Corp. (SPGC) [(h)]	**100**	100
Coal Mining		
Daguma Agro-Minerals, Inc. [(i)]	**100**	100
Sultan Energy Phils. Corp. [(i)]	**100**	100
Bonanza Energy Resources, Inc. [(i)]	**100**	100
Others		
Mantech Power Dynamics Services Inc.	**100**	100
Safetech Power Services Corp.	**100**	100
Ondarre Holding Corporation	**100**	100
Grand Planters International, Inc.	**100**	100
Golden Quest Equity Holdings Inc. [(i)]	**100**	100
SMCGP Transpower Pte. Ltd.	**100**	100
SMCGP Philippines Inc.	**100**	100
Dewsweeper Industrial Park, Inc.	**100**	100
Soracil Prime Inc. [(j)]	**100**	100

(a) Owner of the 4 x 150 megawatts (MW) Circulating Fluidized Bed (CFB) coal-fired power plant in Limay, Bataan (Phase I and II Limay Greenfield Power Plant).

(b) Owner of the 2 x 150 MW CFB coal-fired power plant in Malita, Davao (Davao Greenfield Power Plant).

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

(d) Co-owned by the Parent Company (with its wholly-owned subsidiaries SMCGP Masin Pte. Ltd., SMCGP Masinloc Partners Company Limited, and SMCGP Masinloc Power Company Limited, and owner of the Masinloc Power Plant (Notes 9).

(e) Indirectly owned by the Parent Company, through its wholly-owned subsidiaries PEGC and OPGC, and owner of the battery energy storage system (BESS) facility in Kabankalan, Negros Occidental.

(f) On November 22, 2021, MERI changed its name to Premiere Energy Resources, Inc.

(g) The Parent Company subscribed to additional unissued common shares of MPGC in December 2021, thereby increasing its ownership interest from 89.54% to 91.98%. Non-controlling interests represent the 7.71% and 0.31% held by Meralco PowerGen Corporation and by Zygnet Prime Holdings, Inc., respectively. It has not yet started commercial operations as at March 31, 2022.

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

(i) Indirectly owned by the Parent Company through SMEC and has not yet started commercial operations as at March 31, 2022.

(j) Acquired on March 15, 2021.

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

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

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

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

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

Non-controlling interests include the interests not held by the Parent Company in MPGC as at March 31, 2022 and December 31, 2021.

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

3. Summary of Significant Accounting and Financial Reporting Policies

Except as described below, the accounting policies applied by the Group in these interim consolidated financial statements are the same as those applied by the Group in its consolidated financial statements as at and for the year ended December 31, 2021. The following changes in accounting policies are also expected to be reflected in the Group's consolidated financial statements as at and for the year ending December 31, 2022.

<u>Adoption of Amended Standard</u>
The Financial Reporting Standards Council (FRSC) approved the adoption of a number of amended standards as part of PFRS.

Amended Standards Adopted in 2022

The Group has adopted the following PFRS effective January 1, 2022 and accordingly, changed its accounting policies in the following areas:

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

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

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

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

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

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

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

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

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

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

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

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

Amended Standards Not Yet Adopted

A number of amended standards are effective for annual periods beginning after January 1, 2022 and have not been applied in preparing the interim consolidated financial statements. Unless otherwise indicated, none of these is expected to have a significant effect on the interim consolidated financial statements.

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

<u>Financial Instruments</u>
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.

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

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

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

- the stated policies and objectives for the portfolio and the operations of those policies in practice;
- how the performance of the portfolio is evaluated and reported to the Group's management;
- the risks that affect the performance of the business model (and the financial assets held within that business model) and how those risks are managed;
- how employees of the business are compensated; and
- the frequency, volume and timing of sales of financial assets in prior periods, the reasons for such sales and expectations about future sales activity.

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

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

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

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

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

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

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

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

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

Cash includes cash on hand and in banks. Cash equivalents are short-term, highly liquid investments that are readily convertible to known amounts of cash and are subject to an insignificant risk of changes in value (Notes 7, 20 and 21).

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

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

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

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

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

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

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

The Group's derivative assets that are designated as cash flow hedge are classified under this category (Notes 20 and 21).

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

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

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

The Group's derivative assets that are not designated as cash flow hedge are classified under this category (Notes 20 and 21).

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 classified as cash flow hedge are classified under this category (Notes 20 and 21).

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

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

The Group's liabilities arising from its trade transactions or borrowings such as loans payable, accounts payable and accrued expenses, long-term debt, lease liabilities and other noncurrent liabilities are included under this category (Notes 6, 10, 11, 12, 20 and 21).

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

4. Use of Judgments, Estimates and Assumptions

In preparing these interim consolidated financial statements, management has made judgments, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets and liabilities, and income and expenses. Actual results may differ from these estimates.
The significant judgments made by management in applying the Group's accounting policies and key sources of estimation uncertainty were the same as those applied in the consolidated financial statements as at and for the year ended December 31, 2021.

5. Segment Information

Operating Segments

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

The coal mining companies, which were acquired in 2010, have not yet started commercial operations and are in the preparatory stages of mining activities.

Segment Assets and Liabilities

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

Inter-segment Transactions

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

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

Major Customers

The Group sells, retails and distributes power, through power supply agreements, retail supply contracts, concession agreement and other power-related service agreements, either directly to customers (other generators, distribution utilities, electric cooperatives and industrial customers) or through the Philippine Wholesale Electricity Spot Market (WESM). Sale of power to Manila Electric Company (Meralco) amounting to P16,944,085 and P11,098,320 for the periods ended March 31, 2022 and 2021, respectively, represents more than 10% of the Group's total revenues.

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

<u>Operating Segments</u>
Financial information about reportable segments follows:

	For the Periods Ended March 31											
	Power Generation		Retail and Other Power-related Services		Coal Mining		Others		Eliminations		Consolidated	
	2022 (Unaudited)	2021 (Unaudited)	**2022 (Unaudited)**	2021 (Unaudited)	**2022 (Unaudited)**	2021 (Unaudited)	**2022 (Unaudited)**	2021 (Unaudited)	**2022 (Unaudited)**	2021 (Unaudited)	**2022 (Unaudited)**	2021 (Unaudited)
Revenues												
External	**P36,177,404**	P22,622,658	**P6,816,504**	P4,710,518	**P -**	P -	**P42,149**	P32,704	**P -**	P -	**P43,036,057**	P27,365,880
Inter-segment	**3,837,368**	5,126,382	**2,025**	3,975	**-**	-	**281,263**	203,136	**(4,120,656)**	(5,333,493)	**-**	-
	40,014,772	27,749,040	**6,818,529**	4,714,493	**-**	-	**323,412**	235,840	**(4,120,656)**	(5,333,493)	**43,036,057**	27,365,880
Costs and Expenses												
Cost of power sold	**32,688,746**	19,304,553	**6,923,566**	3,540,855	**-**	-	**189,060**	155,017	**(3,994,308)**	(5,270,129)	**35,807,064**	17,730,296
Selling and administrative expenses	**929,262**	1,049,786	**209,146**	208,277	**1,951**	1,934	**424,728**	313,283	**(406,953)**	(360,855)	**1,158,134**	1,212,425
	33,618,008	20,354,339	**7,132,712**	3,749,132	**1,951**	1,934	**613,788**	468,300	**(4,401,261)**	(5,630,984)	**36,965,198**	18,942,721
Segment Result	**P6,396,764**	P7,394,701	**(P314,183)**	P965,361	**(P1,951)**	(P1,934)	**(P290,376)**	(P232,460)	**P280,605**	P297,491	**6,070,859**	8,423,159
Interest expense and other financing charges											**(4,092,076)**	(4,595,202)
Interest income											**216,824**	124,709
Equity in net earnings of an associate and joint ventures – net											**60,373**	36,736
Other income – net											**1,084,997**	2,083,265
Income tax benefit (expense)											**(1,413,326)**	1,704,100
Consolidated Net Income											**P1,927,651**	P7,776,767

	As at and For the Periods Ended											
	Power Generation		Retail and Other Power-related Services		Coal Mining		Others		Eliminations		Consolidated	
	March 31, 2022 (Unaudited)	December 31, 2021 (Audited)	**March 31, 2022 (Unaudited)**	December 31, 2021 (Audited)	**March 31, 2022 (Unaudited)**	December 31, 2021 (Audited)	**March 31, 2022 (Unaudited)**	December 31, 2021 (Audited)	**March 31, 2022 (Unaudited))**	December 31, 2021 (Audited)	**March 31, 2022 (Unaudited)**	December 31, 2021 (Audited)
Other Information												
Segment assets	**P517,272,971**	P496,862,462	**P12,115,820**	P13,927,745	**P739,543**	P736,789	**P102,317,882**	P110,153,274	**(P72,459,316)**	(P71,185,477)	**P559,986,900**	P550,494,793
Investments and advances – net	**9,497,024**	9,368,275	**215,269**	231,597	**-**	-	**301,049,155**	295,842,856	**(299,816,295)**	(294,603,882)	**10,945,153**	10,838,846
Goodwill and other intangible assets – net											**73,779,606**	72,943,146
Deferred tax assets											**1,578,117**	1,447,415
Consolidated Total Assets											**P646,289,776**	P635,724,200
Segment liabilities	**P244,158,103**	P238,452,748	**P8,476,086**	P8,126,374	**P847,213**	P842,509	**P6,049,065**	P5,490,372	**(P120,109,771)**	(P112,045,237)	**P139,420,696**	P140,866,766
Long-term debt – net											**233,330,926**	222,921,443
Income tax payable											**24,596**	24,754
Deferred tax liabilities											**21,560,254**	20,182,639
Consolidated Total Liabilities											**P394,336,472**	P383,995,602
Capital expenditures	**P7,612,067**	P39,274,510	**P -**	P -	**P -**	P -	**P45,195**	P420,597	**(P52,917)**	(P100,510)	**P7,604,345**	P39,594,597
Depreciation and amortization of property, plant and equipment, right-of-use assets and intangible assets	**2,422,281**	9,541,894	**474,265**	1,699,272	**-**	-	**50,912**	165,396	**(7,323)**	(32,362)	**2,940,135**	11,374,200
Noncash items other than depreciation and amortization	**107,067**	3,609,404	**95,722**	(233,052)	**(2)**	(8)	**150,053**	(1,924,582)	**-**	-	**352,840**	1,451,762

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

6. Significant Agreements and Lease Commitments

Independent Power Producer (IPP) Administration (IPPA) Agreements

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

Subsidiary	Power Plant	Location
SMEC	Sual Coal – Fired Power Station (Sual Power Plant)	Sual, Pangasinan Province
SPDC	San Roque Hydroelectric Multi-purpose Power Plant (San Roque Power Plant)	San Roque, Pangasinan Province
SPPC	Ilijan Natural Gas – Fired Combined Cycle Power Plant (Ilijan Power Plant)	Ilijan, Batangas Province

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

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

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

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

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

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

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

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

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

Relative to the IPPA Agreements, SMEC, SPDC and SPPC have to pay PSALM monthly payments for 15 years until October 1, 2024, 18 years until April 26, 2028 and 12 years until June 26, 2022, respectively. Energy fees amounted to P5,621,171 and P4,794,620 for the periods ended March 31, 2022 and 2021, respectively (Note 16). SMEC and SPDC renewed their performance bonds amounting to US$58,187 and US$20,305, which will expire on November 3, 2022 and January 25, 2023, respectively.

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

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

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

The discount determined at inception of the agreement is amortized over the period of the IPPA Agreement and recognized as part of "Interest expense and other financing charges" account in the interim consolidated statements of income. Interest expense amounted to P974,654 and P1,294,880 for the periods ended March 31, 2022 and 2021, respectively.

SMEC, SPDC and SPPC's power plants under lease arrangement, presented under "Right-of-use assets – net" account in the consolidated statements of financial position, amounted to P150,531,280 and P151,827,880 as at March 31, 2022 and December 31, 2021, respectively.

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

The total cash outflows amounted to P7,444,710 and P7,140,783 for the periods ended March 31, 2022 and 2021, respectively.

Maturity analysis of lease payments as at March 31, 2022 and December 31, 2021 are disclosed in Note 20.

7. Cash and Cash Equivalents

Cash and cash equivalents consist of:

	Note	**March 31, 2022 (Unaudited)**	December 31, 2021 (Audited)
Cash in banks and on hand		**P17,113,750**	P18,485,740
Short-term investments		**41,909,544**	49,204,411
	20, 21	**P59,023,294**	P67,690,151

Cash in banks earn interest at bank deposit rates. Short-term investments include demand deposits which can be withdrawn at any time depending on the immediate cash requirements of the Group and earn interest at short-term investment rates. Interest income from cash and cash equivalents amounted to P200,312 and P120,779 for the periods ended March 31, 2022 and 2021, respectively.

8. Trade and Other Receivables

Trade and other receivables consist of:

	Note	**March 31, 2022 (Unaudited)**	December 31, 2021 (Audited)
Trade		**P48,483,748**	P37,096,420
Non-trade		**8,865,178**	9,723,627
Amounts owed by related parties	*13*	**3,206,367**	3,124,337
		60,555,293	49,944,384
Less allowance for impairment losses		**2,680,821**	2,672,082
	20, 21	**P57,874,472**	P47,272,302

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

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

	Note	**March 31, 2022 (Unaudited)**	December 31, 2021 (Audited)
Balance at beginning of period		**P2,672,082**	P3,034,110
Impairment losses during the period		**14,871**	44,006
Cumulative translation adjustment		**5,330**	4,399
Reversal during the period	*17*	**(11,462)**	(410,433)
Balance at end of period		**P2,680,821**	P2,672,082

Impairment losses recognized in the interim consolidated statements of income under "Selling and administrative expenses" account amounted to P14,871 and nil for the periods ended March 31, 2022 and 2021, respectively. Certain trade and other receivables were collected and the related allowance for impairment losses recognized in prior years were reversed accordingly.

9. Property, Plant and Equipment

Property, plant and equipment consist of:

March 31, 2022 and December 31, 2021

	Power Plants	Land and Leasehold Improvements	Other Equipment	Building	Capital Projects in Progress (CPIP)	Total
Cost						
January 1, 2021 (Audited)	P128,513,724	P13,159,019	P4,777,476	P3,861,451	P34,270,780	P184,582,450
Additions	527,220	342,780	339,283	4,803	38,380,511	39,594,597
Acquisition of a subsidiary	-	781,995	-	-	-	781,995
Reclassifications	2,619,673	(70,095)	641,642	5,102	(309,903)	2,886,419
Currency translation adjustments	4,287,195	31,999	199,017	186,554	151,201	4,855,966
December 31, 2021 (Audited)	135,947,812	14,245,698	5,957,418	4,057,910	72,492,589	232,701,427
Additions	154,715	4,120	23,065	-	7,422,445	7,604,345
Reclassifications	560,361	-	78,772	92,435	2,475,695	3,207,263
Currency translation adjustments	-	29	214	-	-	243
March 31, 2022 (Unaudited)	**136,662,888**	**14,249,847**	**6,059,469**	**4,150,345**	**82,390,729**	**243,513,278**
Accumulated Depreciation and Amortization						
January 1, 2021 (Audited)	11,678,212	444,324	720,724	191,642	-	13,034,902
Depreciation and amortization	5,248,687	196,429	401,056	114,162	-	5,960,334
Reclassifications	-	-	48,326	-	-	48,326
Currency translation adjustments	1,561,861	1,464	43,991	17,043	-	1,624,359
December 31, 2021 (Audited)	18,488,760	642,217	1,214,097	322,847	-	20,667,921
Depreciation and amortization	1,399,011	54,142	97,696	30,716	-	1,581,565
Reclassifications	-	-	13,544	-	-	13,544
Currency translation adjustments	-	21	213	-	-	234
March 31, 2022 (Unaudited)	**19,887,771**	**696,380**	**1,325,550**	**353,563**	**-**	**22,263,264**
Accumulated Impairment Losses						
January 1, 2021 (Audited)	-	-	132,111	-	-	132,111
Impairment	-	-	34,991	-	-	34,991
Currency translation adjustments	-	-	7,872	-	-	7,872
December 31, 2021 (Audited) and March 31, 2022 (Unaudited)	**-**	**-**	**174,974**	**-**	**-**	**174,974**
Carrying Amount						
December 31, 2021 (Audited)	P117,459,052	P13,603,481	P4,568,347	P3,735,063	P72,492,589	P211,858,532
March 31, 2022 (Unaudited)	**P116,775,117**	**P13,553,467**	**P4,558,945**	**P3,796,782**	**P82,390,729**	**P221,075,040**

March 31, 2021

	Power Plants	Land and Leasehold Improvements	Other Equipment	Building	CPIP	Total
Cost						
January 1, 2021 (Audited)	P128,513,724	P13,159,019	P4,777,476	P3,861,451	P34,270,780	P184,582,450
Additions	63,703	48,360	26,090	-	5,266,801	5,404,954
Acquisition of a subsidiary	-	779,505	-	-	-	779,505
Reclassifications	44,369	704	77,281	3,124	36,127	161,605
Currency translation adjustments	729,127	5,434	36,841	31,704	14,457	817,563
March 31, 2021 (Unaudited)	129,350,923	13,993,022	4,917,688	3,896,279	39,588,165	191,746,077
Accumulated Depreciation and Amortization						
January 1, 2021 (Audited)	11,678,212	444,324	720,724	191,642	-	13,034,902
Depreciation and amortization	1,293,853	45,930	68,177	29,274	-	1,437,234
Reclassifications	-	-	11,035	-	-	11,035
Currency translation adjustments	225,037	72	7,862	1,734	-	234,705
March 31, 2021 (Unaudited)	13,197,102	490,326	807,798	222,650	-	14,717,876
Accumulated Impairment Losses						
January 1, 2021 (Audited)	-	-	132,111	-	-	132,111
Currency translation adjustments	-	-	1,395	-	-	1,395
March 31, 2021 (Unaudited)	-	-	133,506	-	-	133,506
Carrying Amount						
March 31, 2021 (Unaudited)	P116,153,821	P13,502,696	P3,976,384	P3,673,629	P39,588,165	P176,894,695

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

b. CPIP pertains to the following:

   i. Projects of MPPCL for the construction of the Masinloc Power Plant Unit 4, 20 MW BESS, Unit 1 turbine retrofit, and other related facilities.

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

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

   iv. Projects of SMCGP Philippines Energy for the construction of BESS facilities in Kabankalan, Negros Occidental

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

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

   vi. Various construction works relating to the respective power plant facilities of SCPC and SMCPC.

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

		March 31	
	Note	**2022 (Unaudited)**	2021 (Unaudited)
Cost of power sold	*16*	**P1,458,865**	P1,350,553
Selling and administrative expenses		**122,700**	86,681
		P1,581,565	P1,437,234

Total depreciation and amortization recognized in the interim consolidated statements of income include amortization of capitalized interest and decommissioning and dismantling costs amounting to P64,151 and P61,848 for the periods ended March 31, 2022 and 2021, respectively. No impairment loss was recognized for periods ended March 31, 2022 and 2021.

The Group has borrowing costs amounting to P368,499 and P1,059,256, which were capitalized for the period ended March 31, 2022 and for the year ended December 31, 2021, respectively. The capitalization rate used to determine the amount of interest eligible for capitalization was 7.47% as at March 31, 2022 and December 31, 2021. The unamortized capitalized borrowing costs amounted to P8,247,976 and P7,943,628 as at March 31, 2022 and December 31, 2021, respectively (Note 12).

Reclassifications also include application of advances to contractors against progress billings for capital projects in progress.

As at March 31, 2022 and December 31, 2021, certain property, plant and equipment amounting to P125,767,726 and P127,318,347, respectively, are pledged as security for syndicated project finance loans (Note 12).

Certain fully depreciated property, plant and equipment with aggregate costs amounting to P4,571,397 and P4,460,275 as at March 31, 2022 and December 31, 2021, respectively, are still being used in the Group's operations.

10. Loans Payable

Loans payable amounting to P776,100 and P1,529,970 as at March 31, 2022 and December 31, 2021, respectively, mainly represents the unsecured short-term US dollar-denominated loan obtained from a local bank. Interest rate is 3.75% as at March 31, 2022 and December 31, 2021.

Interest expense on loans payable amounted to P13,302 and P15,846 for the periods ended March 31, 2022 and 2021, respectively.

On March 17, 2022, MPPCL paid US$15,000 (equivalent to P782,100) as partial settlement of its short-term loan.

On April 8, 2022, the Parent Company availed a P10,000,000 fixed rate short-term loan from a local bank. Interest is payable quarterly and principal repayment shall be made upon maturity in April 2023. The proceeds shall be used to partially refinance the Parent Company's maturing debt obligations and for other general corporate purposes.

11. Accounts Payable and Accrued Expenses

Accounts payable and accrued expenses consist of:

	Note	**March 31, 2022 (Unaudited)**	December 31, 2021 (Audited)
Trade		**P17,888,328**	P15,357,138
Non-trade		**30,250,588**	30,834,754
Output VAT		**9,165,470**	7,508,289
Accrued interest	*6, 10, 12*	**1,596,253**	1,226,302
Amounts owed to related parties	*13*	**924,597**	732,736
Withholding and other accrued taxes		**360,013**	370,176
Premium on option liabilities	*20, 21*	**25,859**	25,831
Derivative liabilities not designated as cash flow hedge	*20, 21*	**9,850**	-
		P60,220,958	P56,055,226

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

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

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

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

12. Long-term Debt

Long-term debt consists of:

	Note	March 31, 2022 (Unaudited)	December 31, 2021 (Audited)
Bonds			
Parent Company			
Peso-denominated:			
Fixed interest rate of 6.8350%, 7.1783% and 7.6000% maturing in 2022, 2024 and 2026, respectively		**P29,882,336**	P29,857,106
Fixed interest rate of 6.7500% maturing in 2023		**14,939,929**	14,929,804
Fixed interest rate of 5.3750%, 6.2500% and 6.6250% maturing in 2022, 2024 and 2027, respectively		**19,924,945**	19,915,621
Fixed interest rate of 4.7575% and 5.1792% maturing in 2023 and 2026, respectively		**8,810,825**	8,807,704
		73,558,035	73,510,235
Term Loans			
Parent Company			
Peso-denominated:			
Fixed interest rate of 6.9265%, with maturities up to 2024		**14,347,060**	14,341,187
Fixed interest rate of 5.0000%, with maturities up to 2025		**4,928,792**	4,925,442
Foreign currency-denominated:			
Floating interest rate based on London Interbank Offered Rate (LIBOR) plus margin, maturing in 2023		**25,742,308**	25,336,985
Floating interest rate based on LIBOR plus margin, maturing in 2026		**15,190,340**	14,948,743
Floating interest rate based on LIBOR plus margin, maturing in 2023		**2,547,397**	2,504,152
Floating interest rate based on LIBOR plus margin, maturing in 2024 (a)		**10,069,149**	-
Subsidiaries			
Peso-denominated:			
Fixed interest rate of 6.2836%, 6.5362% and 7.3889% with maturities up to 2029 (b)		**37,042,710**	37,626,133
Fixed interest rate of 7.7521% and 6.5077% with maturities up to 2030 (c)		**16,839,133**	17,154,198
Foreign currency-denominated:			
Fixed interest rate of 4.7776% and 5.5959%, with maturities up to 2023 and 2030, respectively		**24,857,033**	24,487,442
Floating interest rate based on LIBOR plus margin, with maturities up to 2023 and 2030		**8,208,969**	8,086,926
		159,772,891	149,411,208
	20, 21	**233,330,926**	222,921,443
Less current maturities		**63,733,615**	30,185,418
		P169,597,311	P192,736,025

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

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

b. On March 28, 2022, SCPC has partially paid a total of P602,500 of its P44,000,000, 12 year term loan, pursuant to the terms and conditions of its Omnibus Loan and Security Agreement (OLSA) with a syndicate of local banks.

c. The loan includes amount payable to Bank of Commerce (BOC), an associate of entities under common control, amounting to P2,567,232 and P2,615,936 as at March 31, 2022 and December 31, 2021, respectively (Note 13).

   On February 17, 2022, SMCPC has partially paid a total of P324,186 of its P21,300,000, 12 year term loan, pursuant to the terms and conditions of its OLSA with a syndicate of local banks.

Unamortized debt issue costs amounted to P2,182,662 and P2,062,866 as at March 31, 2022 and December 31, 2021, respectively. Accrued interest amounted to P1,572,813 and P1,199,171 as at March 31, 2022 and December 31, 2021, respectively. Interest expense amounted to P3,144,235 and P3,095,062 (including P247,142 and P25,683, capitalized as part of CPIP, respectively) for the periods ended March 31, 2022 and 2021, respectively (Note 9).

On April 25, 2022, the Parent Company redeemed the Series H Bonds, amounting to P13,844,860 upon its maturity pursuant to the terms and conditions of the bonds.

On April 29, 2022, MPPCL made principal repayments of loans from its Omnibus Refinancing Agreement (ORA) and Omnibus Expansion Facility Agreement (OEFA) amounting to US$23,550 and US$13,755, respectively.

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

The fair value of the Bonds, amounting to P77,309,221 and P78,768,298 as at March 31, 2022 and December 31, 2021, respectively, has been categorized as Level 1 in the fair value hierarchy based on the inputs used in the valuation techniques (Note 21).

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

The loans of MPPCL obtained from its ORA and OEFA are secured by real estate and chattel mortgages on all present assets (purchased under its asset purchase agreement, and all its rights in a land lease agreement, with PSALM) and all future assets as defined in its loan agreements, amounting to US$665,000 and US$525,000, respectively.

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

As at March 31, 2022 and December 31, 2021, the Group is in compliance with the covenants, including the required financial ratios, of the debt agreements.

The movements in debt issue costs are as follows:

	March 31, 2022 (Unaudited)	December 31, 2021 (Audited)
Balance at beginning of period	**P2,062,866**	P2,134,901
Additions	**299,398**	527,832
Currency translation adjustments	**-**	20,879
Capitalized amount	**(49,812)**	(1,981)
Amortization	**(129,790)**	(618,765)
Balance at end of period	**P2,182,662**	P2,062,866

Repayment Schedule

The annual maturities of the long-term debts as at March 31, 2021 are as follows:

	Gross Amount				
Year	**US Dollar**	**Peso Equivalent of US Dollar**	**Peso**	**Debt Issue Costs**	**Net**
April 1, 2022 to March 31, 2023	US$700,608	P36,249,432	P27,837,064	P352,881	P63,733,615
April 1, 2023 to March 31, 2024	80,502	4,165,199	23,441,684	305,826	27,301,057
April 1, 2024 to March 31, 2025	231,920	11,999,541	34,367,304	529,048	45,837,797
April 1, 2025 to March 31, 2026	333,390	17,249,598	9,562,244	470,938	26,340,904
April 1, 2026 to March 31, 2027	34,913	1,806,373	16,676,987	209,414	18,273,946
April 1, 2027 and thereafter	313,897	16,241,057	35,917,105	314,555	51,843,607
	US$1,695,230	**P87,711,200**	**P147,802,388**	**P2,182,662**	**P233,330,926**

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

13. Related Party Disclosures

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

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

The following are the transactions with related parties and the outstanding balances as at March 31, 2022 (Unaudited) and December 31, 2021 (Audited):

	Year	Revenues from Related Parties	Purchases from Related Parties	Amounts Owed by Related Parties	Amounts Owed to Related Parties	Terms	Conditions
SMC	**2022**	**P108,358**	**P172,306**	**P92,985**	**P31,675**	On demand or 30 days;	Unsecured;
	2021	399,320	721,640	92,027	18,228	non-interest bearing	no impairment
	2022	**-**	**-**	**132,277**	**-**	1 year;	Unsecured;
	2021	-	-	12,551	-	non-interest bearing	no impairment
Entities under Common Control	**2022**	**1,285,199**	**783,883**	**1,258,815**	**6,107,422**	On demand or 30 days;	Unsecured;
	2021	3,908,994	2,124,649	1,028,637	4,945,538	non-interest bearing	no impairment
	2022	**-**	**-**	**-**	**492**	More than 1 year;	Unsecured
	2021	-	-	-	492	non-interest bearing	
Associates	**2022**	**183,480**	**3,860**	**1,066,636**	**29,490**	On demand or 30 days;	Unsecured;
	2021	1,999,770	10,954	1,238,266	29,570	non-interest bearing	no impairment
	2022	**1,829**	**-**	**129,158**	**-**	9 years;	Unsecured;
	2021	9,408	-	139,775	-	interest bearing	no impairment
Joint Venture	**2022**	**7,673**	**-**	**9,618**	**-**	30 days;	Unsecured;
	2021	29,732	1,299,496	3,985	155,292	non-interest bearing	no impairment
	2022	**1,319**	**-**	**147,041**	**-**	92 days;	Unsecured;
	2021	5,138	-	143,665	-	interest bearing	no impairment
	2022	**13,156**	**-**	**1,039,477**	**-**	10.5 years	Unsecured;
	2021	18,840	-	1,026,815	-	Interest bearing	no impairment
Associates and Joint Ventures	**2022**	**18,029**	**-**	**8,820**	**1,155**	30 days;	Unsecured;
of Entities under Common Control	2021	54,913	-	8,116	1,155	non-interest bearing	no impairment
	2022	**-**	**49,887**	**-**	**2,567,232**	12 years;	Secured
	2021	-	211,738	-	2,615,936	Interest bearing	
Others	**2022**	**873,417**	**-**	**742,294**	**51,604**	On demand or 30 days;	Unsecured;
	2021	2,488,888	-	574,430	51,604	non-interest bearing	no impairment
	2022	**P2,492,460**	**P1,009,936**	**P4,627,121**	**P8,789,070**		
	2021	P8,915,003	P4,368,477	P4,268,267	P7,817,815		

a. Amounts owed by related parties consist of trade and other receivables, derivative assets and security deposits (Note 8).

b. Amounts owed to related parties consist of trade and non-trade payables, management fees, purchases of fuel, reimbursement of expenses, rent, insurance, services rendered, customers' deposits and subscriptions payable to OEDC.

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

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

e. Amounts owed to an associate and joint venture of entities under common control pertains to an interest-bearing long-term loan of SMCPC to BOC, included as part of ‘Long-term debt” account in the consolidated statements of financial position (Note 12). The loan is secured by certain property, plant and equipment as at March 31, 2022 and December 31, 2021 (Note 9).

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

	March 31, 2022 (Unaudited)	December 31, 2021 (Audited)
Short-term employee benefits	**P41,628**	P134,074
Retirement cost	**3,880**	15,520
	P45,508	P149,594

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

14. Distributions and Redemption of Capital Securities

Redemption of Undated Subordinated Capital Securities (USCS)
On February 26, 2021, the Parent Company completed the redemption of the US$300,000 USCS issued on August 26, 2015, equivalent to P14,581,500 on redemption date, pursuant to the terms and conditions of the securities. The redemption was made after the issuance of a notice to the holders dated January 25, 2021. The redemption price paid includes the principal amount and any accrued but unpaid distributions up to (but excluding) the step-up date.

The difference between the price paid and cost of securities redeemed amounted to P758,001 and was recognized as part of the “Equity reserves” account in the consolidated statements of financial position.

The proceeds from the US$350,000 senior perpetual capital securities (SPCS) issued on December 15, 2020 was used in part for the redemption of the US$300,000 USCS.

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

Distributions to Redeemable Perpetual Securities (RPS) Holder
In March 2022 and 2021, the Parent Company paid distributions amounting to P520,305 and P492,375, respectively, to the RPS Holder.

Distributions to SPCS Holders
On January 21, 2022 and 2021, the Parent Company paid distributions to holders of the US$600,000 SPCS issued in January 2020, amounting to P1,170,552 and P1,174,037, respectively.

In April 2022, the Company paid distributions to holders of the US$750,000 SPCS and US$800,000 SPCS amounting to US$26,250 and US$26,000, respectively.

15. Revenues

Revenues consist of:

	Note	March 31 2022 (Unaudited)	2021 (Unaudited)
Sale of power:			
Power generation and trading		**P36,177,404**	P22,622,658
Retail and other power-related services		**6,816,504**	4,710,518
Other services		**42,149**	32,704
	5, 13	**P43,036,057**	P27,365,880

Revenues from other services mainly pertain to operations and maintenance services provided by a subsidiary to an entity under common control (Note 13).

16. Cost of Power Sold

Cost of power sold consist of:

	Note	March 31 2022 (Unaudited)	2021 (Unaudited)
Coal, fuel oil and other consumables	*13*	**P19,137,422**	P5,327,348
Power purchases		**7,182,553**	3,948,480
Energy fees	*6*	**5,621,171**	4,794,620
Depreciation and amortization	*9*	**2,786,534**	2,676,802
Plant operations and maintenance, and other fees		**1,079,384**	983,046
	5	**P35,807,064**	P17,730,296

17. Other Income - net

Other income (charges) consist of:

	Note	March 31 2022 (Unaudited)	2021 (Unaudited)
PSALM monthly fees reduction		**P668,084**	P2,156,428
Marked-to-market gain on derivatives	*21*	**609,842**	35,030
Management, shared services fees and others	*13*	**145,759**	32,775
Construction revenue		**34,386**	7,927
Reversal of allowance on other receivables	*8*	**11,462**	11,463
Construction cost		**(34,386)**	(7,927)
Foreign exchange losses - net	*20*	**(357,633)**	(161,301)
Miscellaneous income		**7,483**	8,870
		P1,084,997	P2,083,265

Construction revenue is recognized by reference to the stage of completion of the construction activity at the reporting date. When it is probable that the total contract costs will exceed total contract revenue, the expected loss is recognized as an expense immediately.

Construction costs pass through the profit or loss before it is capitalized as concession rights.

Miscellaneous income pertains mainly to rent income.

18. Impact of Corporate Recovery and Tax Incentives for Enterprises (CREATE) Act

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

	March 31	
	2022	2021
	(Unaudited)	(Unaudited)
Current	**P166,684**	P453,694
Deferred	**1,246,642**	994,122
Adjustments due to CREATE Act	**-**	(3,151,916)
	P1,413,326	(P1,704,100)

The CREATE Act, which seeks to reduce the corporate income tax rates and to rationalize the current fiscal incentives by making it time-bound, targeted and performance-based, was passed into law on March 26, 2021 and took effect 15 days after its complete publication in the Official Gazette or in a newspaper of general circulation or on April 11, 2021. One of the key provisions of the CREATE Act is an immediate 5% to 10% point cut in the regular corporate income tax rate (RCIT) and 1% point cut in the minimum corporate income tax (MCIT) rate starting July 1, 2020. Accordingly, current and deferred taxes for the periods ended March 31, 2022 and 2021 were computed and measured using the applicable income tax rate (i.e., 25% or 20% RCIT, 1% MCIT) for financial reporting purposes.

The impact on the consolidated financial statements of the Group based on balances as at and for the year ended December 31, 2020, which was taken up in the first quarter of 2021, are as follows:

	Increase (Decrease)
ASSETS	
Prepaid expenses and other current assets	**P189,260**
Investments and advances - net	**1,545**
Deferred tax assets	**(282,395)**
	(P91,590)
LIABILITIES AND EQUITY	
Income tax payable	**(P997)**
Deferred tax liabilities	**(3,243,994)**
Equity reserves	**(60)**
Retained earnings	**3,151,043**
Non-controlling interests	**2,418**
	(P91,590)
Equity in net losses of associate and joint ventures	**(P1,545)**
Provision for Income Tax:	
Current	**(190,257)**
Deferred	**(2,961,659)**
	(3,151,916)
	(P3,153,461)
Net Income Attributable to	
Equity holders of the Parent Company	**P3,151,043**
Non-controlling interests	**2,418**
	P3,153,461

19. Basic and Diluted Earnings Per Share

Basic and diluted earnings per share is computed as follows:

	March 31	
	2022 (Unaudited)	2021 (Unaudited)
Net income attributable to equity holders of the Parent Company	**P1,895,982**	P7,786,903
Distributions for the period to:		
USCS holders	**-**	(234,346)
RPS holder	**(521,168)**	(492,460)
SPCS holders	**(3,608,639)**	(3,096,034)
Net income (loss) attributable to common shareholders of the Parent Company(a)	**(2,233,825)**	3,964,063
Weighted average number of common shares outstanding (in thousands) (b)	**1,250,004**	1,250,004
Basic/Diluted Earnings (Loss) Per Share (a/b)	**(P1.79)**	P3.17

As at March 31, 2022 and 2021, the Parent Company has no dilutive debt or equity instruments.

The P1.79 negative basic/diluted earnings per common share resulted primarily from the interest costs and other financing charges (including distributions to perpetual capital securities) for the Group's various bridge-type financing activities undertaken to expedite the ongoing construction of its several power plant expansion projects intended to significantly increase the capacities of and modernize the existing power generation portfolio of the Group. These expansion projects, including, among others, the 1,000 MW Battery Energy Storage facilities, 600 MW Mariveles CFB Coal-fired Power Plant, 2 x 350 MW Masinloc Power Generation Units 4 and 5, and the 1,313.1 MW Batangas Combined Cycle Gas Power Plant, are expected to go into commercial operations in the next 4 to 5 years. These projects are contracted or expected to be contracted to creditworthy offtakers such as Meralco and the National Grid Corporation of the Philippines, and should contribute significantly to the profitability of the Group following their commercial operations in the coming years.

20. Financial Risk and Capital Management Objectives and Policies

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

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

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

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

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

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

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

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

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

Liquidity Risk

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

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

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

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

March 31, 2022 (Unaudited)	**Carrying Amount**	**Contractual Cash Flow**	**1 Year or Less**	**>1 Year - 2 Years**	**>2 Years - 5 Years**	**Over 5 Years**
Financial Assets						
Cash and cash equivalents	**P59,023,294**	**P59,023,294**	**P59,023,294**	**P -**	**P -**	**P -**
Trade and other receivables - net*	**57,441,479**	**57,441,479**	**57,441,479**	**-**	**-**	**-**
Derivative assets not designated as cash flow hedge (included under "Prepaid expenses and other current assets" account)	**662,639**	**662,639**	**662,639**	**-**	**-**	**-**
Derivative asset designated as cash flow hedge (included under "Prepaid expenses and other current assets" account)	**46,866**	**46,866**	**46,866**	**-**	**-**	**-**
Noncurrent receivables (included under "Other noncurrent assets" account; including current portion)	**1,574,567**	**2,168,835**	**49,586**	**215,984**	**198,435**	**1,704,830**
Restricted cash (included under "Prepaid expenses and other current assets" and "Other noncurrent assets" accounts)	**3,913,547**	**3,913,547**	**2,023,767**	**550,045**	**15**	**1,339,720**
Financial Liabilities						
Loans payable	**776,100**	**789,439**	**789,439**	**-**	**-**	**-**
Accounts payable and accrued expenses (including Premium on option liabilities - current)*	**50,682,373**	**50,687,190**	**50,687,190**	**-**	**-**	**-**
Derivative liabilities not designated as cash flow hedge (included under "Accounts payable and accrued expenses" account)	**9,850**	**9,850**	**9,850**	**-**	**-**	**-**
Long-term debt - net (including current maturities)	**233,330,926**	**278,174,903**	**75,368,952**	**36,577,368**	**106,804,511**	**59,424,072**
Lease liabilities (including current portion)	**73,209,361**	**87,447,519**	**23,208,692**	**20,828,885**	**26,067,552**	**17,342,390**
Other noncurrent liabilities (including current portion of Concession liability)	**4,243,535**	**4,248,683**	**8,400**	**343,714**	**3,515,934**	**380,635**

Excluding statutory receivables and payables

December 31, 2021 (Audited)	Carrying Amount	Contractual Cash Flow	1 Year or Less	>1 Year - 2 Years	>2 Years - 5 Years	Over 5 Years
Financial Assets						
Cash and cash equivalents	P67,690,151	P67,690,151	P67,690,151	P -	P -	P -
Trade and other receivables - net*	47,223,910	47,223,910	47,223,910	-	-	-
Derivative assets not designated as cash flow hedge (included under "Prepaid expenses and other current assets" account)	111,932	111,932	111,932	-	-	-
Derivative asset designated as cash flow hedge (included under "Other noncurrent assets" account)	42,173	42,173	-	42,173	-	-
Noncurrent receivables (included under "Other noncurrent assets" account; including current portion)	1,560,209	2,126,273	54,194	157,764	48,394	1,865,921
Restricted cash (included under "Prepaid expenses and other current assets" and "Other noncurrent assets" accounts)	4,430,396	4,430,396	2,550,607	547,407	15	1,332,367
Financial Liabilities						
Loans payable	1,529,970	1,541,923	1,541,923	-	-	-
Accounts payable and accrued expenses*	48,147,723	48,147,723	48,147,723	-	-	-
Long-term debt - net (including current maturities)	222,921,443	275,616,650	33,320,507	77,621,184	100,357,971	64,316,988
Lease liabilities (including current portion)	78,213,359	95,868,508	25,301,773	20,567,920	29,382,548	20,616,267
Other noncurrent liabilities (including current portions of Concession liability and Premium on option liabilities)	4,146,692	4,592,768	38,721	777,733	3,403,186	373,128

Excluding statutory receivables and payables

<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.

The Group establishes an allowance for impairment losses that represents its estimate of expected losses in respect of trade and other receivables. The main components of this allowance include a specific loss component that relates to individually significant exposures, and a collective loss component established for groups of similar assets in respect of losses that have been incurred but not yet identified. The collective loss allowance is determined based on historical data of payment statistics for similar financial assets.

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

	Note	**March 31, 2022 (Unaudited)**	December 31, 2021 (Audited)
Cash and cash equivalents (excluding cash on hand)	*7*	**P59,021,291**	P67,688,162
Trade and other receivables - net*	*8*	**57,441,479**	47,223,910
Derivative assets not designated as cash flow hedge		**662,639**	111,932
Derivative assets designated as cash flow hedge		**46,866**	42,173
Noncurrent receivables		**1,574,567**	1,560,209
Restricted cash		**3,913,547**	4,430,396
		P122,660,389	P121,056,782

**Excluding statutory receivables*

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

	Financial Assets at Amortized Cost					
March 31, 2022 (Unaudited)	**12-month ECL**	**Lifetime ECL - not credit impaired**	**Lifetime ECL - credit impaired**	**Financial Assets at FVPL**	**Financial Assets at FVOCI**	**Total**
Cash and cash equivalents (excluding cash on hand)	**P59,021,291**	**P -**	**P -**	**P -**	**P -**	**P59,021,291**
Trade and other receivables	**-**	**57,441,479**	**2,680,821**	**-**	**-**	**60,122,300**
Derivative assets not designated as cash flow hedge	**-**	**-**	**-**	**662,639**	**-**	**662,639**
Derivative asset designated as cash flow hedge	**-**	**-**	**-**	**-**	**46,866**	**46,866**
Noncurrent receivables (including current portion)	**-**	**1,574,567**	**-**	**-**	**-**	**1,574,567**
Restricted cash	**3,913,547**	**-**	**-**	**-**	**-**	**3,913,547**
	P62,934,838	**P59,016,046**	**P2,680,821**	**P662,639**	**P46,866**	**P125,341,210**

	Financial Assets at Amortized Cost					
December 31, 2021 (Audited)	12-month ECL	Lifetime ECL - not credit impaired	Lifetime ECL - credit impaired	Financial Assets at FVPL	Financial Assets at FVOCI	Total
Cash and cash equivalents (excluding cash on hand)	P67,688,162	P -	P -	P -	P -	P67,688,162
Trade and other receivables	-	47,223,910	2,672,082	-	-	49,895,992
Derivative assets not designated as cash flow hedge	-	-	-	111,932	-	111,932
Derivative asset designated as cash flow hedge	-	-	-	-	42,173	42,173
Noncurrent receivables (including current portion)	-	1,560,209	-	-	-	1,560,209
Restricted cash	4,430,396	-	-	-	-	4,430,396
	P72,118,558	P48,784,119	P2,672,082	P111,932	P42,173	P123,728,864

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

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

	March 31, 2022 (Unaudited)				December 31, 2021 (Audited)			
	Trade	**Non-trade**	**Amounts Owed by Related Parties**	**Total**	Trade	Non-trade	Amounts Owed by Related Parties	Total
Current	**P25,691,981**	**P28,869**	**P1,988,813**	**P27,709,663**	P17,990,189	P1,074,987	P1,885,024	P20,950,200
Past due:								
1-30 days	**3,427,600**	**165,377**	**528,344**	**4,121,321**	4,601,818	185,891	500,031	5,287,740
31-60 days	**1,737,647**	**144,575**	**10,876**	**1,893,098**	1,748,212	215,610	40,776	2,004,598
61-90 days	**951,648**	**291,119**	**40,284**	**1,283,051**	1,504,672	14,848	31,752	1,551,272
Over 90 days	**16,287,637**	**8,232,944**	**594,586**	**25,115,167**	11,251,529	8,230,403	620,250	20,102,182
	P48,096,513	**P8,862,884**	**P3,162,903**	**P60,122,300**	P37,096,420	P9,721,739	P3,077,833	P49,895,992

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

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

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

The Group has significant concentration of credit risk. Sale of power to Meralco accounts for 39% and 41% of the Group's total revenues for the periods ended March 31, 2022 and 2021, respectively.

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

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

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

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

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

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

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

March 31, 2022 (Unaudited)	< 1 Year	1-2 Years	>2-3 Years	>3-4 Years	>4-5 Years	>5 Years	Total
Fixed Rate							
Philippine peso-denominated	**P27,837,064**	**P23,441,684**	**P34,367,304**	**P9,562,244**	**P16,676,987**	**P35,917,105**	**P147,802,388**
Interest rate	**5.0000% to 7.7521%**	**4.7575% to 7.7521%**	**5.0000% to 7.7521%**	**5.0000% to 7.7521%**	**5.1792% to 7.7521%**	**6.2836% to 7.7521%**	
Foreign currency-denominated (expressed in Philippine peso)	**7,788,086**	**1,187,407**	**1,242,588**	**1,299,812**	**1,359,080**	**12,219,462**	**25,096,435**
Interest rate	**4.7776% to 5.5959%**	**5.5959%**	**5.5959%**	**5.5959%**	**5.5959%**	**5.5959%**	
Floating Rate							
Foreign currency-denominated (expressed in Philippine peso)	**28,461,346**	**2,977,792**	**10,756,953**	**15,949,786**	**447,293**	**4,021,595**	**62,614,765**
Interest rate	**LIBOR + Margin**	**LIBOR + Margin**	**LIBOR + Margin**	**LIBOR + Margin**	**LIBOR + Margin**	**LIBOR + Margin**	
	P64,086,496	**P27,606,883**	**P46,366,845**	**P26,811,842**	**P18,483,360**	**P52,158,162**	**P235,513,588**

December 31, 2021 (Audited)	< 1 Year	1-2 Years	>2-3 Years	>3-4 Years	>4-5 Years	>5 Years	Total
Fixed Rate							
Philippine peso-denominated	P27,779,564	P23,342,184	P34,309,804	P9,504,744	P16,589,154	P37,203,624	P148,729,074
Interest rate	5.0000% to 7.7521%	4.7575% to 7.7521%	5.0000% to 7.7521%	5.0000% to 7.7521%	5.1792% to 7.7521%	6.2836% to 7.7521%	
Foreign currency-denominated (expressed in Philippine peso)	1,994,622	6,852,327	1,224,792	1,281,197	1,339,616	12,044,460	24,737,014
Interest rate	4.7776% to 5.5959%	4.7776% to 5.5959%	5.5959%	5.5959%	5.5959%	5.5959%	
Floating Rate							
Foreign currency-denominated (expressed in Philippine peso)	660,258	30,328,621	403,096	421,660	15,740,587	3,963,999	51,518,221
Interest rate	LIBOR + Margin	LIBOR + Margin	LIBOR + Margin	LIBOR + Margin	LIBOR + Margin	LIBOR + Margin	
	P30,434,444	P60,523,132	P35,937,692	P11,207,601	P33,669,357	P53,212,083	P224,984,309

The sensitivity to a reasonably possible 1% increase in the interest rates, with all other variables held constant, would have decreased the Group's profit before tax (through the impact on floating rate borrowings) by P156,537 and P515,182 for the period ended March 31, 2022 and for the year ended December 31, 2021, respectively. A 1% decrease in the interest rate would have had the equal but opposite effect. These changes are considered to be reasonably possible given the observation of prevailing market conditions in those periods. There is no impact on the Group's other comprehensive income.

<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) and long-term call spread swaps are entered into to manage foreign currency risks relating to foreign currency-denominated obligations and long-term borrowings.

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

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

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

- changes in the timing of the hedged transactions.

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

		March 31, 2022 (Unaudited)		December 31, 2021 (Audited)	
	Note	**US Dollar**	**Peso Equivalent**	US Dollar	Peso Equivalent
Assets					
Cash and cash equivalents	*7*	**US$340,826**	**P17,634,325**	US$582,496	P29,706,729
Trade and other receivables	*8*	**77,999**	**4,035,660**	236,449	12,058,685
		418,825	**21,669,985**	818,945	41,765,414
Liabilities					
Loans payable	*10*	**15,000**	**776,100**	30,000	1,529,970
Accounts payable and accrued expenses	*11*	**151,779**	**7,853,020**	590,308	30,105,121
Long-term debt (including current maturities)	*12*	**1,695,230**	**87,711,200**	1,495,230	76,255,235
Lease liabilities (including current portion)	*6*	**694,117**	**35,913,636**	762,458	38,884,578
Other noncurrent liabilities		-	-	67,749	3,455,137
		2,556,126	**132,253,956**	2,945,745	150,230,041
Net Foreign Currency-denominated Monetary Liabilities		**US$2,137,301**	**P110,583,971**	US$2,126,800	P108,464,627

The Group reported net losses on foreign exchange amounting to P357,633 and P161,301 for the periods ended March 31, 2022 and 2021, respectively, with the translation of its foreign currency-denominated assets and liabilities (Note 17).

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

	US Dollar to Philippine Peso
March 31, 2022	**P51.740**
December 31, 2021	50.999
March 31, 2021	48.530
December 31, 2020	48.023

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

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

	P1 Decrease in the US Dollar Exchange Rate		**P1 Increase in the US Dollar Exchange Rate**	
March 31, 2022 (Unaudited)	**Effect on Income before Income Tax**	**Effect on Equity**	**Effect on Income before Income Tax**	**Effect on Equity**
Cash and cash equivalents	**(P332,491)**	**(P331,154)**	**P332,491**	**P331,154**
Trade and other receivables	**(77,051)**	**(60,774)**	**77,051**	**60,774**
	(409,542)	**(391,928)**	**409,542**	**391,928**
Loans payable	**15,000**	**11,775**	**(15,000)**	**(11,775)**
Accounts payable and accrued expenses	**148,986**	**118,121**	**(148,986)**	**(118,121)**
Long-term debt (including current maturities)	**1,695,230**	**1,523,423**	**(1,695,230)**	**(1,523,423)**
Lease liabilities (including current portion)	**694,117**	**520,544**	**(694,117)**	**(520,544)**
	2,553,333	**2,173,863**	**(2,553,333)**	**(2,173,863)**
	P2,143,791	**P1,781,935**	**(P2,143,791)**	**(P1,781,935)**

December 31, 2021 (Audited)	P1 Decrease in the US Dollar Exchange Rate Effect on Income before Income Tax	 Effect on Equity	P1 Increase in the US Dollar Exchange Rate Effect on Income before Income Tax	 Effect on Equity
Cash and cash equivalents	(P574,118)	(P548,884)	P574,118	P548,884
Trade and other receivables	(236,398)	(178,079)	236,398	178,079
	(810,516)	(726,963)	810,516	726,963
Loans payable	30,000	22,500	(30,000)	(22,500)
Accounts payable and accrued expenses	590,013	444,524	(590,013)	(444,524)
Long-term debt (including current maturities)	1,495,230	1,325,423	(1,495,230)	(1,325,423)
Lease liabilities (including current portion)	762,458	571,843	(762,458)	(571,843)
Other noncurrent liabilities	67,749	50,841	(67,749)	(50,841)
	2,945,450	2,415,131	(2,945,450)	(2,415,131)
	P2,134,934	P1,688,168	(P2,134,934)	(P1,688,168)

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

Commodity Price Risk

Commodity price risk is the risk that future cash flows from a financial instrument will fluctuate because of changes in commodity prices.

The Group, through SMC and the Parent Company, enters into commodity derivatives to manage its price risks on strategic commodities. Commodity hedging allows stability in prices, thus offsetting the risk of volatile market fluctuations. Through hedging, prices of commodities are fixed at levels acceptable to the Group, thus protecting raw material cost and preserving margins. For hedging transactions, if prices go down, hedge positions may show marked-to-market losses; however, any loss in the marked-to-market position is offset by the resulting lower physical raw material cost.

Commodity Swaps. Commodity swaps are used to manage the Group’s exposures to volatility in prices of coal.

Other Market Price Risk

The Group’s market price risk arises from its investments carried at fair value (financial assets at FVOCI). The Group manages its risk arising from changes in market price by monitoring the changes in the market price of the investments.

Capital Management

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

The Group manages its capital structure and makes adjustments in the light of changes in economic conditions. To maintain or adjust the capital structure, the Group may adjust the dividend payment to shareholders, distribution payment, pay-off existing debts, return capital to shareholders or issue new shares, subject to compliance with certain covenants of its long-term debts, SPCS, RPS and USCS (Note 12).

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

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

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

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

21. Financial Assets and Financial Liabilities

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

	March 31, 2022 (Unaudited)		December 31, 2021 (Audited)	
	Carrying Amount	**Fair Value**	Carrying Amount	Fair Value
Financial Assets				
Cash and cash equivalents	**P59,023,294**	**P59,023,294**	P67,690,151	P67,690,151
Trade and other receivables - net*	**57,441,479**	**57,441,479**	47,223,910	47,223,910
Derivative assets not designated as cash flow hedge (included under "Prepaid expenses and other current assets" account)	**662,639**	**662,639**	111,932	111,932
Derivative asset designated as cash flow hedge (included under "Prepaid expenses and other current assets" and "Other noncurrent assets" accounts)	**46,866**	**46,866**	42,173	42,173
Noncurrent receivables (included under "Other noncurrent assets" account; including current portion)	**1,574,567**	**1,574,567**	1,560,209	1,560,209
Restricted cash (included under "Prepaid expenses and other current assets" and "Other noncurrent assets" accounts)	**3,913,547**	**3,913,547**	4,430,396	4,430,396
	P122,662,392	**P122,662,392**	P121,058,771	P121,058,771
Financial Liabilities				
Loans payable	**P776,100**	**P776,100**	P1,529,970	P1,529,970
Accounts payable and accrued expenses*	**50,682,373**	**50,682,373**	48,147,723	48,147,723
Derivative liabilities not designated as cash flow hedge (included under "Accounts payable and accrued expenses" account)	**9,850**	**9,850**	-	-
Long-term debt - net (including current maturities)	**233,330,926**	**247,016,094**	222,921,443	242,668,663
Lease liabilities (including current portion)	**73,209,361**	**73,209,361**	78,213,359	78,213,359
Other noncurrent liabilities (including current portions of Concession liability and Premium on option liabilities)	**4,243,535**	**4,243,535**	4,146,692	4,146,692
	P362,252,145	**P375,937,313**	P354,959,187	P374,706,407

**Excluding statutory receivables and payables*

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

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

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

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

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

Long-term Debt and Other Noncurrent Liabilities. The fair value of interest-bearing fixed-rate loans is based on the discounted value of expected future cash flows using the applicable market rates for similar types of instruments as at reporting date. Discount rates used for Philippine peso-denominated loans range from 1.13% to 5.74% and 0.99% to 4.74% as at March 31, 2022 and December 31, 2021, respectively. Discount rates used for foreign currency-denominated loans range from 0.45% to 2.45% and 0.25% to 1.50% as at March 31, 2022 and December 31, 2021, respectively. The carrying amounts of floating rate loans with quarterly interest rate repricing approximate their fair values.

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

Derivative Financial Instruments

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

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

Derivative Instruments Accounted for as Cash Flow Hedges

Call Spread Swaps

As at March 31, 2022 and December 31, 2021, the Group has outstanding call spread swaps designated as cash flow hedges with an aggregate notional amount of US$60,000 and with an average strike rate range of P52.95 to P56.15. The call spread swaps are designated to hedge foreign currency exposure on US dollar-denominated loans maturing in March 2023. As at March 31, 2022, the positive fair value of the call spread swaps, included under "Prepaid expense and other current assets" account amounted to P46,866. As at December 31, 2021, the positive fair value of the call spread swaps, included under "Other noncurrent assets" account amounted to P42,173.

The table below provides for a reconciliation of the components of equity and other comprehensive income items, net of tax, resulting from cash flow hedge accounting:

	March 31, 2022 (Unaudited)	December 31, 2021 (Audited)
Beginning balance	**P8,809**	(P47,153)
Changes in fair value of derivatives	**4,693**	23,285
Amount reclassified to profit or loss due to interest expense and other financing charges	**6,830**	32,677
Ending balance	**P20,332**	P8,809

The hedges were assessed to be effective as the critical terms of the hedged items match the hedging instruments. No ineffectiveness was recognized in the consolidated statements of income for the period ended March 31, 2022 and for the year ended December 31, 2021.

Derivative Financial Instruments and Hedge Accounting

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

Freestanding Derivatives

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

Currency Forwards
The Group entered into short-term foreign currency forward contracts with aggregate notional amount of US$70,000 and US$50,000 as at March 31, 2022 and December 31, 2021, respectively. The positive (negative) fair value of these currency forwards amounted to (P9,850) and P49,775 as at March 31, 2022 and December 31, 2021, respectively.

Commodity Swaps
The Group has outstanding fixed swap agreements covering the coal requirements of a subsidiary with various maturities in 2022. Under the agreements, payment is made either by the Group or its counterparty for the difference between the hedged fixed price and the relevant monthly average index price. The outstanding notional quantity covered by the commodity swaps is 102,000 metric tons and 96,000 metric tons as at March 31, 2022 and December 31, 2021, respectively. The positive fair value of these commodity swaps amounted to P662,639 and P62,157 as at March 31, 2022 and December 31, 2021, respectively.

The Group recognized marked-to-market gains from freestanding derivatives amounting to P609,842 and P35,030 for the periods ended March 31, 2022 and 2021, respectively (Note 17).

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

	March 31, 2022 (Unaudited)	December 31, 2021 (Audited)
Beginning balance	**P154,105**	P9,299
Net change in fair value of derivatives:		
Not designated as accounting hedge	**609,842**	278,397
Designated as accounting hedge	**4,693**	23,285
	768,640	310,981
Less fair value of settled instruments	**68,985**	156,876
Ending balance	**P699,655**	P154,105

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

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

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

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

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

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

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

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

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

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

22. Other Matters

a. Contingencies

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

i. *Temporary Restraining Order ("TRO") Issued to Meralco*

SMEC, SPPC, SPDC, MPPCL and other generation companies became parties to a Petition for Certiorari and Prohibition with prayer for TRO and/or Preliminary Injunction ("Petition") filed in the Supreme Court ("SC") by special interest groups which sought to stop the imposition of the increase in generation charge of Meralco for the November 2013 billing month. On December 23, 2013, the SC issued a TRO ordering Meralco not to collect, and the generators not to demand payment, for the increase in generation charge for the November 2013 billing month. As a result, Meralco was constrained to fix its generation rate to its October 2013 level of P5.67/kWh. Claiming that since the power supplied by generators is billed to Meralco's customers on a pass-through basis, Meralco deferred a portion of its payment on the ground that it was not able to collect the full amount of its generation cost. The TRO was originally for a period of 60 days.

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

On February 18, 2014, the SC extended the TRO issued on December 23, 2013 for another 60 days or until April 22, 2014 and granted additional TROs enjoining PEMC and the generators from demanding and collecting the deferred amounts. In a Resolution dated April 22, 2014, the SC extended indefinitely the effectivity of the TROs issued on December 23, 2013 and February 18, 2014. To date, the Petition is pending resolution with the SC.

ii. Energy Regulatory Commission ("ERC") Order Voiding WESM Prices
Relative to the above-cited Petition, on December 27, 2013, the Department of Energy ("DOE"), ERC and PEMC, acting as a tripartite committee, issued a joint resolution setting a reduced price cap on the WESM of P32/kWh. The price was set to be effective for 90 days until a new cap is decided upon.

On March 3, 2014, the ERC, in the exercise of its police power, issued an order in Miscellaneous Case No. 2014-021, declaring the November and December 2013 Luzon WESM prices void, imposed the application of regulated prices and mandated PEMC, the operator of the WESM, to calculate and issue adjustment bills using recalculated prices (the "March 3, 2014 Order"). On March 27, 2014, the ERC directed PEMC to provide the market participants an additional period of 45 days from receipt of the order within which to comply with the settlement of their respective adjusted WESM bills in accordance with the March 3, 2014 Order. The period to comply with the settlement of the adjusted WESM bills was further extended by the ERC in a subsequent order dated May 9, 2014. Based on these orders, SMEC, SPPC and SPDC recognized a reduction in the sale of power while SMELC and MPPCL recognized a reduction in its power purchases. Consequently, a payable and receivable were also recognized for the portion of over-collection or over-payment, the settlement of which have been covered by a 24-month Special Payment Arrangement with PEMC which was already completed on May 25, 2016.

SMEC, SPPC, SPDC and MPPCL filed various pleadings requesting ERC for the reconsideration of the March 3, 2014 Order. Other generators also requested the SC to stop the implementation of the March 3, 2014 Order.

On June 26, 2014, SMEC, SPPC and SPDC filed before the Court of Appeals ("CA") a Petition for Review under Rule 43 of the Revised Rules of Court assailing the ERC orders dated March 3, 2014, March 27, 2014, and May 9, 2014 ("the 2014 ERC Orders"). On the other hand, MPPCL filed its Petition for Review with the CA on December 12, 2014.

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

Motions for Reconsideration of the November 7, 2017 Decision and Motions for Intervention and Motions to Admit Motions for Reconsideration were filed by various intervenors.

In a resolution dated March 22, 2018 (the “March 22, 2018 Resolution”), the CA denied the aforesaid motions. In June 2018, the intervenors filed their respective motions for reconsideration of the said resolution of the CA dated March 22, 2018. On June 27, 2018, MPPCL filed a Consolidated Comment to the various Motions for Reconsideration while SMEC, SPPC and SPDC filed their Consolidated Opposition to said Motions for Reconsideration on July 27, 2018.

On March 29, 2019, the CA issued an Omnibus Resolution affirming the November 7, 2017 Decision and the March 22, 2018 Resolution.

The intervenors thereafter filed petitions for certiorari before the SC, First Division. Each were denied by the SC through its resolutions dated September 11, 2019 and October 1, 2019 generally on the same ground that the petitioners each failed to sufficiently show that the CA committed any reversible error in promulgating its resolution dated March 22, 2018 denying petitioners’ motions to intervene and the subsequent Omnibus Resolution dated March 29, 2019 denying the petitioners’ motions for reconsideration of the denial of their respective motions to intervene.

MPPCL filed on January 22, 2020, while SMEC, SPPC and SPDC filed on January 30, 2020, their respective Comments on the Petition for Review filed by the ERC with the SC. In its petition, the ERC appealed the November 7, 2017 Decision and Omnibus Resolution dated March 29, 2019, which nullified and set aside the 2014 ERC Orders, which declared the WESM prices for November and December 2013 void.

PEMC also filed a Motion to Admit Comment and Comment on the ERC’s Petition for Review both dated March 12, 2020.

In a Resolution dated February 10, 2020, the SC directed the respondents to file their respective Comments on the Petition for Review filed by Meralco (“Meralco Petition”). SMEC, SPPC and SPDC, received, through counsel, a copy of the Resolution on June 25, 2020. SMEC, SPPC and SPDC filed on July 15, 2020, while MPPCL filed on July 16, 2020, their Comments on the Meralco Petition, all within the period of extension granted by the SC.

On July 9, 2020, AP Renewables Inc. (“APRI”) filed a Motion to Consolidate praying for the SC to direct the consolidation of the foregoing case with ERC v. SMEC, et. al. (SC-G.R. Nos. 246621-30, First Division). The ERC, through the Office of the Solicitor General, filed a Manifestation and Motion dated September 15, 2020, agreeing with APRI but deferring to the judgment of the SC on the matter.

On July 21, 2020, Meralco filed a Motion for Leave to File and Admit the Attached Manifestation with Manifestation, both of even date, (collectively, "Meralco Manifestation"), praying that the SC apply the ruling in the case of PSALM v. PEMC (G.R. No. 190199, March 11, 2020) in resolving the instant case. The SC has not yet issued an order to respondents to comment on said Meralco Manifestation.

On September 22, 2020, SMEC, SPPC and SPDC filed motions to admit their Comment on the Meralco Manifestation.

Entries of judgment have been issued by the SC certifying that the resolutions denying the Petitions for Review on Certiorari filed by various intervenors against SMEC, SPPC, SPDC and MPPCL, among others, have become final and executory.

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

The ERC has also filed its Consolidated Reply to the comments on its petition dated November 18, 2020. To date, the case remains pending with the SC.

Upon finality of the decision, a claim for refund may be made by the relevant subsidiaries with PEMC for an amount up to P2,321,785, plus interest.

iii. Generation Payments to PSALM

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

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

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

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

On September 28, 2015, the RTC issued an order granting a Preliminary Injunction enjoining PSALM from proceeding with the termination of the Ilijan IPPA Agreement while the main case is pending.

On October 19, 2015, the RTC also issued an order granting the Motion for Intervention and Motion to Admit Complaint-in-intervention by Meralco.

In an order dated June 27, 2016 (the “June 27, 2016 RTC Order”), the RTC denied PSALM’s: (1) Motion for Reconsideration of the order dated September 28, 2015, which issued a writ of preliminary injunction enjoining PSALM from further proceeding with the termination of the Illijan IPPA Agreement while the case is pending; (2) Motion for Reconsideration of the order dated October 19, 2015, which allowed Meralco to intervene in the case; and (3) Motion to Dismiss. In response to the June 27, 2016 RTC Order, PSALM filed a petition for certiorari with the CA seeking to annul the same. PSALM also prayed for the issuance of a TRO and/or writ of preliminary injunction “against public respondent RTC and its assailed orders”. The CA, however, denied the petition filed by PSALM in its decision dated December 19, 2017 (“CA Decision”). In the CA Decision, the CA upheld the lower court’s issuance of a writ of preliminary injunction against PSALM prohibiting the termination of the Ilijan IPPA Agreement while the case in the lower court is pending.

PSALM filed its Motion for Reconsideration dated January 19, 2018 to the CA Decision. In a Resolution dated July 12, 2018 (the “2018 CA Resolution”), the CA denied PSALM’s Motion for Reconsideration of the CA Decision.

On September 4, 2018, PSALM filed a Petition for Certiorari with urgent prayer for the issuance of a TRO and/or Writ of Preliminary Injunction before the SC praying for the reversal and nullification of the CA Decision and the 2018 CA Resolution. Said petition was denied by the SC in its resolution dated March 4, 2019 (the “March 4, 2019 SC Resolution”) due to lack of payment of the required fees and for PSALM’s failure to sufficiently show that the CA committed any reversible error in the challenged decision and resolution as to warrant the exercise of the CA’s discretionary appellate jurisdiction. The motion for reconsideration filed by PSALM pursuant to the March 4, 2019 SC Resolution was denied by the SC in a resolution dated August 5, 2019 which became final and executory through an Entry of Judgement issued by the SC on the same date.

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

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

On September 24, 2018, the RTC issued an order denying PSALM’s Motion to Hear Affirmative Defense and granted SPPC’s Motion for Production of Documents. PSALM then filed a Motion for Reconsideration of the said order. On December 14, 2018, SPPC filed its opposition to the Motion for Reconsideration. In an order dated April 29, 2019, the RTC denied the Motion for Reconsideration filed by PSALM on the basis that it found no strong and compelling reason to modify, much less reverse, its order dated September 24, 2018 which denied the Motion to Hear Affirmative Defenses filed by PSALM.

On July 23, 2019, PSALM filed a Petition for Certiorari with urgent prayer for the issuance of a TRO and/or Writ of Preliminary Injunction with the CA, seeking the reversal of the September 24, 2018 and April 29, 2019 orders of the RTC. Although, the CA dismissed the Petition for Certiorari filed by PSALM in a Resolution dated August 23, 2019 (the "2019 CA Resolution"), the CA subsequently granted the Motion for Reconsideration filed by PSALM in response to the 2019 CA Resolution. In a Resolution dated February 24, 2020, the CA required PSALM to revise its petition and send the revised copies to SPPC and Meralco.

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

PSALM filed several pleadings: (1) Urgent Ex-Parte Motion for Early Resolution of its Motion for Leave to File Amended Answer Ad Cautelam dated May 28, 2020; (b) Motion for Reconsideration of the RTC's Order of February 14, 2020, which did not allow PSALM to present witnesses in support of its Motion to Dissolve the Writ of Preliminary Injunction and directed the parties to submit pleadings and documents in support of their respective positions; and (3) Reply to SPPC's Opposition to its Motion to Dissolve the Writ of Preliminary Injunction. On July 6, 2020, SPPC filed an Opposition to the Motion for Reconsideration filed by PSALM on the RTC's Order of February 14, 2020.

PSALM also filed a Reply to SPPC's Opposition to the Motion Ad Cautelam to Lift or Dissolve the Writ of Preliminary Injunction. In August 2020, PSALM also filed a Reply to the Supplemental Opposition to the Motion Ad Cautelam to Dissolve the Writ of Preliminary Injunction. On September 14, 2020, SPPC filed a Motion to Admit Consolidated Rejoinder and Consolidated Rejoinder. The Consolidated Rejoinder addresses both PSALM's Reply to the Opposition to the Motion Ad Cautelam to Lift or Dissolve the Writ of Preliminary Injunction and its Reply to SPPC's Supplemental Opposition to the same motion.

In September 2020, PSALM filed an Urgent Ex Parte Motion for Early Resolution of its Motion for Leave to File the Amended Answer Ad Cautelam.

In an Order dated November 17, 2020, the RTC considered as submitted for resolution, PSALM's Motion Ad Cautelam to Lift or Dissolve the Writ of Preliminary Injunction.

In an Order dated November 27, 2020, the RTC denied PSALM's Motion for Leave to File Amended Answer Ad Cautelam. On January 29, 2021, PSALM filed a Motion for Reconsideration. SPPC filed an Opposition and PSALM filed a Reply.

On January 15, 2021, SPPC filed a Motion for Summary Judgment, praying that judgment be rendered in favor of SPPC on all its causes of action based on the pleadings, affidavits, and admissions on file. PSALM has filed an Opposition to the motion.

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

The mediation scheduled on April 19, 2021, was not held because the SC directed the closure of courts and related offices, including the Philippine Mediation Center, for the duration of the enhanced community quarantine ("ECQ") and modified enhanced community quarantine.

In an Order dated May 18, 2021, the RTC recalled the March 23, 2021 RTC Order, where it set the case for mediation given that the parties have already exhausted both court-annexed mediation and judicial dispute resolution and scheduled the pre-trial of the case on June 18, 2021. The pre-trial was however cancelled and no new schedule was provided by the RTC. SPPC filed a motion to postpone the pre-trial on the ground that it still has a pending Motion for Reconsideration of the order denying its Motion for Summary Judgement. PSALM filed a Motion for Leave to File a Supplemental Pre-trial Brief, purportedly for purposes of complying with Section 6, Rule 18 of the Amended Rules of Civil Procedure.

On June 21, 2021, SPPC received PSALM's Opposition to its Motion for Reconsideration of the Order denying the Motion for Summary Judgment. On June 25, 2021, SPPC filed a Motion for Leave to File Reply and Reply to PSALM's Opposition. On July 19, 2021, PSALM moved for reconsideration of the court's postponement of the pre-trial and filed a Rejoinder to SPPC's Reply.

The RTC suspended pre-trial proceedings until after its resolution of SPPC's Motion for Reconsideration of the denial of the Motion for Summary Judgment.

In June 2021, PSALM also filed a petition for certiorari under Rule 65 of the rules of Court to annul the trial court's Order of November 27, 2020, which denied PSALM's Motion for Leave to File Amended Answer, and the 23 March 2021 RTC Order, which denied PSALM's Motion for Reconsideration of the Order of denial. The petition has been docketed as CA-G.R. SP No. 169443.

On August 5, 2021, the CA issued a Resolution, directing SPPC to file a Comment on the petition in CA-G.R. SP No. 169443 within 10 days, and PSALM to file a Reply within five days from its receipt of the Comment. Since the courts in the National Capital Region were physically closed until October 15, 2021 because of the quarantine, SPPC was only able to file the Comment by registered mail on October 6, 2021. PSALM filed its reply on October 29, 2021.

On September 13, 2021, the RTC denied SPPC's motion for partial reconsideration of the March 23, 2021 RTC Order and scheduled the pre-trail of the case on November 19, 2021.

The case underwent pre-trial on November 19, 2021 while the presentation of evidence is scheduled on January 28, February 18, and March 4 and March 25, 2022. The January 28, 2022 hearing by video conferencing was cancelled due to the physical closure of courts in the National Capital Region while the February 18, 2022 hearing, was cancelled upon the motion of the counsel for PSALM.

On December 7, 2021, the RTC denied the Motion Ad Cautelam to Lift or Dissolve the Writ of Preliminary Injunction filed by PSALM. PSALM filed a Motion for Reconsideration to which SPPC has filed an Opposition.

The presentation of evidence has not yet commenced because the parties had to finalize and submit their Joint Stipulation of Facts. The next hearing will be held on May 6, 2022.

Meanwhile, the proceedings before the RTC continues and by virtue of the Preliminary Injunction issued by the RTC, SPPC continues to be the IPP Administrator for the Ilijan Power Plant without restrictions or limitations on the ability of SPPC to supply power from the Ilijan Power Plant to Meralco under its PSA with the latter, or the ability of SPPC to take possession of the Ilijan Power Plant upon the expiry of the Ilijan IPPA Agreement in June 2022.

iv. *Criminal Cases*

SPPC

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

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

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

In a Decision of the same date, approved by the Ombudsman also on February 15, 2022, the GIPO also dismissed the administrative complaint against one of the Respondents.

On March 21, 2022, SPPC filed a Motion for Reconsideration of the resolution dismissing the criminal complaint.

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

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

On October 25, 2017, the DOJ issued a Resolution partially granting the Petition for Review by reversing the July 29, 2016 DOJ Resolution insofar as the conduct of the preliminary investigation. On November 17, 2017, SMEC filed a motion for partial reconsideration of said October 25, 2017 DOJ Resolution. Said motion is still pending to date.

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

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

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

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

On July 4, 2018, SMEC filed its Motion for Reconsideration (“MR”) to the May 22, 2018 order which dismissed the consignation case. The MR was heard on July 13, 2018 where the parties were given time to file their responsive pleadings. PSALM filed its Comment dated July 26, 2018 to the MR and SMEC filed its Reply to PSALM’s Comment on August 13, 2018. The motion has not yet been resolved as of date.

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

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

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

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

Further related thereto, on December 1, 2016, SMEC received a copy of a Complaint filed by TPEC and TeaM Sual Corporation with the ERC against SMEC and PSALM in relation to the Excess Capacity issues, which issues have already been raised in the abovementioned cases. SMEC filed a Motion to Dismiss and Motion to Suspend Proceeding of the instant case. The complaint is still pending with the ERC to date.

As at March 31, 2022 and December 31, 2021, the total amount consigned with the RTC Pasig is P491,242, included under "Other noncurrent assets", particularly "Restricted cash" account, in the consolidated statements of financial position.

b. Event After the Reporting Date
On May 2, 2022, the Parent Company's BOD approved the payment of distributions amounting to (i) US$20,438 plus applicable taxes on June 9, 2022 to the US$750,000 SPCS holders, (ii) US$10,156 on June 16, 2022 to the US$650,000 RPS holder, and (iii) US$17,100 plus applicable taxes on July 21, 2022 to the US$600,000 SPCS holders.

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

	Loans Payable	Long-term Debt	Lease Liabilities	Total
Balance as at January 1, 2022 (Audited)	**P1,529,970**	**P222,921,443**	**P78,213,359**	**P302,664,772**
Changes from Financing Activities				
Proceeds from borrowings	782,100	10,274,000	-	11,056,100
Payments of borrowings	(1,564,200)	(926,686)	-	(2,490,886)
Payments of lease liabilities	-	-	(6,503,642)	(6,503,642)
Total Changes from Financing Activities	**(782,100)**	**9,347,314**	**(6,503,642)**	**2,061,572**
Effect of Changes in Foreign Exchange Rates	28,230	1,181,965	529,422	1,739,617
Other Changes	-	(119,796)	970,222	850,426
Balance as at March 31, 2022 (Unaudited)	**P776,100**	**P233,330,926**	**P73,209,361**	**P307,316,387**

	Loans Payable	Long-term Debt	Lease Liabilities	USCS	Total
Balance as at January 1, 2021 (Audited)	P1,680,805	P219,552,782	P99,511,094	P13,823,499	P334,568,180
Changes from Financing Activities					
Proceeds from borrowings	1,682,800	9,691,000	-	-	11,373,800
Payments of borrowings	(1,682,800)	(10,559,973)	-	-	(12,242,773)
Payments of lease liabilities	-	-	(5,817,250)	-	(5,817,250)
Redemption of USCS	-	-	-	(14,581,500)	(14,581,500)
Total Changes from Financing Activities	-	(868,973)	(5,817,250)	(14,581,500)	(21,267,723)
Effect of Changes in Foreign Exchange Rates	17,745	714,490	503,164	-	1,235,399
Other Changes	-	(128,067)	84,062	758,001	713,996
Balance as at March 31, 2021 (Unaudited)	P1,698,550	P219,270,232	P94,281,070	P -	P315,249,852

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

d. Commitments

The outstanding purchase commitments of the Group amounted to P90,116,874 and P100,125,622 as at March 31, 2022 and December 31, 2021, respectively. Amount authorized but not yet disbursed for capital projects is approximately P139,985,721 and P214,795,314 as at March 31, 2022 and December 31, 2021, respectively.

The Group's material commitments for capital expenditure projects involve the construction of power plants, mostly utilizing high efficiency low emission technologies, liquefied natural gas and BESS in line with the Group's expansion projects and acquisition of fixed assets needed for normal operations of the business. The funds to be used for these projects will come from available cash and proceeds from outstanding long-term loans and issued SPCS

e. There are no unusual items as to the nature and amount affecting assets, liabilities, equity, net income or cash flows, except those stated in Management's Discussion and Analysis of Financial Position and Financial Performance.

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

g. The effects of Coronavirus Disease 2019 and Russia-Ukraine conflict in the performance of the Group as at first quarter of 2022 are discussed in the Management's Discussion and Analysis of Financial Position and Financial Performance.

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

The following are the major performance measures that SMC Global Power Holdings Corp. and Subsidiaries (the "Group") use. Analyses are employed by comparisons and measurements based on the financial data as at March 31, 2022 and December 31, 2021 for liquidity, solvency and profitability ratios and for the periods ended March 31, 2022 and 2021 for operating efficiency ratios.

LIQUIDITY RATIO

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

(in Millions Peso)	Conventional		Adjusted [1]	
	March 2022	December 2021	**March 2022**	December 2021
(A) Current Assets	**157,646**	156,470	**157,646**	156,470
(B) Current Liabilities	**144,565**	109,472	**124,855**	87,876
Current Ratio (A)/(B)	**1.09**	1.43	**1.26**	1.78

[1] Current portion of lease liabilities, in relation to the IPPA Agreements with PSALM, are excluded from the total current liabilities as these current obligations on lease are pass-through charges billable to customers. As at March 31, 2022 and December 31, 2021, current portion of lease liabilities to PSALM amounted to P19,710 million and P21,596 million, respectively.

SOLVENCY RATIO

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

Per relevant Loan Covenants of SMC Global Power

(in Million Peso)	**March 2022**	December 2021
(A) Net Debt [2]	**197,644**	184,001
(B) Total Equity [3]	**246,756**	247,603
Net Debt-to-Equity Ratio (A)/(B)	**0.80**	0.74

**All items 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		Adjusted [4]	
	March 2022	December 2021	**March 2022**	December 2021
(A) Total Assets	**646,290**	635,724	**495,759**	483,896
(B) Total Equity	**251,953**	251,728	**251,953**	251,728
Asset-to-Equity Ratio (A)/(B)	**2.57**	2.53	**1.97**	1.92

[4] Net carrying amount of the IPPA power plants, in relation to the IPPA Agreements with PSALM, was omitted in total assets as these power plant assets were capitalized with corresponding lease liabilities. As at March 31, 2022 and December 31, 2021, the net carrying amount of the IPPA power plant assets amounted to P150,531 million and P151,828 million, respectively.

PROFITABILTY RATIO

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

(in Millions Peso)	**March 2022**	December 2021
(A) Net Income [5]	**10,129**	15,978
(B) Total Equity	**251,953**	251,729
Return on Equity (A)/(B)	**4.0%**	6.3%

[5] Annualized for quarterly reporting.

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

Per relevant Loan Covenants of SMC Global Power

(in Million Peso)	**March 2022**	December 2021
(A) EBITDA [6]	**30,901**	33,542
(B) Interest Expense [7]	**12,969**	13,405
Interest Coverage Ratio (A)/(B)	**2.38**	2.50

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

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

OPERATING EFFICIENCY

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

	Periods Ended March 31	
(in GWh)	**2022**	2021
(A) Current Period Offtake Volume	**6,991**	6,344
(B) Prior Period Offtake Volume	**6,344**	6,644
Volume Growth (Decline) [(A)/(B) – 1]	**10.2%**	(4.5%)

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

	Periods Ended March 31	
(in Millions Peso)	**2022**	2021
(A) Current Period Revenue	**43,036**	27,366
(B) Prior Period Revenue	**27,366**	28,298
Revenue Growth Decline [(A)/(B) – 1]	**57.3%**	(3.3%)

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

	Periods Ended March 31	
(in Millions Peso)	**2022**	**2021**
(A) Income from Operations	**6,071**	**8,423**
(B) Revenues	**43,036**	**27,366**
Operating Margin (A)/(B)	**14.1%**	**30.8%**

ANNEX "B"

SMC GLOBAL POWER

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

INTRODUCTION

The following discussion should be read in conjunction with the attached unaudited consolidated financial statements of SMC Global Power Holdings Corp. ("SMC Global Power" or "Parent Company") and its subsidiaries (collectively referred to as the "Group") as at and for the period ended March 31, 2022 (with comparative figures as at December 31, 2021 and for the period ended March 31, 2021). All necessary adjustments have been made to present fairly the consolidated financial position, financial performance and cash flows of the Group as at March 31, 2022, and for all the other periods presented. Certain information and footnote disclosure normally included in the audited consolidated financial statements prepared in accordance with Philippine Financial Reporting Standards have been omitted.

I. FINANCIAL PERFORMANCE

Comparisons of key financial performance for the last two periods are summarized in the following tables.

	Periods Ended March 31	
In Millions	**2022**	2021
Revenues	**P43,036**	P27,366
Cost of power sold	**(35,807)**	(17,730)
Gross profit	**7,229**	9,636
Selling and administrative expenses	**(1,158)**	(1,213)
Income from operations	**6,071**	8,423
Interest expense and other financing charges	**(4,092)**	(4,595)
Interest income	**217**	125
Equity in net earnings of an associate and joint ventures	**60**	37
Other income - net	**1,085**	2,083
Income before income tax	**3,341**	6,073
Income tax expense (benefit)	**1,413**	(1,704)
Net Income	**1,928**	7,777

2022 vs. 2021

	March 31		Horizontal Analysis Increase (Decrease)		Vertical Analysis	
In Millions	**2022**	**2021**	**Amount**	**%**	**2022**	**2021**
Revenues	**P43,036**	P27,366	P15,670	57%	**100%**	100%
Cost of power sold	**(35,807)**	(17,730)	18,077	102%	**(83%)**	(65%)
Gross profit	**7,229**	9,636	(2,407)	(25%)	**17%**	35%
Selling and administrative expenses	**(1,158)**	(1,213)	(55)	(5%)	**(3%)**	(4%)
Income from operations	**6,071**	8,423	(2,352)	(28%)	**14%**	31%
Interest expense and other financing charges	**(4,092)**	(4,595)	(503)	(11%)	**(10%)**	(17%)
Interest income	**217**	125	92	74%	**1%**	0%
Equity in net earnings of an associate and joint ventures	**60**	37	23	62%	**0%**	0%
Other income - net	**1,085**	2,083	(998)	(48%)	**3%**	8%
Income before income tax	**3,341**	6,073	(2,732)	(45%)	**8%**	22%
Income tax expense (benefit)	**1,413**	(1,704)	3,117	183%	**3%**	(6%)
Net income	**P1,928**	P7,777	(P5,849)	(75%)	**5%**	28%

Revenues

The Group's consolidated revenues for the first quarter of 2022 registered at P43,036 million, 57% or P15,670 million higher than last year's P27,366 million for the same period. The increase was mainly due to: (i) higher average realization prices attributable to higher fuel cost passed on to customers as a result of rising coal prices and the increase in overall spot sales price in Luzon, (ii) improvement in nominations from Manila Electric Company ("Meralco"), other distribution utilities and industrial customers arising from relatively lighter Coronavirus Disease 2019 (COVID-19) quarantine restrictions compared to 2021, thereby increasing offtake volumes by 10% to 6,991 gigawatt hours ("GWh") from 6,344 GWh in 2021, and (iii) commencement of commercial operations of the 20 megawatts ("MW") Kabankalan 1 Battery Energy Storage Systems ("BESS") on January 26, 2022.

Cost of Power Sold

Cost of power sold significantly increased by 102% or P18,077 million, from P17,730 million for the first quarter of 2021 to P35,807 million for the same period of 2022. The increase was mainly attributable to the following: (i) higher generation cost of Sual, Masinloc, Limay and Malita Power Plants on account of rising coal prices, (ii) higher volume of power purchased from the wholesale market coupled with higher spot purchase prices, and (iii) increase in gas prices for the Ilijan Power Plant.

Selling and Administrative Expenses

Selling and administrative expenses decreased by 5% or P55 million, from P1,213 million for the first quarter of 2021 to P1,158 million for the same period of 2022. The decrease was mainly due to: (i) the decline in contracted service charges incurred on account of lower outage days for preventive maintenance of Masinloc Power Plant Unit 3, and (ii) decline in contributions for COVID-19 community response initiatives.

Income from Operations

In spite of strong revenue growth, consolidated income from operations of P6,071 million for the first quarter of 2022 declined by 28% or P2,352 million from the same period last year, mainly due to lower margins of the Group as coal indices remained at high level, which more than doubled from last year, as well as the increase in spot purchase prices.

Interest Expense and Other Financing Charges

Interest expense and other financing charges decreased by 11% or P503 million from last year's P4,595 million for the same period to P4,092 million in 2022, primarily due to lower interest recognized on the declining principal balances of the Independent Power Producer Administrator ("IPPA") entities' lease liabilities.

Interest Income

Interest income increased by 74% or P92 million from last year's P125 million for the same period to P217 million in the first quarter of 2022, driven primarily by higher average interest rate for the period.

Equity in Net Earnings

Equity in net earnings of an associate and joint ventures increased from P37 million last year to P60 million in the same period of 2022 due mainly to the improvement in the financial performance results of Angat Hydropower Corporation ("AHC").

Other Income - Net

Other income decreased by 48% or P998 million from last year's P2,083 million for the same period to P1,085 million in 2022. This was due to (i) lower income from reduction of Power Sector Assets and Liabilities Management Corporation ("PSALM") fixed fees for the outages of Sual Power Plant in the first quarter of 2021, and (ii) higher net foreign exchange losses by P196 million recognized on the Group's US dollar-denominated financial assets and liabilities with the movement of the Philippine peso against the US dollar during the period.

Income Tax Expense (Benefit)

Provision for income tax made a complete turnaround from last year's P1,704 million benefit to P1,413 million expense this year. This resulted primarily from the recording in the first quarter of 2021 the impact of the Corporate Recovery and Tax Incentives for Enterprises Act ("CREATE") Law, that was approved by the President of the Philippines on March 26, 2021. One of the key provisions of the CREATE Law is an immediate 5% to 10% point cut in the corporate income tax starting July 1, 2020. CREATE impact adjustment, reducing income tax expense for 2020 by P3,152 million, was recognized in the first quarter of 2021.

Net Income

Consequently, the consolidated net income of the Group for the first quarter decreased by 75% or P5,849 million from P7,777 million in 2021 to P1,928 million in 2022. Without the CREATE impact, the net income would have declined by 58% from the previous year.

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

1. **POWER GENERATION**

   a. **San Miguel Energy Corp. (SMEC, IPPA of Sual Power Plant)**

   For the first quarter of 2022, net generation of 1,575 GWh at 69% net capacity factor rate was 180% higher than the same period last year. This was mainly due to lower outages in 2022 as Sual Unit 2 was on extended outage for the repair of turbine blades and diaphragm during the first quarter of 2021. Likewise, total offtake volume increased by 9% to 1,936 GWh from same period last year on account of higher Meralco nominations and the significant improvement in volumes sold to spot and affiliate generators for the first quarter of 2022.

   Revenues of P12,382 million was 46% higher than last year's P8,474 million mainly attributable to improvement in average realization price of electric cooperatives driven by the increase in pass-on fuel cost, and higher spot market prices.

   Operating income of P1,470 million was 8% lower than P1,590 million in 2021 on account of higher generation cost due to significant increase in cost of coal and spot purchase prices offset by the decline in power purchase volumes from affiliate and external generators as a result of higher plant availability during the period.

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

   The net generation of Ilijan Power Plant for the first quarter of 2022 fell by 14% due to its deration brought by the continued Malampaya gas supply restriction which started on March 17, 2021. Total offtake volume of 1,817 GWh decreased by 9% compared to same period last year on account of lower spot sales volume and replacement power sold to affiliate generators slightly offset by the increase in Meralco nominations.

   Revenues of P8,628 million for the first quarter of 2022 was 14% higher compared to same period last year despite lower offtake volumes. This was on account of the significant increase in spot sales prices and the improved average realization prices for bilateral sales.

   Operating income of P1,283 million in 2022 dropped by 35% compared to the P1,971 million posted on the same period last year. This was attributable to higher volume of power purchases as a result of the Ilijan Power Plant’s deration and the significant increase in average spot purchase price caused by multiple plants shutdown in Luzon during the period.

   c. **Strategic Power Dev’t. Corp. (SPDC, IPPA of San Roque Power Plant)**

   The San Roque Power Plant’s net generation of 189 GWh, at 25% net capacity factor rate, for the first quarter of 2022 decreased by 19% due to lower water reservoir level. Total offtake volume of 237 GWh likewise decreased by 7% compared to 254 GWh in the first quarter of 2021 due to lower spot sales volume partly offset by higher replacement power supplied to affiliate generators and from the new bilateral customer contract which took effect on March 5, 2022.

   Revenues of P1,259 million for the first quarter of 2022 was 12% higher than the same period last year, mainly due to higher average realization price and volume of bilateral sales.

The foregoing factors resulted to an upturn in operating income from P485 million in 2021 to P572 million in 2022.

.

d. **SMC Consolidated Power Corporation (SCPC, owner of Limay Greenfield Power Plant)**

Limay Greenfield Power Plant has a combined capacity of 600 MW. Total generation of the plant from all operating units of 981 GWh at 85% net capacity factor rate for the first quarter of 2022 was 3% lower than the same period last year at 1,016 GWh due to higher plant outages for preventive maintenance services. SCPC dispatched 389 GWh of the plant's net generation to its power generation customers while the rest was dispatched to its Retail Energy Supplier (RES) customers. Total offtake volume of 407 GWh fell from last year by 11% due to decline in both bilateral and spot sales volume.

For the first quarter of 2022, revenues increased by 44% from P2,058 million last year to P2,972 million in the current year due to higher average fuel charges passed on to customers as a result of rising fuel prices and increase in spot rates.

Consequently, operating income registered at P944 million in 2022 was 9% higher than the P869 million posted in 2021.

e. **San Miguel Consolidated Power Corporation (SMCPC, owner of Davao Greenfield Power Plant)**

For the first quarter of 2022, a total of 397 GWh was generated by the plant at a capacity factor rate of 70% which was 10% lower compared to the same period in 2021. Revenues at P3,557 million grew by 60% on account of higher average realization price due to higher pass-on fuel cost as a result of rising cost of coal. Accordingly, operating income registered at P1,307 million, was 36% higher than the same period last year.

f. **Masinloc Power Partners Co. Ltd. (MPPCL, owner of Masinloc Power Plant)**

The Masinloc Power Plant operating Units 1, 2, and 3 with a combined net capacity of 924MW, contributed a total net generation of 1,463 GWh for the first quarter of 2022. This was 4% higher compared to the 1,411 GWh for the same period last year, due to higher plant availability.

Total offtake volume of 1,690 GWh exceeded last year by 3% on account of new contracts with bilateral customers. Year to date revenues inclusive of ancillary revenues from the 10 MW BESS, increased to P10,998 million due to high spot market prices and bilateral rates to customers. However, operating income of P737 million was lower by 58% attributed to the increase in cost of coal and spot purchase prices during the period.

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

a. **Albay Power and Energy Corporation (APEC, Concessionaire for the rehabilitation, operations and maintenance of Albay Electric Cooperative, Inc.)**

Revenues of P1,029 million was 34% higher than the P769 million posted on the same period last year driven primarily by the increase in average realization price. The improvement in revenues was curtailed by higher systems loss and cost of power purchases. Consequently, operating loss of P217 million in 2022 was higher than the P82 million loss recognized in 2021 for the same period.

b. **SCPC, RES**
For the first quarter of 2022, total offtake volumes registered at 660 GWh was at par with last year's 663 GWh. Revenues increased by 21% from P3,154 million for the same period last year to P3,826 million due to higher bilateral rates. This was offset by higher generation cost as a result of rising fuel prices due to increasing coal prices. Consequently, P226 million operating loss was registered in 2022, a turnaround from the P565 million operating income posted in the same period of 2021.

c. **MPPCL, RES**

For the first quarter of 2022, total offtake volumes and revenues more than doubled compared to last year, registering at 325 GWh and P1,964 million, respectively, attributable to new contestable customers. Operating income of P131 million, however, was lower compared to the same period last year due to increase in generation costs driven primarily by higher coal prices during the period.

2021 vs. 2020

	March 31		**Horizontal Analysis Increase (Decrease)**		**Vertical Analysis**	
In Millions	**2021**	**2020**	**Amount**	**%**	**2021**	**2020**
Revenues	**P27,366**	P28,298	(P932)	(3%)	**100%**	100%
Cost of power sold	**(17,730)**	(18,965)	(1,235)	(7%)	**(65%)**	(67%)
Gross profit	**9,636**	9,333	303	3%	**35%**	33%
Selling and administrative expenses	**(1,213)**	(1,510)	(297)	(20%)	**(4%)**	(5%)
Income from operations	**8,423**	7,823	600	8%	**31%**	28%
Interest expense and other financing charges	**(4,595)**	(4,782)	(187)	(4%)	**(17%)**	(17%)
Interest income	**125**	466	(341)	(73%)	**0%**	2%
Equity in net earnings (losses) of an associate and joint ventures	**37**	(159)	196	123%	**0%**	(1%)
Other income - net	**2,083**	1,723	360	21%	**8%**	6%
Income before income tax	**6,073**	5,071	1,002	20%	**22%**	18%
Income tax expense (benefit)	**(1,704)**	1,850	(3,554)	(192%)	**(6%)**	7%
Net income	**P7,777**	P3,221	P4,556	141%	**28%**	11%

Revenues

The Group's consolidated revenues for the first quarter of 2021 registered at P27,366 million, 3% or P932 million lower than the P28,298 million for 2020 same period, as offtake volumes of 6,344 GWh declined by 5%. The decrease was mainly due to: (i) lower demand of industrial and contestable customers due to continuing effect of community quarantine, (ii) lower nominations from distribution utilities customers of SMCPC, (iii) decrease in overall spot sales volume of Luzon-based power plants, and moderated by (iv) higher average realization prices.

Cost of Power Sold

Cost of power sold likewise decreased by 7% or P1,235 million, from P18,965 million for the first quarter of 2020 to P17,730 million in 2021 same period. The decrease was attributable to the following: (i) lower cost of coal consumption mainly due to the decline in net generation of Sual and Davao Greenfield Power Plants, with the prolonged outage of Sual Unit 2, coupled with lower average prices of coal consumed in the first quarter of 2021, (ii) lower energy fees due primarily to the decline in net generation and lower average natural gas prices for the Ilijan Power Plant, and partly offset by (iii) higher power purchases from external generators and the spot market to meet bilateral requirements.

Selling and Administrative Expenses

Selling and administrative expenses decreased by 20% or P297 million, from P1,510 million for the first quarter of 2020 to P1,213 million in 2021. The decrease was mainly due to: (i) contributions of P200 million for COVID-19 community response initiatives incurred in the first quarter of 2020, and (ii) lower taxes and licenses due to the decline in local business taxes of San Miguel Electric Corp. (“SMELC”) and SPDC and lower documentary stamp taxes incurred by SMC Global Power.

Income from Operations

With lower generation costs, gas price and operating expenses, and effective implementation of power dispatch strategies, consolidated income from operations ended 8% or P600 million higher from P7,823 million posted in 2020 to P8,423 million for the first quarter of 2021.

Interest Expense and Other Financing Charges

Interest expense and other financing charges decreased by 4% or P187 million, from P4,782 million during the first quarter of 2020 to P4,595 million in 2021, due primarily to lower interest recognized on the declining principal balances of the IPPA entities’ lease liabilities.

Interest Income

Interest income decreased by 73% or P341 million, from P466 million reported interest income during the first quarter of 2020 to P125 million in 2021, driven primarily by lower average interest rate and shorter placement periods as funds were utilized to defray capital expenditures for ongoing construction projects.

Equity in Net Earnings (Losses)

Equity in net earnings (losses) of an associate and joint ventures made a turnaround from P159 million loss in the first quarter of 2020 to P37 million gain in 2021, due mainly to the improvement in the financial performance results of AHC.

Other Income - Net

Other income increased by 21% or P360 million from P1,723 million reported in the first quarter of 2020 to P2,083 million in 2021. This was due to (i) the recognition of income from reduction of PSALM fixed fees for the outages of Sual Power Plant in the first quarter of 2021, (ii) lower net foreign exchange losses by P79 million recognized on the Group's US dollar-denominated financial assets and liabilities with the movement of the Philippine peso against the US dollar in 2021, and offset by (iii) the recognition in 2020 of P1,931 million to be recovered from third party contractors on account of damages arising from the latter's non-fulfillment of obligations under procurement-related contracts.

Income Tax Expense (Benefit)

Provision for income tax had a complete turnaround from P1,850 million expense in the first quarter of 2020 to P1,704 million benefit in 2021. This resulted primarily from the recording in the first quarter of 2021 of the CREATE impact reducing the provision for income tax expense for year 2020 by P3,152 million.

Net Income

Consequently, the consolidated net income of the Group for the first quarter of 2021 grew by 141% or P4,556 million, from P3,221 million in 2020 to P7,777 in 2021. Nevertheless, without the effect of the CREATE Law, consolidated net income would still have increased by 44% to P4,625 million.

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

1. **POWER GENERATION**

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

   For the first quarter of 2021, net generation of 562 GWh at 26% net capacity factor rate was 62% lower than the same period of 2020 due to higher outage hours resulting mainly from prolonged outage of Unit 2 and forced and planned maintenance shutdown of Unit 1 during the period. Likewise, total offtake volume decreased to 1,782 GWh from 2,302 GWh for the first quarter of 2020 on account of lower demand from industrial and RES customers during the quarantine period.

   Revenues of P8,474 million was 9% lower than the P9,291 million reported for the same period in 2020, mainly attributable to the decline in offtake volume and moderated by the increase in average realization price for bilateral customers with rate escalation provisions in its Power Supply Agreement ("PSA").

   Operating income of P1,590 million was 37% lower than the P2,518 million posted in 2020 on account of the foregoing plus higher power purchases during the outages of both Sual units.

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

   The net generation of Ilijan Power Plant for the first quarter of 2021 fell by 2% on account of higher outage hours resulting from the planned maintenance shutdown of Block 2 due to combustor inspection in 2021. Total offtake volume of 1,993 GWh increased by 5% compared to the same period in 2020 due mainly to higher Meralco nominations, with the commencement of the 290 MW Mid-merit PSA on March 16, 2020.

Despite the increase in offtake volume, revenues of P7,546 million for the first quarter of 2021 was at par with the revenues reported for 2020. This was on account of the decline in average realization prices for bilateral and spot sales volume.

Operating income of P1,971 million in 2021 improved by 31% than the P1,507 million posted in 2020 due to the increase in offtake volume and decline in average gas price for the period.

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

The San Roque Power Plant's net generation of 233 GWh, at 31% net capacity factor rate, for the first quarter of 2021 increased by 69% due to longer operating hours attributable to high reservoir level. Total offtake volume of 254 GWh likewise increased by 45% compared to 175 GWh in 2020 due to the higher spot sales and replacement power supplied to affiliate generators.

Revenues for the period increased by 47% from P765 million in 2020 to P1,121 million in 2021 due mainly to higher average realization price and total offtake volume.

The foregoing factors resulted to an upturn in operating income from P159 million in 2020 to P485 million in 2021.

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

Total generation of the plant from all operating units of 1,016 GWh at 88% net capacity factor rate for the first quarter of 2021 was 30% higher than the 784 GWh posted in 2020 due to higher plant availability with lower outage hours. SCPC dispatched 426 GWh of the plant's net generation to its power generation customers while the rest was dispatched to its RES customers. Total offtake volume of 459 GWh fell by 24% from the total offtake volume registered in 2020 due to decline in demand from industrial customers and distribution utilities with the imposition of quarantine in 2021.

Revenues for the first quarter decreased by 27% from P2,803 million reported in 2020 to P2,058 million in 2021 due to the decline in offtake volume and the average selling price for replacement power sold to affiliate generators. Consequently, operating income registered at P869 million in 2021, 9% lower than the P960 million posted in 2020.

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

For the first quarter of 2021, a total of 443 GWh was generated by the plant at a capacity factor rate of 78%. This was 7% lower compared to the same period in 2020. Revenues at P2,229 million declined by 24% on account of lower nominations from its existing bilateral customers. Likewise, average realization price decreased due to lower pass-on fuel costs with the utilization of lower kcal coal. Accordingly, operating income registered at P961 million, which was 21% lower than the operating income reported in the same period of 2020.

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

Total net generation of 1,411 GWh for the first quarter of 2021 was 11% higher compared to 1,273 GWh posted in 2020. This was attributable to higher combined operating hours of Units 1 and 2 in 2021. The start of commercial operations of Unit 3 was on September 26, 2020.

Total offtake volume of 1,640 GWh fell by 2% from the offtake volume registered in 2020 on account of lower spot sales volume. Nonetheless, year-to-date revenues inclusive of ancillary revenues from the 10 MW BESS, and operating income increased to P6,278 million and P1,752 million, respectively, driven by higher average replacement power realization rates to affiliate generators and increase in spot prices in 2021.

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

a. **APEC, Concessionaire for the rehabilitation, operations and maintenance of Albay Electric Cooperative, Inc.**

Revenues of P769 million was 9% lower than the P849 million posted in 2020, primarily driven by lower offtake volume and decline in average realization price. The decline in revenues was partially mitigated by lower cost of power purchases. Consequently, operating loss of P82 million in 2021 was higher than the P36 million recognized in 2020 for the same period.

b. **SCPC, RES**

For the first quarter of 2021, total offtake volume registered at 663 GWh. This was 28% higher than the 518 GWh registered in 2020 due to increase in nominations from contestable customers and the transfer of contestable customers from SMELC. Revenues increased by 27% from P2,474 million in the first quarter of 2020 to P3,154 million in 2021 as offtake volume increased. Consequently, operating income registered at P565 million in 2021 was 150% higher than the P226 million posted in 2020.

c. **MPPCL, RES**

For the first quarter of 2021, total offtake volume and revenues more than doubled compared to 2020, registering at 131 GWh and P789 million, respectively, attributed mainly to the contracts assigned from SMELC. Consequently, operating income registered at P220 million in 2021, much higher than in 2020.

II. FINANCIAL POSITION

A. MAJOR DEVELOPMENTS IN 2022

AVALIMENT OF LONG-TERM DEBT

On January 21, 2022, SMC Global Power availed US$200 million from a 3-year term loan subject of a facility agreement executed with a foreign bank on September 8, 2021. Initial loan amount under the facility agreement of US$100 million, was increased to US$200 million on December 16, 2021. The loan is subject to floating interest rate based on London Interbank Offered Rate plus margin and will mature in September 2024.

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

PAYMENT OF MATURING LONG-TERM DEBT

In the first quarter of 2022, SCPC and SMCPC paid a total of P927 million of their scheduled long-term debt amortizations pursuant to the terms and conditions of their respective facility agreements.

START OF COMMERCIAL OPERATIONS OF KABANKALAN 1 BESS

On January 6, 2022, an Energy Regulatory Commission ("ERC") Order granted Provisional Authority for the implementation of the Ancillary Services Procurement Agreement between the National Grid Corporation of the Philippines and SMCGP Philippines Energy Storage Co. Ltd. ("SMCGP Philippines Energy") for 5 years commencing on January 26, 2022. Following the receipt of the ERC Order, SMCGP Philippines Energy declared the commercial operations of its 20 MW Kabankalan 1 BESS with the Independent Electricity Market Operator of the Philippines starting January 26, 2022.

EVENTS AFTER THE REPORTING DATE

- Availment of short-term loan

On April 8, 2022, SMC Global Power availed a 1-year term loan facility amounting to P10,000 million. The proceeds shall be used to refinance its maturing debt obligations and for general corporate purposes.

- Redemption of maturing Series H Bonds

On April 25, 2022, SMC Global Power completed the redemption of its Series H Bonds amounting to P13,845 million, which forms part of the P30,000 million Series HIJ fixed rate bonds issued in April 2019. SMC Global Power used in part the proceeds of the P10,000 million term loan availed in April 2022 for the redemption of the Series H Bonds.

- Payment of long-term debt

On April 29, 2022, MPPCL made principal repayments of term loans from its Omnibus Refinancing Agreement and Omnibus Expansion Facility Agreement amounting to US$24 million and US$14 million, respectively.

B. MAJOR DEVELOPMENTS IN 2021

REDEMPTION OF US$300 MILLION UNDATED SUBORDINATED CAPITAL SECURITIES ("USCS") BY SMC GLOBAL POWER

On February 26, 2021, SMC Global Power completed the redemption of the US$300 million USCS issued on August 26, 2015 pursuant to the terms and conditions of the securities. The redemption price includes the principal amount and any accrued but unpaid distributions up to (but excluding) the step-up date.

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

REFINANCING OF US$200 MILLION LONG-TERM DEBT BY SMC GLOBAL POWER

On March 9, 2021, SMC Global Power executed a 5-year term loan facility agreement for the amount of US$200 million used to refinance its maturing US$200 million loan obligation. Drawdown was completed on March 12, 2021. The loan is subject to floating interest rate plus margin and to mature in March 2026.

PAYMENT OF MATURING LONG-TERM DEBT

In 2021, SCPC and SMCPC paid a total of P869 million of their outstanding long-term debts pursuant to the terms and conditions of their respective credit facility agreements.

C. MATERIAL CHANGES PER LINE OF ACCOUNT

2022 vs. 2021

			Horizontal Analysis Increase (Decrease)		Vertical Analysis	
In Millions	**March 31, 2022**	December 31, 2021	Amount	%	**2022**	2021
Cash and cash equivalents	**P59,023**	P67,690	(P8,667)	(13%)	**9%**	11%
Trade and other receivables - net	**57,874**	47,272	10,602	22%	**9%**	7%
Inventories	**9,679**	10,018	(339)	(3%)	**1%**	2%
Prepaid expenses and other current assets	**31,070**	31,490	(420)	(1%)	**5%**	5%
Total Current Assets	**157,646**	156,470	1,176	1%	**24%**	25%
Investments and advances - net	**10,945**	10,839	106	1%	**2%**	2%
Property, plant and equipment - net	**221,075**	211,859	9,216	4%	**34%**	33%
Right-of-use assets - net	**156,728**	157,160	(432)	0%	**24%**	25%
Deferred exploration and evaluation costs	**723**	719	4	0%	**0%**	0%
Goodwill and other intangible assets - net	**73,780**	72,943	837	1%	**12%**	11%
Deferred tax assets	**1,578**	1,447	131	9%	**0%**	0%
Other noncurrent assets	**23,815**	24,287	(472)	(2%)	**4%**	4%
Total Noncurrent Assets	**488,644**	479,254	9,390	2%	**76%**	75%
Total Assets	**P646,290**	P635,724	P10,566	2%	**100%**	100%
Loans payable	**776**	1,530	(754)	(49%)	**0%**	0%
Accounts payable and accrued expenses	**60,221**	56,055	4,166	7%	**9%**	9%
Lease liabilities - current portion	**19,809**	21,677	(1,868)	(9%)	**3%**	3%
Income tax payable	**25**	25	-	0%	**0%**	0%
Current maturities of long-term debt - net of debt issue costs	**63,734**	30,185	33,549	111%	**10%**	5%
Total Current Liabilities	**144,565**	109,472	35,093	32%	**22%**	17%
Long-term debt - net of current maturities and debt issue costs	**169,597**	192,736	(23,139)	(12%)	**26%**	30%
Deferred tax liabilities	**21,560**	20,183	1,377	7%	**4%**	3%
Lease liabilities - net of current portion	**53,400**	56,536	(3,136)	(6%)	**8%**	9%
Other noncurrent liabilities	**5,215**	5,069	146	3%	**1%**	1%
Total Noncurrent Liabilities	**249,772**	274,524	(24,752)	(9%)	**39%**	43%
Total Liabilities	**394,337**	383,996	10,341	3%	**61%**	60%

Forward

In Millions	**March 31, 2022**	December 31, 2021	Horizontal Analysis Increase (Decrease) Amount	%	Vertical Analysis **2022**	2021
Equity Attributable to Equity Holders of the Parent Company						
Capital stock	**P1,062**	P1,062	P -	0%	**0%**	0%
Additional paid-in capital	**2,490**	2,490	-	0%	**0%**	0%
Senior perpetual capital securities	**167,767**	167,767	-	0%	**26%**	27%
Redeemable perpetual capital securities	**32,752**	32,752	-	0%	**5%**	5%
Equity reserves	**(1,519)**	(1,536)	17	1%	**0%**	0%
Retained earnings	**48,426**	48,248	178	0%	**8%**	8%
	250,978	250,783	195	0%	**39%**	40%
Non-controlling Interests	**975**	945	30	3%	**0%**	0%
Total Equity	**251,953**	251,728	225	0%	**39%**	40%
Total Liabilities and Equity	**P646,290**	P635,724	P10,566	2%	**100%**	100%

The Group's consolidated total assets as at March 31, 2022 amounted to P646,290 million, slightly higher by 2% or P10,566 million than December 31, 2021 balance of P635,724 million. The increase was attributable to the following factors:

a. Increase in trade and other receivables by P10,602 million was mainly attributable to the higher trade customer balances from power sales as the Group recover in part the increase in generation cost, brought by higher coal prices, coupled with higher overall offtake volumes as demand improve.

b. Increase in property, plant and equipment by P9,216 million as a result of the ongoing construction of the Batangas Combined Cycle Power Plant ("BCCPP") project, BESS projects and Mariveles Power Plant.

c. Increase in deferred tax assets by P131 million was due primarily to the deferred income tax benefit recognized by MPPCL on unrealized foreign exchange losses from the revaluation of its US dollar-denominated liabilities.

d. Decrease in cash and cash equivalents by P8,667 million was due mainly to the (i) capital expenditures for BCCPP project, BESS and Mariveles Power Plant projects; (ii) payments of maturing long-term loans by SMCPC and SCPC, and MPPCL's short-term loan; (iii) distributions paid to holders of Senior Perpetual Capital Securities ("SPCS") and Redeemable Perpetual Securities ("RPS") by SMC Global Power; partly offset by the (iv) proceeds from the US$200 million term loan drawn by the Parent Company in January 2022.

The Group's consolidated total liabilities as at March 31, 2022 amounted to P394,337 million, 3% or P10,341 million higher than the December 31, 2021 balance of P383,996 million. The major items accounting for the increase are as follows:

a. Increase in current maturities of long-term debt - net of debt issue costs by P33,549 million was attributable to the reclassification from noncurrent of the Group's term loans maturing in January 2023 and March 2023 amounting to US$149 million and US$500 million, respectively, partly offset by payments of principal amortizations made by SMCPC and SCPC in the first quarter of 2022.

b. Increase in accounts payable and accrued expenses by P4,166 million was mainly attributable to higher outstanding trade payables of IPPA entities and SCPC for energy fees, power and coal purchases as spot, coal and natural gas prices continue to surge, plus the increase in output VAT driven by higher revenues for the period.

c. Increase in deferred tax liabilities by P1,377 million was due primarily to higher provision for deferred income tax expense recognized by the IPPA entities on the difference of monthly fixed payments to PSALM over lease-related expenses.

d. Decrease in long-term debt - net of current maturities and debt issue costs by P23,139 million was due to the reclassification to current of the US$149 million and US$500 million term loans of MPPCL and SMC Global Power, respectively, that will mature in the first quarter of 2023. This was partly offset by the US$200 million term loan availed by SMC Global Power in January 2022.

e. Decrease in lease liabilities (including current portion) by P5,004 million was mainly on account of lease payments made by the IPPA entities to PSALM.

f. Decrease in loans payable by P754 million was due to partial settlement made by MPPCL on March 17, 2022 amounting to US$15 million (equivalent to P782 million) and offset by the unrealized foreign exchange loss recognized on the revaluation of the remaining balance.

2021 vs. 2020

			Horizontal Analysis Increase (Decrease)		Vertical Analysis	
In Millions	**March 31, 2021**	December 31, 2020	Amount	%	**2021**	2020
Cash and cash equivalents	**P93,928**	P110,718	(P16,790)	(15%)	**16%**	18%
Trade and other receivables - net	**34,092**	36,162	(2,070)	(6%)	**6%**	6%
Inventories	**5,434**	5,582	(148)	(3%)	**1%**	1%
Prepaid expenses and other current assets	**26,438**	24,916	1,522	6%	**4%**	4%
Total Current Assets	**159,892**	177,378	(17,486)	(10%)	**27%**	29%
Investments and advances - net	**10,002**	9,957	45	0%	**2%**	2%
Property, plant and equipment - net	**176,895**	171,415	5,480	3%	**30%**	28%
Right-of-use assets - net	**161,053**	162,313	(1,260)	(1%)	**27%**	27%
Deferred exploration and evaluation costs	**715**	715	-	0%	**0%**	0%
Goodwill and other intangible assets - net	**72,846**	72,858	(12)	0%	**12%**	12%
Deferred tax assets	**1,354**	1,646	(292)	(18%)	**0%**	0%
Other noncurrent assets	**12,762**	13,734	(972)	(7%)	**2%**	2%
Total Noncurrent Assets	**435,627**	432,638	2,989	1%	**73%**	71%
Total Assets	**P595,519**	P610,016	(P14,497)	(2%)	**100%**	100%

Forward

In Millions	**March 31, 2021**	December 31, 2020	Horizontal Analysis Increase (Decrease) Amount	%	Vertical Analysis **2021**	2020
Loans payable	**P1,698**	P1,681	P17	1%	**0%**	0%
Accounts payable and accrued expenses	**41,848**	40,279	1,569	4%	**7%**	7%
Lease liabilities - current portion	**24,567**	24,007	560	2%	**4%**	4%
Income tax payable	**169**	10	159	1,590%	**0%**	0%
Current maturities of long-term debt - net of debt issue costs	**13,227**	22,722	(9,495)	(42%)	**2%**	4%
Total Current Liabilities	**81,509**	88,699	(7,190)	(8%)	**13%**	15%
Long-term debt - net of current maturities and debt issue costs	**206,043**	196,831	9,212	5%	**34%**	32%
Deferred tax liabilities	**17,185**	19,456	(2,271)	(12%)	**3%**	3%
Lease liabilities - net of current portion	**69,714**	75,504	(5,790)	(8%)	**12%**	12%
Other noncurrent liabilities	**3,563**	3,222	341	11%	**1%**	1%
Total Noncurrent Liabilities	**296,505**	295,013	1,492	1%	**50%**	48%
Total Liabilities	**378,014**	383,712	(5,698)	(1%)	**63%**	63%
Equity Attributable to Equity Holders of the Parent Company						
Capital stock	**1,062**	1,062	-	0%	**0%**	0%
Additional paid-in capital	**2,490**	2,490	-	0%	**0%**	0%
Senior perpetual capital securities	**132,200**	132,200	-	0%	**22%**	22%
Redeemable perpetual capital securities	**32,752**	32,752	-	0%	**6%**	5%
Undated subordinated capital securities	**-**	13,823	(13,823)	(100%)	**0%**	2%
Equity reserves	**(4,611)**	(4,228)	(383)	(9%)	**0%**	0%
Retained earnings	**52,596**	47,179	5,417	11%	**9%**	8%
	216,489	225,278	(8,789)	(4%)	**37%**	37%
Non-controlling Interests	**1,016**	1,026	(10)	(1%)	**0%**	0%
Total Equity	**217,505**	226,304	(8,799)	(4%)	**37%**	37%
Total Liabilities and Equity	**P595,519**	P610,016	(P14,497)	(2%)	**100%**	100%

The Group's consolidated total assets as at March 31, 2021 amounted to P595,519 million, lower by 2% or P14,497 million than December 31, 2020 balance of P610,016 million. The decrease was attributable to the following factors:

a. Decrease in cash and cash equivalents by P16,790 million was due mainly to the (i) redemption of the US$300 million USCS on February 26, 2021 by SMC Global Power, and payments of (ii) distributions to the holders of RPS, USCS and SPCS by SMC Global Power, and (iii) payments of maturing long-term borrowings of SCPC and SMCPC.

b. Decrease in trade and other receivables by P2,070 million was attributable to SPPC's collection from Meralco of November 2020 Power Bills in January 2021 following the payment term provisions of its PSAs.

c. Decrease in deferred tax assets by P292 million was due primarily to the impact of CREATE Law which reduced the corporate income tax rate from 30% to 25% thereby decreasing the deferred income tax benefit recognized on unrealized foreign exchange losses of MPPCL and on allowance for probable losses of APEC.

d. Decrease in other noncurrent assets by P972 million was due mainly to the (i) application of advances to contractors to progress billings for the ongoing constructions of the Mariveles Power Plant and of MPPCL's BESS and Unit 1 retrofit projects.

e. Increase in prepaid expenses and other current assets by P1,522 million was mainly due to higher restricted cash balances by P1,219 million of SMCPC and SCPC as required under its respective credit facility agreements.

The Group's consolidated total liabilities as at March 31, 2021 amounted to P378,014 million, 1% or P5,698 million slightly lower than the December 31, 2020 balance of P383,712 million. The major items accounting for the decrease are as follows:

a. Decrease in current maturities of long-term debt – net of debt issue costs by P9,495 million was mainly attributable to the settlement of the US$200 million term loan by SMC Global Power upon its maturity in March 2021.

b. Decrease in lease liabilities (including current portion) by P5,230 million was mainly on account of lease payments made by the IPPA entities to PSALM.

c. Decrease in deferred tax liabilities by P2,271 million was due primarily to the impact of CREATE Law which reduced the corporate income tax rate from 30% to 25% thereby decreasing the deferred income tax expense recognized by the IPPA entities on the difference of monthly fixed payments to PSALM over lease-related expenses.

d. Increase in long-term debt - net of current maturities and debt issue costs, by P9,212 million was mainly due to the US$200 million 5-year term loan availed on March 12, 2021 by SMC Global Power to refinance the US$200 million term loan maturing on the same date.

e. Increase in other noncurrent liabilities by P341 million was mainly due to the recognition of retention payable related to the ongoing Mariveles Power Plant project of Mariveles Power Generation Corporation.

f. Increase in income tax payable by P159 million was attributable mainly to the income tax due for the first quarter of 2021 of MPPCL.

The Group's consolidated total equity as at March 31, 2021 amounted to P217,505 million, lower by 4% or P8,799 million than the December 31, 2020 balance of P226,304 million. The decrease is accounted for as follows:

a. Decrease in USCS by P13,823 million pertains to the redemption on February 26, 2021 of the remaining US$300 million USCS issued in August 2015.

b. Decrease in equity reserves by P383 million resulted from the redemption of the US$300 million USCS by SMC Global Power in February 2021.

c. Increase in retained earnings by P5,417 million was mainly attributable to the net income recognized for the period reduced by distributions to SPCS, RPS and USCS holders.

III. CASH FLOW

SOURCES AND USES OF CASH

A brief summary of cash flow movements is shown below:

(in Millions)	March 31	
	2022	2021
Net cash flows provided by operating activities	**P1,209**	P11,909
Net cash flows used in investing activities	**(10,620)**	(5,398)
Net cash flows provided by (used in) financing activities	**342**	(23,637)

Net cash flows from operations basically consist of income for the period and changes in noncash current assets, certain current liabilities and others.

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

(in Millions)	March 31	
	2022	2021
Additions to deferred exploration and development costs	**(P3)**	(P1)
Additions to intangible assets	**(35)**	(8)
Additions to investments and advances	**(46)**	(8)
Decrease (increase) in other noncurrent assets	**(76)**	101
Advances paid to suppliers and contractors	**(2,856)**	(77)
Additions to property, plant and equipment	**(7,604)**	(5,405)

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

(in Millions)	March 31	
	2022	2021
Proceeds from long-term debt	**P10,274**	P9,691
Proceeds from short-term borrowings	**782**	1,683
Distributions paid to USCS holders	**-**	(703)
Redemption of USCS	**-**	(14,582)
Payment of stock issuance costs	**(29)**	-
Distributions paid to RPS holder	**(520)**	(492)
Payments of long-term debts	**(927)**	(10,560)
Distributions paid to SPCS holders	**(1,171)**	(1,174)
Payments of short-term borrowing	**(1,564)**	(1,683)
Payments of lease liabilities	**(6,503)**	(5,817)

The effect of exchange rate changes on cash and cash equivalents amounted to P402 million and P336 million on March 31, 2022 and 2021, respectively.

IV. KEY PERFORMANCE INDICATORS

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

LIQUIDITY RATIO

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

	Conventional		*Adjusted* [(1)]	
(in Millions Peso)	**March 2022**	December 2021	**March 2022**	December 2021
(A) Current Assets	**157,646**	156,470	**157,646**	156,470
(B) Current Liabilities	**144,565**	109,472	**124,855**	87,876
Current Ratio (A) / (B)	**1.09**	1.43	**1.26**	1.78

(1) Current portion of lease liabilities, in relation to the IPPA Agreements with PSALM, are excluded from the total current liabilities as these current obligations on lease are pass-through charges billable to customers. As at March 31, 2022 and December 31, 2021, current portion of lease liabilities to PSALM amounted to P19,710 million and P21,596 million, respectively.

SOLVENCY RATIO

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

Per relevant Loan Covenants of SMC Global Power

(in Millions Peso)	**March 2022**	December 2021
(A) Net Debt *(2)*	**197,644**	184,001
(B) Total Equity *(3)*	**246,756**	247,603
Net Debt-to-Equity Ratio (A) / (B)	**0.80**	0.74

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

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

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

(in Millions Peso)	*Conventional* **March 2022**	*Conventional* December 2021	*Adjusted* [4] **March 2022**	*Adjusted* [4] December 2021
(A) Total Assets	**646,290**	635,724	**495,759**	483,896
(B) Total Equity	**251,953**	251,728	**251,953**	251,728
Asset-to-Equity Ratio (A) / (B)	**2.57**	2.53	**1.97**	1.92

(4) Net carrying amount of the IPPA power plants, in relation to the IPPA Agreements with PSALM, was omitted in total assets as these power plant assets were capitalized with corresponding lease liabilities. As at March 31, 2022 and December 31, 2021, the net carrying amount of the IPPA power plant assets amounted to P150,531 million and P151,828 million, respectively.

PROFITABILITY RATIO

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

(in Millions Peso)	**March 2022**	December 2021
(A) Net Income [5]	**10,129**	15,978
(B) Total Equity	**251,953**	251,728
Return on Equity (A) / (B)	**4.0%**	6.3%

(5) Annualized for quarterly reporting.

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

Per relevant Loan Covenants of SMC Global Power

(in Millions Peso)	**March 2022**	December 2021
(A) EBITDA [6]	**30,901**	33,542
(B) Interest Expense [7]	**12,969**	13,405
Interest Coverage Ratio (A) / (B)	**2.38**	2.50

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

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

OPERATING EFFICIENCY

Volume Growth (Decline) = Current Period Offtake Volume / Prior Period Offtake Volume - 1

(in GWh)	Periods Ended March 31 2022	2021
(A) Current Period Offtake Volume	**6,991**	**6,344**
(B) Prior Period Offtake Volume	**6,344**	**6,644**
Volume Growth (Decline) [(A / B) – 1]	**10.2%**	**(4.5%)**

Revenue Growth (Decline) = Current Period Revenue / Prior Period Revenue - 1

(in Millions Peso)	Periods Ended March 31 2022	2021
(A) Current Period Revenue	**43,036**	**27,366**
(B) Prior Period Revenue	**27,366**	**28,298**
Revenue Growth (Decline) [(A / B) – 1]	**57.3%**	**(3.3%)**

Operating Margin = Income from Operations / Revenues

(in Millions Peso)	Periods Ended March 31 2022	2021
(A) Income from Operations	**6,071**	**8,423**
(B) Revenues	**43,036**	**27,366**
Operating Margin (A) / (B)	**14.1%**	**30.8%**

V. OTHER MATTERS

a. Fuel Commodity Price Volatility

In January 2022, the Government of Indonesia implemented a month-long ban on the exportation of its coal which reduced the overall availability of coal fuel in the commodities market. Consequently, international price indices for coal such as the Global Coal Newcastle Index (GC Newc Index) surged beyond the expected trajectory of historical prices based on long-term fundamental factors pertinent to the coal commodity market. Barely a few weeks after the partial lifting of the foregoing coal export ban, Russia commenced its invasion of Ukraine on February 24, 2022. This worsened the short-term outlook on coal prices as reflected in the further spikes in coal prices, with GC Newc Index reaching levels beyond US$200/MT from March onwards. With Russia-Ukraine conflict continuing to this day, coal prices remain at elevated levels but continue to show a “backwardated” forward curve which strongly suggests a more bearish outlook on coal prices in the medium term and in the long term.

The Group has been able to effectively mitigate the adverse impact of commodity price risks, primarily for coal fuel, thru the fuel price *passthru* mechanism or the periodic tariff rate review allowed under its power supply agreements or retail supply contracts with most of its offtakers. It also has supply-side risk mitigation, including among others, maintaining a pool of international and local sources of coal fuel which provide a certain level of fuel price risk mitigation and more importantly, fuel supply security.

b. Malampaya Gas Supply Restrictions

The Ilijan Power Plant uses natural gas from the Malampaya gas facility in Palawan (“Malampaya”) as fuel for its power generation. According to the Department of Energy (“DOE"), Malampaya’s natural gas output is estimated to decline substantially by 2021 as the gas reserves continue to get depleted. As early as March 2021, the National Power Corporation issued notices of gas supply restrictions from Malampaya. This significantly reduced the net generation of the Ilijan Power Plant to 60% of its total installed capacity for the remainder of 2021. The Group was constrained to use its available capacity from its portfolio of generation assets, and in certain cases, purchase from the WESM spot market, to augment its generation from the Ilijan Power Plant to meet its bilateral demand from its customers, primarily from Meralco pursuant to its power supply agreements. This reduced the gross margins of the Group in cases where the cost of replacement supply exceeds the power generation costs from the Ilijan Power Plant using Malampaya natural gas. This accounts for a significant portion in the reduction of the Group’s gross margins and operating income in 2021 from the comparative numbers in 2020.

From the end of the Cooperation Period, which also marks the expiry of the Malampaya gas supply agreement, for the Ilijan Power Plant in June 2022, the Group is looking forward to disengage from its dependence on Malampaya gas, and instead use commercial liquefied natural gas (LNG) as fuel for the power plant. Commercial LNG shall be received, stored and regasified thru an LNG terminal which is currently being built and to be operated by Atlantic Gulf and Pacific Co. beside the Ilijan Power Plant.

c. Effect of COVID-19

COVID-19, an infectious disease that was first reported to have been transmitted to humans in late 2019, has spread globally over the course of 2020, and in March 2020 it was declared as a pandemic by the World Health Organization.

The Philippine government issued a series of directives and social distancing measures as part of its efforts to contain the outbreak in the Philippines. The graduated lockdown schemes imposed varying degrees of restrictions on travel and business operations. The day-to-day operations of the Group, being primarily engaged in power generation, were not significantly affected by the enhance community quarantine (‘ECQ”) or other graduated quarantine measures because the Philippine government considers power generation as an essential service and operations related thereto continue to be permitted. As a result, the Group’s power generation activities and any repairs and preventive maintenance works remain generally unhampered.

The demand from industrial customers in the Luzon Grid decreased significantly during the ECQ period in 2020 as a result of the cessation or suspension of business operations, but demand gradually increased with the easing of quarantine restrictions and the gradual reopening of economic activities in the National Capital Region. In contrast, the demand from most of the Group’s utility customers remained stable, and at times increased compared to their historical demand, which compensated for the reduction of industrial demand. Notably, a significant portion of utility demand represents residential and small-scale industrial customers and commercial businesses, which had consistent and levelled load profiles throughout the quarantine periods, resulting in improved fuel and operational efficiencies in the Group’s power plants. From the Group’s perspective, its bilateral energy volumes were derived mainly from contracted capacity with utility companies. Their PSAs mostly require a take-or-pay arrangement or impose minimum offtake volumes which thus allow the Group to continuously bill these customers at the relevant contracted volumes or capacities even during the various community quarantine periods.

As part of the Philippine government’s ECQ measures, the primary regulators in the local power industry – the ERC and the DOE, issued separate advisories allowing deferred payment, over four equal monthly installments, of power bills falling due within the ECQ period. Subsequently, in view of the enactment of the Bayanihan to Recover as One Act in September 2020, the primary regulators issued advisories directing the implementation of a minimum 30-day grace period and staggered payment without interests, penalties and other charges to all payments falling due within the period of community quarantine. In 2021, there were a few distribution utilities customers that entered into a payment arrangement scheme with the Group that will assist them in implementing DOE advisories in support to their member consumers during certain community quarantine periods. As at report date, the power bills covered by the deferred payment schemes have been substantially collected.

The Philippine government continues to calibrate the imposition of lockdown or community quarantine measures across the country depending on the situation in specific localities. In August 2021, the Department of Interior and Local Government of the Philippines announced that it will phase out the large-scale community quarantine measures and replace the same with granular lockdowns and implement an alert level system. As at report date, Metro Manila is under Alert Level 1 and with the relatively lighter COVID-19 quarantine restrictions, overall system demand has recovered to pre-pandemic levels.

d. <u>Commitments</u>
The outstanding purchase commitments of the Group amounted to P90,117 million and P100,126 million as at March 31, 2022 and December 31, 2021, respectively. Amounts authorized but not yet disbursed for capital projects were approximately P139,986 million and P214,795 million as at March 31, 2022 and December 31, 2021, respectively.

The Group's material commitments for capital expenditure projects involve the construction of power plants, mostly utilizing high efficiency low emission technologies, LNG and BESS in line with the Group's expansion projects and acquisition of fixed assets needed for normal operations of the business. The funds to be used for these projects will come from available cash and proceeds from outstanding long-term loans and issued SPCS.

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

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

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

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

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

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

SMC GLOBAL POWER HOLDINGS CORP. AND SUBSIDIARIES
INDEX TO FINANCIAL STATEMENTS AND
SUPPLEMENTARY SCHEDULES
MARCH 31, 2022

* Balance of account is less than 5% of total assets of the Group

SMC GLOBAL POWER HOLDINGS CORP. AND SUBSIDIARIES
SCHEDULE A - FINANCIAL ASSETS
MARCH 31, 2022
(Amounts in Thousands, Except No. of Shares Data)

Name of Issuing Entity/ Description of Each Issue	Number of Shares or Principal Amount of Bonds and Notes		Amount Shown in the Statements of Financial Position		Value Based on Market Quotations at March 31, 2022		Income Received and Accrued
Cash and cash equivalents	-	P	59,023,294	P	Not applicable	P	195,299
Trade and other receivables - net	-		57,441,479		Not applicable		2,145
Derivative assets	-		709,505		Not applicable		609,842*
Noncurrent receivables	-		1,574,567		Not applicable		14,367
Restricted cash	-		3,913,547		Not applicable		5,013
		P	122,662,392	P		P	826,666

**** This represents net marked-to-market gains/losses from derivative asset that is still outstanding as of quarter-end and derivative liabilities that have matured during the period.***

See Notes 7, 8, 13, 20 and 21 of the Consolidated Financial Statements.

SMC GLOBAL POWER HOLDINGS CORP. AND SUBSIDIARIES
SCHEDULE C - AMOUNTS RECEIVABLE FROM RELATED PARTIES WHICH ARE ELIMINATED DURING THE CONSOLIDATION OF FINANCIAL STATEMENTS
MARCH 31, 2022
(Amounts In Thousands)

NAME OF RELATED PARTY	BEGINNING BALANCE	ADDITIONS/ CTA/RECLASS/ OTHERS	AMOUNTS COLLECTED/ CREDIT MEMO	AMOUNTS WRITTEN OFF	TOTAL	CURRENT	NONCURRENT	ENDING BALANCE
SMC Global Power Holdings Corp.	P 98,800,370	P 23,180,637	P (16,733,454)	P -	P 105,247,553	P 71,509,924	P 33,737,629	P 105,247,553
San Miguel Energy Corp.	3,962,043	1,785,979	(843,877)	-	4,904,145	4,119,902	784,243	4,904,145
SMC Consolidated Power Corporation	1,952,947	1,936,482	(2,339,926)	-	1,549,503	1,549,503	-	1,549,503
Strategic Power Dev't. Corp.	1,402,820	868,169	(774,729)	-	1,496,260	1,496,260	-	1,496,260
Mariveles Power Generation Corporation	1,092,561	-	-	-	1,092,561	1,092,561	-	1,092,561
Grand Planters International Inc.	607,612	19,202	(10,435)	-	616,379	616,379	-	616,379
Masinloc Power Partners Co. Ltd.	617,235	67,291	(182,641)	-	501,885	499,954	1,931	501,885
SMCGP Transpower Pte. Ltd - Singapore Office	436,251	9,082	(1,681)	-	443,652	21,289	422,363	443,652
South Premiere Power Corp.	683,218	423,086	(744,453)		361,851	361,851	-	361,851
Oceantech Power Generation Corporation	126,000	-	-	-	126,000	126,000	-	126,000
Golden Quest Equity Holdings Inc.	95,383	-	-	-	95,383	95,383	-	95,383
Mantech Power Dynamics Services Inc.	112,262	231,436	(253,571)	-	90,127	90,127	-	90,127
TopGen Energy Development Inc.	119,074	4,495	(37,745)	-	85,824	85,824	-	85,824
Prime Electric Generation Corporation	59,734	-	-	-	59,734	59,734	-	59,734
Central Luzon Premiere Power Corporation	39,832	-	-	-	39,832	39,832	-	39,832
SMCGP Masinloc Power Company Limited	39,655	-	-	-	39,655	39,655	-	39,655
Alpha Water and Realty Services Corp.	18,397	13,389	-	-	31,786	31,786	-	31,786
SMCGP Transpower Pte Ltd Phils - ROHQ Philippine Branch	26,056	(302)	-	-	25,754	25,754	-	25,754
Safetech Power Services Corp.	30,052	75,608	(81,126)	-	24,534	24,534	-	24,534
Strategic Energy Development Inc.	18	14,622	-	-	14,640	14,640	-	14,640
Daguma Agro-Minerals Inc.	3,239	-	-	-	3,239	3,239	-	3,239
SMC Powergen Inc.	523	1,983	-	-	2,506	2,506	-	2,506
Universal Power Solutions, Inc.	1,904	-	-	-	1,904	1,904	-	1,904
Albay Power and Energy Corporation	818	2,309	(2,323)	-	804	804	-	804
San Miguel Electric Corp.	-	185	-	-	185	185	-	185
San Miguel Consolidated Power Corporation	29	-	(29)	-	-	-	-	-
	P 110,228,033	P 28,633,653	P (22,005,990)	P -	P 116,855,696	P 81,909,530	P 34,946,166	P 116,855,696

SMC GLOBAL POWER HOLDINGS CORP. AND SUBSIDIARIES
SCHEDULE C - AMOUNTS PAYABLE TO RELATED PARTIES WHICH ARE ELIMINATED DURING THE CONSOLIDATION OF FINANCIAL STATEMENTS
MARCH 31, 2022
(Amounts In Thousands)

NAME OF RELATED PARTY	BEGINNING BALANCE	ADDITIONS/ CTA/RECLASS/ OTHERS	AMOUNTS PAID/ DEBIT MEMO	AMOUNTS WRITTEN OFF	TOTAL	CURRENT	NONCURRENT	ENDING BALANCE
San Miguel Energy Corp.	P 27,241,808	P 2,810,429	P (3,081,975)	P -	P 26,970,262	P 26,970,262	P -	P 26,970,262
Excellent Energy Resources Inc.	15,286,901	10,008,849	-	-	25,295,750	153,405	25,142,345	25,295,750
Universal Power Solutions, Inc.	17,939,308	1,034,011	(5,807)	-	18,967,512	18,967,512	-	18,967,512
South Premiere Power Corp.	17,705,509	2,790,164	(8,718,092)	-	11,777,581	11,777,581	-	11,777,581
Mariveles Power Generation Corporation	5,910,050	764,738	(46,833)	-	6,627,955	17,546	6,610,409	6,627,955
SMC Consolidated Power Corporation	6,623,276	6,837,057	(6,959,189)	-	6,501,144	6,501,144	-	6,501,144
Albay Power and Energy Corporation	3,634,387	784,086	(397,798)	-	4,020,675	4,020,675	-	4,020,675
Strategic Power Dev't. Corp.	2,793,361	957,223	(716,244)	-	3,034,340	3,034,340	-	3,034,340
Masinloc Power Partners Co. Ltd.	1,128,826	1,788,449	(196,126)	-	2,721,149	2,721,149	-	2,721,149
San Miguel Consolidated Power Corporation	3,143,219	974,651	(1,969,106)	-	2,148,764	2,148,764	-	2,148,764
PowerOne Ventures Energy, Inc.	1,247,848	8,631	-	-	1,256,479	247,939	1,008,540	1,256,479
SMC Global Power Holdings Corp.	787,937	480,757	(37,745)	-	1,230,949	1,230,949	-	1,230,949
SMCGP Philippines Energy Storage Co. Ltd.	1,117,810	8,772	-	-	1,126,582	1,126,582	-	1,126,582
San Miguel Electric Corp.	1,071,488	-	(1,488)	-	1,070,000	1,070,000	-	1,070,000
Dewsweeper Industrial Park, Inc.	710,965	-	-	-	710,965	-	710,965	710,965
Daguma Agro-Minerals Inc.	649,251	3,884	-	-	653,135	-	653,135	653,135
SMC Powergen Inc.	1,132,686	-	(630,117)	-	502,569	502,569	-	502,569
Lumiere Energy Technologies Inc.	468,032	-	-	-	468,032	468,032	-	468,032
SMCGP Transpower Pte Ltd Phils - ROHQ Philippine Branch	414,736	7,658	-	-	422,394	31	422,363	422,394
Alpha Water and Realty Services Corp.	354,941	12,103	-	-	367,044	365,113	1,931	367,044
Ondarre Holding Corporation	172,695	34,675	-	-	207,370	-	207,370	207,370
Oceantech Power Generation Corporation	126,000	-	-	-	126,000	126,000	-	126,000
Strategic Energy Development Inc.	137,415	34,921	(47,380)	-	124,956	124,956	-	124,956
SMCGP Philippines Inc.	104,014	7,494	-	-	111,508	111,508	-	111,508
Bonanza Energy Resources, Inc.	77,080	-	-	-	77,080	1,777	75,303	77,080
Sultan Energy Phils Corp.	55,037	2,230	-	-	57,267	1,462	55,805	57,267
Prime Electric Generation Corporation	50,000	-	-	-	50,000	50,000	-	50,000
Power Ventures Generation Corporation	47,846	-	-	-	47,846	47,846	-	47,846
SMC Global Light and Power Corporation	5,000	39,600	-	-	44,600	-	44,600	44,600
SMCGP Masinloc Partners Company Limited	28,598	-	-	-	28,598	28,598	-	28,598
Everest Power Development Corporation	27,987	-	-	-	27,987	27,987	-	27,987
Grand Planters International Inc.	14,012	11,420	(867)	-	24,565	24,565	-	24,565
TopGen Energy Development Inc.	2,529	17,283	-	-	19,812	19,812	-	19,812
Mantech Power Dynamics Services Inc.	4,564	13,545	(4,564)	-	13,545	13,545	-	13,545
Reliance Energy Development Inc.	5,000	4,200	-	-	9,200	-	9,200	9,200
Safetech Power Services Corp.	320	5,277	(577)	-	5,020	5,020	-	5,020
Prestige Power Resources Inc.	-	2,800	-	-	2,800	-	2,800	2,800
SMCGP Masin Pte Ltd. - Philippine Branch	1,619	-	-	-	1,619	1,619	-	1,619
Converge Power Generation Corp.	-	1,400	-	-	1,400	-	1,400	1,400
SMC Power Generation Corp.	5,827	1,656	(6,477)	-	1,006	1,006	-	1,006
Soracil Prime Inc.	121	85	-	-	206	206	-	206
SMCGP Transpower Pte. Ltd - Singapore Office	30	-	-	-	30	30	-	30
	P 110,228,033	P 29,448,048	P (22,820,385)	P -	P 116,855,696	P 81,909,530	P 34,946,166	P 116,855,696

SMC GLOBAL POWER HOLDINGS CORP. AND SUBSIDIARIES
SCHEDULE D - LONG-TERM DEBT
March 31, 2022
(Amounts In Thousands)

TITLE OF ISSUE	AGENT/LENDER	Outstanding	Current Portion of Debt	Current Transaction Cost	Amount Shown as Current	Noncurrent Portion of Debt	Noncurrent Transaction Cost	Amount Shown as Noncurrent	Outstanding Balance	INTEREST RATES	Number of Periodic Installments	Interest Payments	Final Maturity
Peso Denominated:													
Parent Company													
Fixed	Philippine Depository & Trust Corp.	P 4,090,440	P -	P -	P -	P 4,090,440	P 9,605	P 4,080,835	P 4,080,835	4.7575%	Bullet	Quarterly	July 2023
Fixed	Philippine Depository & Trust Corp.	4,756,310	-	-	-	4,756,310	26,320	4,729,990	4,729,990	5.1792%	Bullet	Quarterly	July 2026
Fixed	Philippine Depository & Trust Corp.	9,912,960	9,912,960	17,758	9,895,202	-	-	-	9,895,202	5.3750%	Bullet	Quarterly	December 2022
Fixed	Philippine Depository & Trust Corp.	6,478,020	-	-	-	6,478,020	31,488	6,446,532	6,446,532	6.2500%	Bullet	Quarterly	December 2024
Fixed	Philippine Depository & Trust Corp.	3,609,020	-	-	-	3,609,020	25,809	3,583,211	3,583,211	6.6250%	Bullet	Quarterly	December 2027
Fixed	Philippine Depository & Trust Corp.	15,000,000	-	-	-	15,000,000	60,071	14,939,929	14,939,929	6.7500%	Bullet	Quarterly	August 2023
Fixed	BDO Unibank, Inc.	14,400,000	150,000	24,706	125,294	14,250,000	28,234	14,221,766	14,347,060	6.9265%	Amortized	Quarterly	April 2024
Fixed	Philippine Depository & Trust Corp.	13,844,860	13,844,860	4,354	13,840,506	-	-	-	13,840,506	6.8350%	Bullet	Quarterly	April 2022
Fixed	Philippine Depository & Trust Corp.	9,232,040	-	-	-	9,232,040	55,119	9,176,921	9,176,921	7.1783%	Bullet	Quarterly	April 2024
Fixed	Philippine Depository & Trust Corp.	6,923,100	-	-	-	6,923,100	58,191	6,864,909	6,864,909	7.6000%	Bullet	Quarterly	April 2026
Fixed	China Banking Corporation	4,975,000	50,000	13,951	36,049	4,925,000	32,257	4,892,743	4,928,792	5.0000%	Bullet	Quarterly	May 2025
		93,221,750	23,957,820	60,769	23,897,051	69,263,930	327,094	68,936,836	92,833,887				
SMC Consolidated Power Corporation													
Fixed	Philippine National Bank - Trust Banking Group (Facility Agent)	37,492,500	2,582,500	76,134	2,506,366	34,910,000	373,656	34,536,344	37,042,710	6.2836%, 6.5362% and 7.3889%	Amortized	Quarterly	June 2029
San Miguel Consolidated Power Corporation													
Fixed	Rizal Commercial Banking Corporation - Trust & Investments Group (Facility Agent)	17,088,138	1,296,744	36,122	1,260,622	15,791,394	212,883	15,578,511	16,839,133	7.7521% and 6.5077%	Amortized	Quarterly	August 2030
		147,802,388	27,837,064	173,025	27,664,039	119,965,324	913,633	119,051,691	146,715,730				
Foreign Denominated:													
Term Loan:													
Parent Company													
Floating	Standard Chartered Bank (Hong Kong) Limited (Facility Agent)	25,870,000	25,870,000	127,692	25,742,308	-	-	-	25,742,308	LIBOR + Margin	Bullet	Monthly	March 2023
	Standard Chartered Bank (Hong Kong) Limited (Facility Agent)	15,522,000	-	-	-	15,522,000	331,660	15,190,340	15,190,340	LIBOR + Margin	Bullet	Monthly	March 2026
	Mizuho Bank Ltd (Facility Agent)	10,348,000	-	-	-	10,348,000	278,851	10,069,149	10,069,149	LIBOR + Margin	Bullet	Monthly	September 2024
	Mizuho Bank Ltd (Facility Agent)	2,587,000	-	-	-	2,587,000	39,603	2,547,397	2,547,397	LIBOR + Margin	Bullet	Monthly	October 2023
		54,327,000	25,870,000	127,692	25,742,308	28,457,000	650,114	27,806,886	53,549,194				
Masinloc Power Partners Co. Ltd.													
Fixed	Philippine National Bank - Trust Banking Group (Facility Agent)	25,096,435	7,788,086	39,243	7,748,843	17,308,349	200,159	17,108,190	24,857,033	4.7776% and 5.5959%	Amortized	Semi-annual	January 2023 and December 2030
Floating	Philippine National Bank – Trust Banking Group (Facility Agent)	8,287,765	2,591,346	12,921	2,578,425	5,696,419	65,875	5,630,544	8,208,969	LIBOR + Margin	Amortized	Semi-annual	January 2023 and December 2030
		33,384,200	10,379,432	52,164	10,327,268	23,004,768	266,034	22,738,734	33,066,002				
		87,711,200	36,249,432	179,856	36,069,576	51,461,768	916,148	50,545,620	86,615,196				
Total Long-term debt		**P 235,513,588**	**P 64,086,496**	**P 352,881**	**P 63,733,615**	**P 171,427,092**	**P 1,829,781**	**P 169,597,311**	**P 233,330,926**				

See Notes 12, 20 and 21 of the Consolidated Financial Statements.

SMC GLOBAL POWER HOLDINGS CORP. AND SUBSIDIARIES
SCHEDULE G - CAPITAL STOCK
March 31, 2022

DESCRIPTION	NUMBER OF SHARES AUTHORIZED	NUMBER OF SHARES ISSUED	TREASURY SHARES	NUMBER OF SHARES OUTSTANDING	NUMBER OF SHARES RESERVED FOR OPTIONS	NUMBER OF SHARES HELD BY: AFFILIATES	DIRECTORS, OFFICERS AND EMPLOYEES
ISSUED SHARES COMMON STOCK	2,000,000,000	1,250,004,000	-	1,250,004,000	-	-	3,500

The following document has been received:

Receiving: Mary Irish De Castro
Receipt Date and Time: March 08, 2022 12:05:00 PM

Company Information

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

Document Information

Document ID: OST10308202228247096
Document Type: Financial Statement
Document Code: FS
Period Covered: December 31, 2021
Submission Type: Consolidated, Annual
Remarks: None

C O V E R   S H E E T

for

AUDITED FINANCIAL STATEMENTS

SEC Registration Number

C	S	2	0	0	8	0	1	0	9	9

COMPANY NAME

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

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

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

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

COMPANY INFORMATION

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

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

CONTACT PERSON INFORMATION

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

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

CONTACT PERSON's ADDRESS

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

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

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

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

CONSOLIDATED FINANCIAL STATEMENTS
December 31, 2021, 2020 and 2019

With Independent Auditors' Report

R.G. Manabat & Co.
The KPMG Center, 6/F
6787 Ayala Avenue, Makati City
Philippines 1209

Telephone	+63 (2) 8885 7000
Fax	+63 (2) 8894 1985
Internet	www.home.kpmg/ph
Email	ph-inquiry@kpmg.com

REPORT OF INDEPENDENT AUDITORS

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

Opinion

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

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

Basis for Opinion

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

Key Audit Matter

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

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

The risk -

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

Our response -

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

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

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

Other Information

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

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

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

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

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

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

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

Auditors' Responsibilities for the Audit of the Consolidated Financial Statements

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

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

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

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

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

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

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

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

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

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

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

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

R.G. MANABAT & CO.

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

March 4, 2022
Makati City, Metro Manila

ANNEX "B-2"

SMC GLOBAL POWER

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

STATEMENT OF MANAGEMENT'S RESPONSIBILITY FOR FINANCIAL STATEMENTS

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

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

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

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

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

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

PAUL BERNARD D. CAUSON
Chief Finance Officer

Signed this 1st day of March 2022

ACKNOWLEDGMENT

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

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

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

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

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

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

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

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

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

CONSOLIDATED STATEMENTS OF FINANCIAL POSITION
DECEMBER 31, 2021 AND 2020
(In Thousands)

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

Forward

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

See Notes to the Consolidated Financial Statements.

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

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

See Notes to the Consolidated Financial Statements.

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

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

See Notes to the Consolidated Financial Statements.

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

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

Forward

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

See Notes to the Consolidated Financial Statements.

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

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

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

Forward

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

See Notes to the Consolidated Financial Statements.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

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

1. Reporting Entity

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

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

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

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

2. Basis of Preparation

Statement of Compliance

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

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

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

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

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

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

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

Forward

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

(a) Owner of the 4 x 150 megawatts (MW) Circulating Fluidized Bed (CFB) coal-fired power plant in Limay, Bataan (Phase I and II Limay Greenfield Power Plant).

(b) Owner of the 2 x 150 MW CFB coal-fired power plant in Malita, Davao (Davao Greenfield Power Plant).

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

(d) Co-owned by the Parent Company (with its wholly-owned subsidiaries SMCGP Masin Pte. Ltd. [SMCGP Masin], SMCGP Masinloc Partners Company Limited [MaPaCo], and SMCGP Masinloc Power Company Limited [MaPoCo], and owner of the Masinloc Power Plant (Notes 11 and 12).

(e) Indirectly owned by the Parent Company, through its wholly-owned subsidiaries PEGC and OPGC, and owner of the battery energy storage system (BESS) facility being constructed in Kabankalan, Negros Occidental.

(f) On November 22, 2021, MERI changed its name to Premiere Energy Resources, Inc.

(g) The Parent Company subscribed to additional unissued common shares of MPGC in December 2021, thereby increasing its ownership interest from 89.54% to 91.98% as at December 31, 2021. Non-controlling interests represent the 7.71% and 0.31% held by Meralco PowerGen Corporation (MGen) and by Zygnet Prime Holdings, Inc. (Zygnet), respectively. It has not yet started commercial operations as at December 31, 2021 (Note 11).

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

(i) Indirectly owned by the Parent Company through SMEC and has not yet started commercial operations as at December 31, 2021.

(j) Acquired on November 3, 2020 (Note 11).

(k) Acquired on March 15, 2021 (Note 11).

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

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

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

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

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

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

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

3. Significant Accounting Policies

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

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

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

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

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

Standards Issued But Not Yet Adopted

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

- how employees of the business are compensated; and

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

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

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

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

- prepayment and extension features; and

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

Derecognition of Financial Assets and Financial Liabilities

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

Investments in Shares of Stock of an Associate and Joint Ventures

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

Leases

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

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

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

Group as Lessee

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

The amortization of mining rights will commence upon commercial operations.

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

Provisions

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

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

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

Capital Stock, Additional Paid-in Capital and Reserves

Common Shares

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

Additional Paid-in Capital

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

Equity Reserve

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

Translation Reserve

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

Reserve for Retirement Plan

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

Hedging Reserve

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

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

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

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

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

Retained Earnings

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

Defined benefit costs comprise the following:

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

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

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

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

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

Foreign Currency

Foreign Currency Translations

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

Segment revenues, expenses and performance include sales and purchases between business segments. Such sales and purchases are eliminated in consolidation.

Contingencies
Contingent liabilities are not recognized in the consolidated financial statements. They are disclosed in the notes to the consolidated financial statements unless the possibility of an outflow of resources embodying economic benefits is remote. Contingent assets are not recognized in the consolidated financial statements but are disclosed in the notes to the consolidated financial statements when an inflow of economic benefits is probable.

Events After the Reporting Date
Post year-end events that provide additional information about the Group’s financial position at the reporting date (adjusting events) are reflected in the consolidated financial statements. Post year-end events that are not adjusting events are disclosed in the notes to the consolidated financial statements when material.

4. Use of Judgments, Estimates and Assumptions

The preparation of the consolidated financial statements in accordance with PFRS requires management to make judgments, estimates and assumptions that affect the application of accounting policies and the amounts of assets, liabilities, income and expenses reported in the consolidated financial statements at the reporting date. However, uncertainty about these judgments, estimates and assumptions could result in an outcome that could require a material adjustment to the carrying amount of the affected asset or liability in the future.

Judgments and estimates are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances. Revisions are recognized in the period in which the judgments and estimates are revised and in any future period affected.

Judgments

In the process of applying the accounting policies, the Group has made the following judgments, apart from those involving estimations, which have an effect on the amounts recognized in the consolidated financial statements:

Determining whether a Contract Contains a Lease. The Group uses its judgment in determining whether a contract contains a lease. At inception of a contract, the Group makes an assessment whether it has the right to obtain substantially all the economic benefits from the use of the identified asset and the right to direct the use of the identified asset.

Lease Commitments - Group as Lessor. The Group has entered into various lease agreements as a lessor. The Group had determined that it retains all the significant risks and rewards of ownership of the property leased out on operating leases.

Rent income recognized in the consolidated statements of income amounted to P11,717, P12,901 and P12,274 in 2021, 2020 and 2019, respectively (Notes 6 and 26).

Determining the Lease Term of Contracts with Renewal Options - Group as Lessee. The Group determines the lease term as the non-cancellable term of the lease, together with any periods covered by an option to extend the lease if it is reasonably certain to be exercised.

The Group has several lease contracts that include extension options. At lease commencement date, the Group applies judgment in evaluating whether it is reasonably certain to exercise the option to renew the lease by considering all relevant factors that create an economic incentive for it to exercise the renewal option. The Group reassesses whether it is reasonably certain to exercise the options if there is a significant event or change in circumstances within its control.

Estimating the Incremental Borrowing Rate. The Group cannot readily determine the interest rate implicit in its leases. Therefore, it uses the relevant incremental borrowing rate to measure lease liabilities. The incremental borrowing rate is the rate of interest that the Group would have to pay to borrow over a similar term, and with a similar security, the funds necessary to obtain an asset of a similar value to the right-of-use asset in a similar economic environment. The incremental borrowing rate, therefore, reflects what the Group would have to pay, which requires estimation when no observable rates are available and to make adjustments to reflect the terms and conditions of the lease. The Group estimates the incremental borrowing rate using observable inputs (such as market interest rates) when available and is required to consider certain contract and entity-specific estimates.

The Group's lease liabilities amounted to P78,213,359 and P99,511,094 as at December 31, 2021 and 2020, respectively (Notes 6, 30, 31 and 32).

Identification of Distinct Performance Obligation. The Group assesses the goods or services promised in a contract with a customer and identifies as a performance obligation either: (a) a good or service (or a bundle of goods or services) that is distinct; or (b) a series of distinct goods or services that are substantially the same and that have the same pattern of transfer to the customer. The Group has determined that it has distinct performance obligations other than the sale of power such as the provision of technical support and lease of equipment to its customers and allocates the transaction price into these several performance obligations.

Determining Whether the Group is acting as a Principal or Agent in a Revenue Transaction. The determination whether the Group is a principal or agent in a contract is made by identifying each specified goods or services promised to the customers in the contract and evaluating whether the Group obtains control of the specified goods and services before it is transferred to the customer.

For the sale of power and retail and other power-related services, the Group has the obligation to provide a recurring service to the customer over the contract term and transfers control upon delivery, hence, the Group has determined that it is acting as principal in these revenue arrangements with customers.

Applicability of Philippine Interpretation IFRIC 12. In accounting for the Group's transactions in connection with its Concession Agreement with ALECO, significant judgment was applied to determine the most appropriate accounting policy to use.

Management used Philippine Interpretation IFRIC 12 as guide and determined that the Concession Agreement is within the scope of the Interpretation. Management determined that the consideration receivable, in exchange for the fulfillment of the Group's obligation under the Concession Agreement, is an intangible asset in the form of a right (license) to charge fees to users. Judgment was further exercised by management in determining the costs components of acquiring the right (Notes 3, 6 and 15).

The Group's power concession right represents the right to operate and maintain the franchise of ALECO; i.e., the right to collect electricity fees from the consumers of ALECO. At the end of the concession period, all assets and improvements shall be returned to ALECO and any additions and improvements to the system shall be transferred to ALECO.

Difference in judgment in respect to the accounting treatment of the transactions would materially affect the assets, liabilities and operating results of the Group.

Classification of Joint Arrangements. The Group has determined that it has rights only to the net assets of the joint arrangements based on the structure, legal form, contractual terms, and other facts and circumstances of the arrangement. As such, the Group classified its joint arrangements in AHC and KWPP as joint ventures (Note 11).

Adequacy of Tax Liabilities. The Group takes into account the impact of uncertain tax positions and whether additional taxes and interest may be due. The Group believes that its accruals for tax liabilities are adequate for all open tax years based on its assessment of many factors, including interpretation of tax laws and prior experience. This assessment relies on estimates and assumptions and may involve a series of judgments about future events. New information may become available that causes the Group to change its judgment regarding the adequacy of existing tax liabilities; such changes to tax liabilities will impact tax expense in the period that such a determination is made.

Classification of Financial Instruments. The Group exercises judgments in classifying financial instrument, or its component parts, on initial recognition as a financial asset, a financial liability, or an equity instrument in accordance with the substance of the contractual arrangement and the definitions of a financial asset, a financial liability or an equity instrument. The substance of a financial instrument, rather than its legal form, governs its classification in the consolidated statements of financial position.

The Group uses its judgment in determining the classification of financial assets based on its business model in which assets are managed and their cash flow characteristics. The classification and fair values of financial assets and financial liabilities are presented in Note 31.

Contingencies. The Group is currently involved in various pending claims and cases which could be decided in favor of or against the Group. The Group's estimate of the probable costs for the resolution of these pending claims and cases has been developed in consultation with in-house as well as outside legal counsel handling the prosecution and defense of these matters and is based on an analysis of potential results. The Group currently does not believe that these pending claims and cases will have a material adverse effect on its financial position and financial performance. It is possible, however, that future financial performance could be materially affected by the changes in the estimates or in the effectiveness of strategies relating to these proceedings (Note 33).

Estimates and Assumptions

The key estimates and assumptions used in the consolidated financial statements are based upon the Group's evaluation of relevant facts and circumstances as at the date of the consolidated financial statements. Actual results could differ from such estimates.

Assessment of ECL on Trade and Other Receivables. The Group, in applying the simplified approach in the computation of ECL, initially uses a provision matrix based on historical default rates for trade and other receivables. The Group also uses appropriate groupings if its historical credit loss experience shows significantly different loss patterns for different customers. The Group then adjusts the historical credit loss experience with forward-looking information on the basis of current observable data affecting each customer to reflect the effects of current and forecasted economic conditions.

The Group has assessed that the forward-looking default rate component of its ECL on trade and other receivables is not material because substantial amount of trade and other receivables are normally collected within one year. Moreover, based on management's assessment, current conditions and forward-looking information does not indicate a significant increase in credit risk exposure of the Group from its trade and other receivables.

In 2021 and 2020, the Group recognized impairment losses on trade and other receivables amounting to P44,006 and P305,829, respectively. The allowance for impairment losses on trade and other receivables amounted to P2,672,082 and P3,034,110 as at December 31, 2021 and 2020, respectively. The carrying amount of trade and other receivables amounted to P47,272,302 and P36,162,259 as at December 31, 2021 and 2020, respectively (Note 8).

Assessment of ECL on Other Financial Assets at Amortized Cost. The Group determines the allowance for ECL using general approach based on the probability-weighted estimate of the present value of all cash shortfalls over the expected life of financial assets at amortized cost. ECL is provided for credit losses that result from possible default events within the next 12 months unless there has been a significant increase in credit risk since initial recognition in which case ECL is provided based on lifetime ECL.

When determining if there has been a significant increase in credit risk, the Group considers reasonable and supportable information that is available without undue cost or effort and that is relevant for the particular financial instrument being assessed such as, but not limited to, the following factors:

- actual or expected external and internal credit rating downgrade;
- existing or forecasted adverse changes in business, financial or economic conditions; and
- actual or expected significant adverse changes in the operating results of the borrower.

The Group also considers financial assets at day one to be the latest point at which lifetime ECL should be recognized unless it can demonstrate that this does not represent a significant risk in credit risk such as when non-payment was an administrative oversight rather than resulting from financial difficulty of the borrower.

The Group has assessed that the ECL on other financial assets at amortized cost is not material because the transactions with respect to these financial assets were entered into by the Group only with reputable banks and companies with good credit standing and relatively low risk of defaults. Accordingly, no provision for ECL on other financial assets at amortized cost was recognized in 2021 and 2020. The carrying amounts of other financial assets at amortized cost are as follows:

	Note	**2021**	2020
Cash and cash equivalents (excluding cash on hand)	*7*	**P67,688,162**	P110,715,432
Investment in debt instruments (included under "Prepaid expenses and other current assets" account)	*10*	**-**	694
Noncurrent receivables (including Amounts owed by related parties included under "Other noncurrent assets" account)	*16*	**1,513,704**	508,654
Restricted cash (included under "Prepaid expenses and other current assets" and "Other noncurrent assets" accounts)	*10, 16*	**4,430,396**	4,790,792
		P73,632,262	P116,015,572

Fair Value Measurements. A number of the Group's accounting policies and disclosures require the measurement of fair values for both financial and non-financial assets and liabilities.

The Group has an established control framework with respect to the measurement of fair values. This includes a valuation team that has the overall responsibility for overseeing all significant fair value measurements, including Level 3 fair values. The valuation team regularly reviews significant unobservable inputs and valuation adjustments. If third party information is used to measure fair values, then the valuation team assesses the evidence obtained to support the conclusion that such valuations meet the requirements of PFRS, including the level in the fair value hierarchy in which such valuations should be classified.

The Group uses market observable data when measuring the fair value of an asset or liability. Fair values are categorized into different levels in a fair value hierarchy based on the inputs used in the valuation techniques (Note 3).

If the inputs used to measure the fair value of an asset or a liability can be categorized in different levels of the fair value hierarchy, then the fair value measurement is categorized in its entirety in the same level of the fair value hierarchy based on the lowest level input that is significant to the entire measurement.

The Group recognizes transfers between levels of the fair value hierarchy at the end of the reporting period during which the change has occurred.

The methods and assumptions used to estimate the fair values for both financial and non-financial assets and liabilities are discussed in Note 31.

Write-down of Inventory. The Group writes-down the cost of inventory to net realizable value whenever net realizable value becomes lower than cost due to damage, physical deterioration, obsolescence, changes in price levels or other causes.

Estimates of net realizable value are based on the most reliable evidence available at the time the estimates are made of the amount the inventories are expected to be realized. These estimates take into consideration fluctuations of price or cost directly relating to events occurring after the reporting date to the extent that such events confirm conditions existing at the reporting date.

The Group assessed that no write-down of inventories to net realizable value is necessary as at December 31, 2021 and 2020.

The carrying amount of inventories amounted to P10,017,822 and P5,582,080 as at December 31, 2021 and 2020, respectively (Note 9).

Estimated Useful Lives of Property, Plant and Equipment and Right-of-Use Assets. The Group estimates the useful lives of property, plant and equipment and right-of-use assets based on the period over which the assets are expected to be available for use. The estimated useful lives of property, plant and equipment and right-of-use assets are reviewed periodically and are updated if expectations differ from previous estimates due to physical wear and tear, technical or commercial obsolescence and legal or other limits on the use of the assets.

In addition, estimation of the useful lives of property, plant and equipment and right-of-use assets is based on collective assessment of industry practice, internal technical evaluation and experience with similar assets. It is possible, however, that future financial performance could be materially affected by changes in estimates brought about by changes in factors mentioned above. The amounts and timing of recorded expenses for any period would be affected by changes in these factors and circumstances. A reduction in the estimated useful lives of property, plant and equipment and right-of-use assets would increase the recorded cost of power sold and selling and administrative expenses and decrease noncurrent assets.

Property, plant and equipment, net of accumulated depreciation and amortization, amounted to P212,033,506 and P171,547,548 as at December 31, 2021 and 2020, respectively. Accumulated depreciation and amortization of property, plant and equipment amounted to P20,667,921 and P13,034,902 as at December 31, 2021 and 2020, respectively (Note 12).

Right-of-use assets, net of accumulated depreciation and amortization, amounted to P157,159,661 and P162,313,084 as at December 31, 2021 and 2020, respectively. Accumulated depreciation and amortization of right-of-use assets amounted to P16,228,779 and P10,724,874 as at December 31, 2021 and 2020, respectively (Note 13).

Estimated Useful Lives of Intangible Assets. The useful lives of intangible assets are assessed at the individual asset level as having either a finite or indefinite life. Intangible assets are regarded to have an indefinite useful life when, based on analysis of all of the relevant factors, there is no foreseeable limit to the period over which the asset is expected to generate net cash inflows for the Group.

Intangible assets with finite useful lives, such as mining rights and computer software and licenses, net of accumulated amortization, amounted to P1,869,946 and P1,848,158 as at December 31, 2021 and 2020, respectively. Accumulated amortization of computer software and licenses amounted to P318,112 and P275,471 as at December 31, 2021 and 2020, respectively (Note 15). The amortization of mining rights will commence upon commercial operations.

Estimated Useful Lives of Intangible Assets - Power Concession Right. The Group estimates the useful life of power concession right based on the period over which the assets are expected to be available for use. The Group has not included any renewal period on the basis of uncertainty of the probability of securing renewal contract at the end of the original contract term as at the reporting date.

The amortization period and method are reviewed when there are changes in the expected term of the contract or the expected pattern of consumption of future economic benefits embodied in the asset.

The carrying amount of power concession right amounted to P1,119,978 and P1,056,817 as at December 31, 2021 and 2020, respectively (Notes 6 and 15).

Impairment of Goodwill. The Group determines whether the goodwill acquired in a business combination is impaired at least annually. This requires the estimation of value in use of the cash-generating units to which the goodwill is allocated. Estimating value in use requires management to make an estimate of the expected future cash flows from the cash-generating unit and to choose a suitable discount rate to calculate the present value of those cash flows.

The recoverable amount of goodwill arising from the acquisition of SMCGP Masin, SMCGP Transpower and SPHI (collectively referred to as Masinloc Group) has been determined based on the value in use using discounted cash flows. Assumptions used in the discounted cash flows include discount rate of 9.0% in 2021, 2020, and 2019 and terminal growth rate of 5.0% in 2021, 4.0% in 2020 and 3.0% in 2019 (Note 15).

Management believes that any reasonably possible change in the key assumptions on which the recoverable amount is based would not cause its carrying amount to exceed its recoverable amount.

No impairment loss was recognized in 2021, 2020 and 2019 in relation to the goodwill arising from the acquisition of the Masinloc Group, which accounts for almost 100% of the goodwill in the consolidated statements of financial position as at December 31, 2021 and 2020.

The carrying amount of goodwill amounted to P69,953,222 as at December 31, 2021 and 2020 (Note 15).

Acquisition Accounting. At the time of acquisition, the Group considers whether the acquisition represents an acquisition of a business or a group of assets. The Group accounts for an acquisition as a business combination if it acquires an integrated set of business processes in addition to the group of assets acquired.

The Group accounts for acquired businesses using the acquisition method of accounting which requires that the assets acquired and the liabilities assumed are recognized at the date of acquisition based on their respective fair values.

The application of the acquisition method requires certain estimates and assumptions concerning the determination of the fair values of acquired intangible assets and property, plant and equipment as well as liabilities assumed at the acquisition date. Moreover, the useful lives of the acquired intangible assets and property, plant and equipment have to be determined. Accordingly, for significant acquisitions, the Group obtains assistance from valuation specialists. The valuations are based on information available at the acquisition date.

The Group has determined that the acquisition of the Masinloc Group represents a business due to the presence of the integrated set of activities acquired while the acquisition of MPGC, DIPI and Soracil represents an asset acquisition since it does not meet the requirements of being a business as set out in PFRS 3.

The carrying amount of goodwill arising from business combinations amounted to P69,953,222 as at December 31, 2021, and 2020 (Note 15).

Estimating Coal Reserves. Coal reserve estimates are based on measurements and geological interpretation obtained from natural outcrops, trenches, tunnels and drill holes. In contrast with “coal resource” estimates, profitability of mining the coal during a defined operating period or “mine-life” is a necessary attribute of “coal reserve”. Proven reserves estimates are attributed to future development projects only where there is a significant commitment to project funding and execution and for which applicable governmental and regulatory approvals have been secured or are reasonably certain to be secured. All proven reserve estimates are subject to revision, either upward or downward, based on new information, such as from block grading and production activities or from changes in economic factors, including product prices, contract terms or development plans. Estimates of reserves for undeveloped areas are subject to greater uncertainty over their future life than estimates of reserves for areas that are substantially developed and depleted.

The Philippine Department of Energy (DOE) is the government agency authorized to implement Coal Operating Contracts (COC) and regulate the operation of contractors pursuant to DOE Circular No. 81-11-10: Guidelines for Coal Operations in the Philippines. For the purpose of the 5-year development and production program required for each COC, the agency classifies coal reserves, according to increasing degree of uncertainty, into (i) positive, (ii) probable, and (iii) inferred. The DOE also prescribes the use of “total in-situ reserves” as the sum of positive reserves and two-thirds of probable reserve; and “mineable reserve” as 60% of total in-situ reserve for underground, and 85% for surface (including open-pit) coal mines (Note 14).

Recoverability of Deferred Exploration and Development Costs. A valuation allowance is provided for estimated unrecoverable deferred exploration and development costs based on the Group's assessment of the future prospects of the mining properties, which are primarily dependent on the presence of economically recoverable reserves in those properties.

The Group’s mining activities related to coal are all in the preparatory stages as at December 31, 2021 and 2020. All related costs and expenses from mining activities are currently deferred as exploration and development costs to be amortized upon commencement of commercial operations. The Group has not identified any facts and circumstances which suggest that the carrying amount of the deferred exploration and development costs exceeded the recoverable amounts as at December 31, 2021 and 2020.

Deferred exploration and development costs amounted to P719,393 and P714,726 as at December 31, 2021 and 2020, respectively (Note 14).

Realizability of Deferred Tax Assets. The Group reviews its deferred tax assets at each reporting date and reduces the carrying amount to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the deferred tax assets to be utilized. The Group’s assessment on the recognition of deferred tax assets on deductible temporary differences and carryforward benefits of MCIT and NOLCO is based on the projected taxable income in the following periods.

Deferred tax assets arising from MCIT and NOLCO have not been recognized because the management believes that it is not probable that future taxable income will be available against which the Group can utilize the benefits therefrom (Note 27).

Deferred tax assets from temporary differences amounted to P1,447,415 and P1,645,882 as at December 31, 2021 and 2020, respectively (Note 27).

Impairment of Non-financial Assets. PFRS requires that an impairment review be performed on investments and advances, property, plant and equipment, right-of-use assets, deferred exploration and development costs and intangible assets with finite useful lives when events or changes in circumstances indicate that the carrying amounts may not be recoverable. Determining the recoverable amounts of these assets requires the estimation of cash flows expected to be generated from the continued use and ultimate disposition of such assets. While it is believed that the assumptions used in the estimation of fair values reflected in the consolidated financial statements are appropriate and reasonable, significant changes in these assumptions may materially affect the assessment of recoverable amounts and any resulting impairment loss could have a material adverse impact on the financial performance.

Accumulated impairment losses on property, plant and equipment amounted to P174,974 and P132,111 as at December 31, 2021 and 2020, respectively (Note 12).

The combined carrying amounts of investments and advances, property, plant and equipment, right-of-use assets, deferred exploration and development costs and intangible assets with finite useful lives amounted to P383,566,356 and P347,305,020 as at December 31, 2021 and 2020, respectively (Notes 11, 12, 13, 14 and 15).

Present Value of Defined Benefit Retirement Obligation. The present value of the defined benefit retirement obligation depends on a number of factors that are determined on an actuarial basis using a number of assumptions. These assumptions are described in Note 21 to the consolidated financial statements and include discount rate and salary increase rate.

The Group determines the appropriate discount rate at the end of each reporting period. It is the interest rate that should be used to determine the present value of estimated future cash outflows expected to be required to settle the retirement obligations. In determining the appropriate discount rate, the Group considers the interest rates on government bonds that are denominated in the currency in which the benefits will be paid. The terms to maturity of these bonds should approximate the terms of the related retirement obligation.

Other key assumptions for the defined benefit retirement obligation are based in part on current market conditions.

While it is believed that the assumptions of the Group are reasonable and appropriate, significant differences in actual experience or significant changes in assumptions may materially affect the defined benefit retirement obligation of the Group.

The present value of defined benefit retirement obligation amounted to P157,588 and P147,729 as at December 31, 2021 and 2020, respectively (Note 21).

ARO. The Group has ARO arising from power plants and leased properties. Determining ARO requires estimation of the costs of dismantling, installing and restoring leased properties to their original condition. The Group determined the amount of the ARO by obtaining estimates of dismantling costs from the proponent responsible for the operation of the asset, discounted at the Group's current credit-adjusted risk-free rate ranging from 3.93% to 12.64% depending on the life of the capitalized costs. While it is believed that the assumptions used in the estimation of such costs are reasonable, significant changes in these assumptions may materially affect the recorded expense or obligation in future periods.

The Group's ARO, presented under "Other noncurrent liabilities" account in the consolidated statements of financial position, amounted to P792,968 and P868,883 as at December 31, 2021 and 2020, respectively.

5. Segment Information

Operating Segments

The Group's operations are segmented into four businesses: a) power generation, b) retail and other power-related services, c) coal mining and d) others consistent with the reports prepared internally for use by the Group's chief operating decision maker in reviewing the business performance of the operating segments. The differing economic characteristics and activities of these operating segments make it more useful to users of the consolidated financial statements to have information about each component of the Group's profit or loss, assets and liabilities.

The coal mining companies, which were acquired in 2010, have not yet started commercial operations and remain in the preparatory stages of mining activities (Note 14).

Segment Assets and Liabilities

Segment assets include all operating assets used by a segment and consist primarily of operating cash, receivables, inventories, property, plant and equipment, right-of-use assets, net of allowances, accumulated depreciation and amortization, and impairment, deferred exploration and development costs, and other noncurrent assets. Segment liabilities include all operating liabilities and consist primarily of loans payable, accounts payable and accrued expenses, lease liabilities, and other noncurrent liabilities. Segment assets and liabilities do not include deferred taxes. Capital expenditures consist of additions to property, plant and equipment of each reportable segment.

Inter-segment Transactions

Segment revenues, expenses and performance include sales and purchases between operating segments. Such transactions are eliminated in consolidation.

The Group operates only in the Philippines which is treated as a single geographical segment.

Major Customers

The Group sells, retails and distributes power, through power supply agreements (PSA), retail supply contracts (RSC), concession agreement and other power-related service agreements (Note 6), either directly to customers (other generators, distribution utilities [DU], electric cooperatives and industrial customers) or through the Philippine Wholesale Electricity Spot Market (WESM). Sale of power to Manila Electric Company (Meralco) amounting to P53,313,150, P50,497,918 and P62,795,380 in 2021, 2020 and 2019, respectively, represents more than 10% of the Group's total revenues.

For management reporting purposes, the Group's operating segments are organized and managed separately as follows:

<u>Operating Segments</u>

Financial information about reportable segments follows:

	For the Years Ended December 31																	
	Power Generation			Retail and Other Power-related Services			Coal Mining			Others			Eliminations			Consolidated		
	2021	2020	2019	**2021**	2020	2019	**2021**	2020	2019	**2021**	2020	2019	**2021**	2020	2019	**2021**	2020	2019
Revenues																		
External	**P110,294,417**	P95,034,262	P111,950,126	**P23,236,333**	P19,859,669	P23,095,136	**P -**	P -	P -	**P179,421**	P134,720	P14,817	**P -**	P -	P -	**P133,710,171**	P115,028,651	P135,060,079
Inter-segment	**19,582,558**	22,278,900	22,816,768	**10,212**	162,456	248,030	**-**	-	-	**1,010,105**	839,663	732,061	**(20,602,875)**	(23,281,019)	(23,796,859)	**-**	-	-
	129,876,975	117,313,162	134,766,894	**23,246,545**	20,022,125	23,343,166	**-**	-	-	**1,189,526**	974,383	746,878	**(20,602,875)**	(23,281,019)	(23,796,859)	**133,710,171**	115,028,651	135,060,079
Costs and Expenses																		
Cost of power sold	**97,078,222**	76,569,735	95,089,427	**19,190,830**	17,555,302	21,406,492	**-**	-	-	**756,120**	643,819	17,988	**(20,116,727)**	(22,873,308)	(24,755,707)	**96,908,445**	71,895,548	91,758,200
Selling and administrative expenses	**4,307,035**	5,641,851	6,640,576	**685,878**	866,740	509,513	**8,875**	8,289	8,814	**1,629,592**	1,623,909	2,177,718	**(1,716,109)**	(1,930,552)	(1,988,427)	**4,915,271**	6,210,237	7,348,194
	101,385,257	82,211,586	101,730,003	**19,876,708**	18,422,042	21,916,005	**8,875**	8,289	8,814	**2,385,712**	2,267,728	2,195,706	**(21,832,836)**	(24,803,860)	(26,744,134)	**101,823,716**	78,105,785	99,106,394
Segment Result	**P28,491,718**	P35,101,576	P33,036,891	**P3,369,837**	P1,600,083	P1,427,161	**(P8,875)**	(P8,289)	(P8,814)	**(P1,196,186)**	(P1,293,345)	(P1,448,828)	**P1,229,961**	P1,522,841	P2,947,275	**31,886,455**	36,922,866	35,953,685
Interest expense and other financing charges																**(18,269,192)**	(18,582,926)	(19,720,720)
Interest income																**617,100**	1,007,235	1,585,459
Equity in net losses of an associate and joint ventures - net																**(117,348)**	(472,694)	(391,054)
Other income - net																**3,761,479**	7,922,509	4,199,255
Income tax expense																**(1,900,167)**	(7,923,452)	(7,263,116)
Consolidated Net Income																**P15,978,327**	P18,873,538	P14,363,509

	As at and For the Years Ended December 31											
	Power Generation		Retail and Other Power-related Services		Coal Mining		Others		Eliminations		Consolidated	
	2021	2020	**2021**	2020	**2021**	2020	**2021**	2020	**2021**	2020	**2021**	2020
Other Information												
Segment assets	**P496,862,462**	P420,489,538	**P13,927,745**	P10,937,365	**P736,789**	P731,624	**P110,153,274**	P123,111,073	**(P71,185,477)**	(P29,714,639)	**P550,494,793**	P525,554,961
Investments and advances - net	**9,368,275**	9,481,855	**231,597**	213,308	**-**	-	**295,842,856**	247,012,017	**(294,603,882)**	(246,750,382)	**10,838,846**	9,956,798
Goodwill and other intangible assets - net											**72,943,146**	72,858,197
Deferred tax assets											**1,447,415**	1,645,882
Consolidated Total Assets											**P635,724,200**	P610,015,838
Segment liabilities	**P238,452,748**	P178,328,738	**P8,126,374**	P7,198,913	**P842,509**	P828,490	**P5,490,372**	P5,776,957	**(P112,045,237)**	(P47,440,247)	**P140,866,766**	P144,692,851
Long-term debt - net											**222,921,443**	219,552,782
Income tax payable											**24,754**	10,060
Deferred tax liabilities											**20,182,639**	19,456,124
Consolidated Total Liabilities											**P383,995,602**	P383,711,817
Capital expenditures	**P39,274,510**	P26,646,921	**P -**	P -	**P -**	P -	**P420,597**	P160,952	**(P100,510)**	(P36,464)	**P39,594,597**	P26,771,409
Depreciation and amortization of property, plant and equipment, right-of-use assets and intangible assets	**9,541,894**	9,132,693	**1,699,272**	1,383,372	**-**	10	**165,396**	77,436	**(32,362)**	(27,338)	**11,374,200**	10,566,173
Noncash items other than depreciation and amortization	**3,609,404**	(3,188,211)	**(233,052)**	91,677	**(8)**	7	**(1,924,582)**	(19,957)	**-**	99,097	**1,451,762**	(3,017,387)

**Noncash items other than depreciation and amortization include unrealized foreign exchange losses (gains), equity in net losses of an associate and joint ventures, impairment losses on trade and other receivables (net of reversals), property, plant and equipment and others, and retirement cost.*

6. Significant Agreements and Lease Commitments

a. IPPA Agreements

As a result of the biddings conducted by PSALM for the Appointment of the IPP Administrator for the capacity of the following power plants, the Group was declared the winning bidder to act as IPP Administrator through the following appointed subsidiaries:

Subsidiary	Power Plant	Location
SMEC	Sual Coal - Fired Power Station (Sual Power Plant)	Sual, Pangasinan Province
SPDC	San Roque Hydroelectric Multi-purpose Power Plant (San Roque Power Plant)	San Roque, Pangasinan Province
SPPC	Ilijan Natural Gas - Fired Combined Cycle Power Plant (Ilijan Power Plant)	Ilijan, Batangas Province

The IPPA Agreements are with the conformity of the National Power Corporation (NPC), a government-owned and controlled corporation created by virtue of Republic Act (RA) No. 6395, as amended, whereby NPC confirms, acknowledges, approves and agrees to the terms of the IPPA Agreements and further confirms that for so long as it remains the counterparty of the IPP, it will comply with its obligations and exercise its rights and remedies under the original agreement with the IPP at the request and instruction of PSALM.

The IPPA Agreements include, among others, the following common salient rights and obligations:

i. the right and obligation to manage and control the capacity of the power plant for its own account and at its own cost and risks;

ii. the right to trade, sell or otherwise deal with the capacity (whether pursuant to the spot market, bilateral contracts with third parties or otherwise) and contract for or offer related ancillary services, in all cases for its own account and at its own cost and risks. Such rights shall carry the rights to receive revenues arising from such activities without obligation to account therefore to PSALM or any third party;

iii. the right to receive a transfer of the power plant upon termination of the IPPA Agreement at the end of the cooperation period or in case of buy-out;

iv. for SMEC and SPPC, the right to receive an assignment of NPC’s interest in existing short-term bilateral power supply contracts;

v. the obligation to supply and deliver, at its own cost, fuel required by the IPP and necessary for the Sual Power Plant to generate the electricity required to be produced by the IPP;

vi. maintain the performance bond in full force and effect with a qualified bank; and

vii. the obligation to pay PSALM the monthly payments and energy fees in respect of all electricity generated from the capacity, net of outages.

Relative to the IPPA Agreements, SMEC, SPDC and SPPC have to pay PSALM monthly payments for 15 years until October 1, 2024, 18 years until April 26, 2028 and 12 years until June 26, 2022, respectively. Energy fees amounted to P17,762,434, P20,365,268 and P26,417,124 in 2021, 2020 and 2019, respectively (Note 24). SMEC and SPDC renewed their performance bonds amounting to US$58,187 and US$20,305, which will expire on November 3, 2022 and January 25, 2023, respectively (Note 10).

On June 16, 2015, SPPC renewed its performance bond amounting to US$60,000 with a validity period of one year. This performance bond was subsequently drawn by PSALM on September 4, 2015 which is subject to an ongoing case (Notes 8 and 33).

The lease liabilities are carried at amortized cost using the US dollar and Philippine peso discount rates as follows:

	US Dollar	Philippine Peso
SMEC	3.89%	8.16%
SPPC	3.85%	8.05%
SPDC	3.30%	7.90%

The discount determined at inception of the agreement is amortized over the period of the IPPA Agreements and recognized as part of "Interest expense and other financing charges" account in the consolidated statements of income. Interest expense amounted to P4,706,105, P6,045,444 and P7,290,341 in 2021, 2020 and 2019, respectively.

SMEC, SPDC and SPPC's power plants under lease arrangement, presented under "Right-of-use assets - net" account in the consolidated statements of financial position, amounted to P151,827,880 and P157,014,283 as at December 31, 2021 and 2020, respectively (Note 13).

Maturity analysis of lease payments as at December 31, 2021 and 2020 are disclosed in Note 30.

b. Land Lease Agreement with PSALM

MPPCL has an existing lease agreement with PSALM for the lease of a 199,600 square meters land located in Barangay Bani, Masinloc, Zambales. The lease agreement will expire on April 11, 2028.

In August 2019, Alpha Water acquired 12,522 square meters out of the existing land currently being leased by MPPCL from PSALM for a total consideration of P15,653 (Note 12).

The lease liability is amortized using a 4.52% discount rate over the period of the agreement. Amortization is recognized as part of "Interest expense and other financing charges" account in the consolidated statements of income which amounted to P3,063, P3,070 and P3,311 in 2021, 2020 and 2019, respectively.

MPPCL's land under lease arrangement, presented under "Right-of-use assets - net" account in the consolidated statements of financial position, amounted to P88,535 and P102,568 as at December 31, 2021 and 2020, respectively (Note 13).

Maturity analysis of lease payments as at December 31, 2021 and 2020 are disclosed in Note 30.

c. Market Participation Agreements (MPA)

SMEC, SPDC, SPPC, SCPC, SMELC, SMCPC, MPPCL, SMCGP Philippines Energy and UPSI each entered into separate MPAs with the Philippine Electricity Market Corporation (PEMC) to satisfy the conditions contained in the Philippine WESM Rules on WESM membership and to set forth the rights and obligations of a WESM member.

The relevant parties in each of the MPAs acknowledged that PEMC was entering into the agreement in its capacity as both governing arm and autonomous group market operator of the WESM, and that in due time the market operator functions shall be transferred to an independent market operator (IMO) pursuant to RA No. 9136, otherwise known as the "Electric Power Industry Reform Act of 2001" (EPIRA). The parties further agreed that upon such transfer, all rights, obligations and authority of PEMC under the MPA shall also pertain to the IMO and that all references to PEMC shall also refer to such IMO.

Upon the initiative of the DOE and PEMC, Independent Electricity Market Operator of the Philippines (IEMOP) was incorporated and assumed the functions and obligations as the market operator of the WESM commencing on September 26, 2018. Consequently, SMEC, SPDC, SPPC, SCPC, SMELC, SMCPC and MPPCL each entered into separate Supplemental MPAs with PEMC and IEMOP for the transfer of rights of the market operator to IEMOP.

Under the WESM Rules, the cost of administering and operating the WESM shall be recovered through a charge imposed on all WESM members or transactions, as approved by the ERC. Market fees charged by PEMC to SMEC, SPDC, SPPC, SCPC and MPPCL, recognized as part of "Plant operations and maintenance, and other fees" under "Cost of power sold" account in the consolidated statements of income, amounted to P126,305, P184,897 and P205,868 in 2021, 2020 and 2019, respectively (Note 24).

SMELC, SCPC and MPPCL each has a standby letter of credit, to secure the full and prompt performance of obligations for its transactions as a Direct Member and trading participant in the WESM, which expired in 2021. Subsequently, SCPC and MPPCL has extended its validity until 2022 and 2023, respectively.

d. PSAs and RSCs

SMEC, SPPC, SPDC, SMCPC, SCPC, SMELC, SEDI and MPPCL have offtake contracts such as PSAs and RSCs with various counterparties to sell electricity produced by the power plants. Counterparties for PSAs include DUs, electric cooperatives, third party Retail Electricity Supplier (RES) and other entities.

Counterparties for RSCs are Contestable Customers, or large industrial users which have been certified contestable by the ERC.

Majority of the consolidated sales of the Group are through long-term offtake contracts, which may have provisions for take-or-pay, passing on fuel costs, foreign exchange differentials or certain other fixed costs and minimum offtake level. Most of the agreements provide for renewals or extensions subject to mutually agreed terms and conditions by the parties and applicable rules and regulations. Tariff structures vary depending on the customer and their needs, with some having structures based on energy-based pricing or capacity-based pricing.

For capacity-based contracts, the customers are charged with the capacity fees based on the contracted capacity plus the energy fees for the associated energy taken during the month. As stipulated in the contracts, energy-based contracts on the other hand, are based on the actual energy consumption of customers using the basic energy charge and/or adjustments.

SMEC, SPPC, SPDC, SMCPC, SCPC and MPPCL can also purchase power from WESM or other power generation companies during periods when the power generated from the power plants is not sufficient to meet customers' power requirements. Power purchases amounted to P25,304,405, P12,918,282, P21,434,786 in 2021, 2020 and 2019, respectively (Note 24).

On March 2, 2021, EERI and MPPCL have executed long-term PSAs with Meralco for the supply and delivery of 1,200 MW and 600 MW contract capacity starting in November 2024 and April 2025, respectively. These PSAs have been filed and are pending approval by the ERC to date.

Recently, in February 2022, SPPC also executed a PSA with Meralco for the supply of 170 MW (net) contract capacity, for a term of 5 months after it was declared as the winning bidder in the competitive selection process conducted by Meralco for the same.

Revenues from retail sales to contestable customers amounted to P19,262,185, P16,723,387 and P19,630,929 in 2021, 2020 and 2019, respectively, and was recognized as part of "Revenues" account in the consolidated statements of income (Note 23).

e. Memorandum of Agreement (MOA) with San Roque Power Corporation (SRPC)

On December 6, 2012, SPDC entered into a 5-year MOA with SRPC to sell a portion of the capacity of the San Roque Power Plant. Under the MOA, i) SRPC shall purchase a portion of the capacity sourced from the San Roque Power Plant; ii) SRPC shall pay a settlement amount to SPDC for the capacity; and iii) the MOA may be earlier terminated or extended subject to terms and mutual agreement of the parties. The MOA was extended for another 2 years and expired on March 25, 2020.

Revenue from sale of capacity of the San Roque Power Plant amounted to P7,470, P106,641 and P651,580 in 2021, 2020 and 2019, respectively, and was recognized as part of "Revenues" account in the consolidated statements of income (Note 23). Revenue recognized in 2021 pertains to the adjustment from sale of capacity in 2020 and 2019.

f. Ancillary Service Procurement Agreement (ASPA)

On September 8, 2017, MPPCL entered into an ASPA with the National Grid Corporation of the Philippines (NGCP) for a period of 5 years to allocate the entire capacity of its 10 MW Masinloc BESS as frequency regulating reserve for the NGCP to maintain power quality, reliability and security of the grid.

On May 6, 2021, SMCGP Philippines Energy entered into an ASPA with NGCP for a period of 5 years commencing on January 26, 2022, allocating its 20 MW Kabankalan 1 BESS to provide ancillary services to the Visayas grid based on the Provisional Authority granted by the ERC (Note 12).

Revenue from ancillary services of MPPCL amounted to P346,433, P395,310 and P354,728 in 2021, 2020 and 2019, respectively, and was recognized as part of "Revenues" account in the consolidated statements of income (Note 23).

g. Coal Supply Agreements

SMEC, SMCPC, SCPC, and MPPCL have supply agreements with various coal suppliers for the coal requirements of the power plants.

h. Distribution Wheeling Service (DWS) Agreements

As RES, SMELC, SCPC and MPPCL each entered into DWS Agreements with certain DUs for the conveyance of electricity through its distribution systems in order to supply the power requirements of their respective contestable customers. The agreements are valid and binding upon execution unless terminated by either party.

The DWS charges from the DUs are passed on to the contestable customers who have opted for a single billing arrangement as provided in the ERC Supplemental Switching Rules.

SMELC's DWS Agreements were no longer renewed relative to the expiration of its RES license in September 2021 (Note 28).

i. Lease Agreements

Group as Lessee
Information about significant leases for which the Group is a lessee that qualifies under PFRS 16 are as follows:

i. The Parent Company has lease agreements for the use of office spaces and staff house with San Miguel Properties, Inc. and Bright Ventures Realty, Inc., both entities under common control, and an external party for a period of 1 to 5 years, renewable upon agreement between the parties.

ii. In November 2015, SCPC leased parcels of land from New Ventures Realty Corporation (NVRC), an entity under common control, for its Phase I Limay Greenfield Power Plant and ash dump facility. This is covered by two lease agreements, each having an initial term of 25 years with an option to renew for a further 25 years. The agreements contain a clause allowing annual escalation adjustments of rental rates starting on certain anniversary dates.

iii. On December 7, 2015, LETI leased a parcel of land from NVRC for its Phase II Limay Greenfield Power Plant for a period of 25 years from the effective date with an option to renew this lease for another 25 years. The rent shall be increased annually by 6.0% starting from the second anniversary of the lease execution. The lease agreement was assigned to SCPC pursuant to the sale of the Phase II Limay Greenfield Power Plant on June 22, 2017.

iv. DAMI leases a parcel of land in General Santos City with SMC. The existing lease agreement is for a 10-year period up to June 30, 2023, subject to renewal. The rent is subject to an automatic 10.0% per annum escalation rate. Amortization of right-of-use assets and rent for the year, capitalized in "Deferred exploration and development costs" account in the consolidated statements of financial position, amounted to P463 and P500 as at December 31, 2021 and 2020, respectively (Note 14).

v. In 2016, SMCPC entered into an agreement with Kyron Landholdings Inc. (KLI), an entity under common control, for the sublease of a parcel of land for its Davao Greenfield Power Plant. The initial term of the lease is for a period of 25 years with the option to renew further for 25 years. Beginning January 1, 2018 until the end of the term, the rental shall be increased by 5.1% per annum.

   In 2020, an amendment was made to the agreement reducing the parcel of land to 919,820 square meters. The modification of lease arrangements increased the lease liability and right-of-use assets - net by P16,021 and P14,864, respectively, and resulted to a recognition of loss on lease modification amounting to P1,157 in 2020 presented as part of “Other income - net” account in the consolidated statements of income (Note 26).

vi. On December 13, 2017, SCPC leased a foreshore area aggregating to 465,967 square meters from the Department of Environment and Natural Resources (DENR) for its pier and jetty facility. The lease is for a period of 25 years with an option to renew for another 25 years. The agreement contains a clause to increase annual rental based on appraised value of land and improvements every 10 years.

vii. On March 7, 2017, SCPC leased a parcel of land with approximate area of 66,000 square meters from PNOC Alternative Fuels Corporation for the construction of auxiliary facilities of the Limay Greenfield Power Plant. The lease is for a period of 25 years with an option to renew for another 25 years. The agreement contains a clause to increase the annual rental by 3% and every 5 years, the amount equivalent to 5% of the re-appraised value shall be the new rental rate.

viii. On October 3, 2018, SMCPC leased a foreshore area aggregating to 68,779 square meters from the DENR for its pier and jetty facility. The lease is for a period of 25 years with an option to renew for another 25 years. The agreement contains a clause to increase annual rental based on appraised value of land and improvements every 10 years.

ix. On December 5, 2019, MPGC leased a total of 1,654,400 square meters of land from E-Fare Investment Holdings Inc. (E-Fare), an entity under common control, for a period of 24 years and 6 months from the effective date with an option to renew this lease for another 25 years. The agreement contains a clause to increase annual rental by 5% starting from the first anniversary of the effective date.

x. On January 6, 2020, MPGC leased a total of 115,996 square meters of land from E-Fare for a period of 24 years and 5 months from the effective date with an option to renew for another 25 years. The rent shall be increased annually by 5.0% starting from the third anniversary of the effective date.

xi. On February 3, 2020, UPSI has entered into an agreement with KLI for the sublease of a parcel of land for its BESS facilities. The initial term of the lease is for a period of 18 years and 4 months with the option to renew further for 25 years. Beginning January 1, 2021 until the end of the term, the rental shall be increased by 5.1% per annum.

xii. In 2020, SMCPC was granted by the DENR a provisional permit for the temporary occupation and use for industrial purposes of a parcel of public land (offshore) situated in Malita aggregating to 99,809 square meters while applying the foreshore lease.

xiii. In 2021, EERI leased a total of 390,829 square meters of land for its liquefied natural gas-fired power plant from Ilijan Primeline Industrial Estate Corp., for a period of 25 years from the effective date with an option to renew further for 25 years. Beginning the fourth anniversary of the effective date, the rental shall be increased by 5% per annum.

xiv. In 2020 and 2021, UPSI leased parcels of land with total approximate area of 345,239 and 43,594 square meters from various third parties for the construction of its BESS facilities, respectively. The initial terms of the leases range for a period of 15 to 25 years with the option to renew further for 15 to 25 years, as may be applicable. For lease agreements with escalation clause, the rental shall be increased by 5% or 10% per annum, until the end of the term.

xv. In 2021, MPGC leased a total of 47,772 square meters of land from the Authority of Freeport Area of Bataan (AFAB) for the construction and development of a transmission line for a period of 25 years with an option to renew and extend. The terms of agreement include an option for MPGC to pay the total rental in full for the entire period.

xvi. In 2021, the Parent Company entered into a lease agreement with Mabini Properties, Inc., an entity under common control for the use of office and parking spaces for a term of 5 years, with an option to renew upon mutual agreement of both parties. The agreement contains a clause to increase annual rental by 3% starting from the first anniversary of the effective date.

Related right-of-use assets from these lease arrangements are disclosed in Note 13.

The Group also entered into various lease agreements that did not qualify under PFRS 16 for the recognition of right-of-use assets and lease liabilities due to the lease being short-term in nature.

SMEC and MPPCL had short-term lease agreements with Challenger Aero Air Corporation, an entity under common control, for the lease of aircrafts, which expired on December 31, 2021. Both leases did not qualify under PFRS 16 as these were short-term in nature.

Relative to the lease agreements, the Group was required to pay advance rental and security deposits which are included under “Trade and other receivables - net” or “Prepaid expenses and other current assets” accounts in the consolidated statements of financial position (Notes 8 and 10).

Maturity analysis of lease payments are disclosed in Note 30.

Interest expense recognized in the consolidated statements of income amounted to P118,474, P108,378 and P107,389 in 2021, 2020 and 2019, respectively.

Rent expense recognized in the consolidated statements of income amounted to P370,341, P337,605 and P328,379 in 2021, 2020 and 2019, respectively (Notes 4, 24 and 25).

Total cash outflows amounted to P29,603,394, P29,288,895 and P26,932,127 in 2021, 2020 and 2019, respectively.

Group as Lessor
In May 2011, GPII entered into an agreement with NVRC, for the lease of certain parcels of land located in Limay, Bataan with a total area of 612,193 square meters. The lease term is for a period of 10 years up to May 2021, with an option to renew not later than 6 months prior to expiration and a 3.0% escalation rate of the rental every year from signing of the contract. This agreement was subsequently amended, reducing the leased area to 340,646 square meters effective October 1, 2013. This was further amended reducing the leased area to 130,980 square meters and with a corresponding reduction in the monthly rental effective on December 1, 2016. On June 20, 2017, NVRC assigned its leasehold rights to Petron Corporation, an entity under common control.

There are no restrictions imposed on these lease agreements such as those concerning dividends, additional debt and further leasing.

Rent income recognized under "Other income - net" account in the consolidated statements of income amounted to P11,717, P12,901 and P12,274 in 2021, 2020 and 2019, respectively (Notes 4 and 26).

j. Concession Agreement

The Parent Company entered into a 25-year Concession Agreement with ALECO on October 29, 2013. It became effective upon confirmation of the National Electrification Administration on November 7, 2013.

On January 28, 2014, the Parent Company and APEC entered into an Assignment Agreement whereby APEC assumed all the rights, interests and obligations of the Parent Company under the Concession Agreement effective January 2, 2014.

The Concession Agreement include, among others, the following rights and obligations:

i. as Concession Fee, APEC shall pay to ALECO: (1) separation pay of ALECO employees in accordance with the Concession Agreement and (2) the amount of P2,100 every quarter for the upkeep of residual ALECO (fixed concession fee);

ii. if the net cash flow of APEC is positive within 5 years or earlier from date of signing of the Concession Agreement, 50% of the Net Cash Flow each month shall be deposited in an escrow account until the cumulative nominal sum reaches P4,048,529;

iii. on the 20th anniversary of the Concession Agreement, the concession period may be extended by mutual agreement between ALECO and APEC; and

iv. at the end of the concession period, all assets and system, as defined in the Concession Agreement, shall be returned by APEC to ALECO in good and usable condition. Additions and improvements to the system shall likewise be transferred to ALECO.

In this regard, APEC shall provide services within the franchise area and shall be allowed to collect fees and charges, as approved by the ERC. APEC formally assumed operations as concessionaire on February 26, 2014.

The Group recognized as intangible assets all costs directly related to the Concession Agreement. The intangible assets consist of: a) concession rights, which include fixed concession fees and separation pay of ALECO employees amounting to P384,317. Fixed concession fees are recognized at present value using the discount rate at the inception date with a corresponding concession payable recognized; and b) infrastructure, which includes the costs of structures and improvements, distribution system and equipment. Cost of infrastructure amounted to P1,173,507 and P1,049,937 as at December 31, 2021 and 2020, respectively. Interest expense on concession payable, included as part of "Interest expense and other financing charges" account in the consolidated statements of income, amounted to P5,372, P5,541 and P5,700 in 2021, 2020 and 2019, respectively. Amortization of concession assets recognized in the "Depreciation and amortization" account in the consolidated statements of income amounted to P60,409, P56,058 and P48,320 in 2021, 2020 and 2019, respectively (Note 24).

Maturities of the carrying amount of concession payable are as follows:

	2021	2020
Not later than 1 year	**P3,207**	P3,028
More than 1 year and not later than 5 years	**14,835**	14,008
Later than 5 years	**73,040**	77,074
	P91,082	P94,110

Power concession assets consist of:

	Concession Rights	**Completed Projects/Others**	**Asset Under Construction (Contract Asset)**	**Total**
Cost				
January 1, 2020	P384,317	P786,175	P69,853	P1,240,345
Additions	-	187,917	23,479	211,396
Reclassifications	-	-	(17,487)	(17,487)
December 31, 2020	384,317	974,092	75,845	1,434,254
Additions	-	125,480	1,794	127,274
Reclassifications	-	(3,704)	-	(3,704)
December 31, 2021	**384,317**	**1,095,868**	**77,639**	**1,557,824**
Accumulated Amortization				
January 1, 2020	89,674	90,851	-	180,525
Amortization	15,373	40,685	-	56,058
December 31, 2020	105,047	131,536	-	236,583
Amortization	15,373	45,036	-	60,409
December 31, 2021	**120,420**	**176,572**	-	**296,992**
Accumulated Impairment Losses				
January 1, 2020	-	50,035	-	50,035
Impairment losses	-	90,819	-	90,819
December 31, 2020	-	140,854	-	140,854
Impairment losses		-	-	-
December 31, 2020 and 2021	**-**	**140,854**	**-**	**140,854**
Carrying Amount				
December 31, 2020	P279,270	P701,702	P75,845	P1,056,817
December 31, 2021	**P263,897**	**P778,442**	**P77,639**	**P1,119,978**

The Group accounted for revenue and costs relating to construction or upgrade services in accordance with PFRS 15 based on the stage of completion of work performed. The fair value of the construction and upgrade services provided is equal to the recorded cost of the intangible asset built up from day one until the construction activity ceases. Construction revenue and construction cost amounted to P127,274, P211,396 and P206,397 in 2021, 2020 and 2019, respectively (Note 26).

7. Cash and Cash Equivalents

Cash and cash equivalents consist of:

	Note	**2021**	2020
Cash in banks and on hand		**P18,485,740**	P28,838,242
Short-term investments		**49,204,411**	81,879,444
	4, 30, 31	**P67,690,151**	P110,717,686

Cash in banks earn interest at bank deposit rates. Short-term investments include demand deposits which can be withdrawn at any time depending on the immediate cash requirements of the Group and earn interest at short-term investment rates. Interest income from cash and cash equivalents amounted to P580,849, P986,533 and P1,563,704 in 2021, 2020 and 2019, respectively.

8. Trade and Other Receivables

Trade and other receivables consist of:

	Note	**2021**	2020
Trade		**P37,096,420**	P28,167,718
Non-trade		**9,723,627**	9,191,288
Amounts owed by related parties	*11, 16, 20*	**3,124,337**	1,837,363
	6	**49,944,384**	39,196,369
Less allowance for impairment losses	*4*	**2,672,082**	3,034,110
	4, 30, 31	**P47,272,302**	P36,162,259

Trade and other receivables are non-interest bearing, unsecured and are generally on a 30-day term or an agreed collection period. The balance of trade receivables is inclusive of VAT on the sale of power collectible from customers.

The movements in the allowance for impairment losses are as follows:

	Note	**2021**	2020
Balance at beginning of year		**P3,034,110**	P2,828,484
Impairment losses during the year	*4, 25*	**44,006**	305,829
Cumulative translation adjustment and others		**4,399**	37,348
Reversal during the year	*25, 26*	**(410,433)**	(137,551)
Balance at end of year	*4*	**P2,672,082**	P3,034,110

Impairment losses recognized in the consolidated statements of income under "Selling and administrative expenses" account amounted to P44,006, P305,829 and P257,879 in 2021, 2020 and 2019, respectively. In 2021 and 2020, certain trade and other receivables were collected and the related allowance for impairment losses recognized in prior years were reversed accordingly.

Non-trade receivables include the following:

a. Due from PSALM amounting to US$60,000 which pertains to SPPC's performance bond pursuant to the Ilijan IPPA Agreement that was drawn by PSALM on September 4, 2015. The validity of PSALM's action is the subject of an ongoing case filed by SPPC with the Regional Trial Court ("RTC") of Mandaluyong City (Note 33).

b. As at December 31, 2021 and 2020, SMEC has receivables for the cost of fuel, market fees and other charges related to the dispatch of the excess capacity of the Sual Power Plant amounting to P251,504 and P290,955, respectively. In addition, SMEC has receivables arising from WESM transactions related to the excess capacity amounting to P3,661,983 and P3,021,857 as at December 31, 2021 and 2020, respectively. The issue on excess capacity is the subject of ongoing cases (Note 33).

c. On June 16, 2011, SMEC entered into a MOA with Hardrock Coal Mining Pty Ltd. (HCML) and Caason Investments Pty Ltd. (Caason), companies registered in Australia, for the acquisition of shares in HCML. SMEC paid Caason Australian dollars 12,000 (equivalent to P550,000), for an option to subscribe to the shares in HCML (the "Deposit"), with further option for SMEC to decide not to pursue its investment in HCML, which will result in the return of the Deposit to SMEC plus interest. In a letter dated July 15, 2011, SMEC notified Caason and HCML that it shall not pursue the said investment and therefore asked Caason and HCML for the return of the Deposit with corresponding interest (the "Amount Due"), pursuant to the terms of the MOA.

   On September 2, 2014, SMEC, HCML and Caason agreed to a schedule of payment of the outstanding Amount Due to SMEC. In January 2020, the same parties entered into a Deed of Arrangement. SMEC reversed a total of P22,925 and P137,551, and recognized a foreign exchange loss of P4,399 and P30,074, from the allowance for the amounts recovered from HCML in 2021 and 2020, respectively (Note 26).

   As at December 31, 2021 and 2020, total outstanding receivable from HCML amounting to P295,780 and P314,307, respectively, has been fully provided with allowance.

d. SCPC made advances for the construction of transmission assets on behalf of NGCP. The reimbursement shall take place after full payment and proper turnover of the transmission assets to NGCP.

e. As at December 31, 2021, LETI's claim with the Bureau of Internal Revenue (BIR) for refund of its unutilized creditable withholding taxes (CWT) for taxable year 2017, amounting to P439,161, has been collected.

f. The remaining balance mainly pertains to billings for demurrage charges, refundable security deposit for bid purposes, and receivables from customers which will be remitted to the Government upon collection.

9. Inventories

Inventories at cost consist of:

	Note	**2021**	2020
Coal	*6*	**P7,051,095**	P3,128,261
Materials and supplies		**2,715,255**	2,221,551
Fuel oil	*20*	**167,613**	142,503
Other consumables		**83,859**	89,765
	4	**P10,017,822**	P5,582,080

There were no inventory write-downs to net realizable value in 2021, 2020 and 2019. Inventories charged to cost of power sold amounted to P39,108,912, P23,954,749 and P31,362,501 in 2021, 2020 and 2019, respectively (Note 24).

10. Prepaid Expenses and Other Current Assets

Prepaid expenses and other current assets consist of:

	Note	**2021**	2020
Input VAT		**P15,687,063**	P13,668,675
Prepaid tax		**9,670,879**	7,741,670
Restricted cash	*16, 30, 31*	**2,550,607**	874,705
Advances to suppliers		**1,734,615**	479,104
PSALM monthly fee outage credits	*6*	**1,397,267**	1,681,464
Derivative assets not designated as cash flow hedge	*20, 30, 31*	**111,932**	-
Derivative assets designated as cash flow hedge	*30, 31*	**-**	26
Investment in debt instruments	*30, 31*	**-**	694
Other prepaid expenses	*20*	**337,529**	469,723
		P31,489,892	P24,916,061

Input VAT consists of VAT on purchases of goods and services which can be offset against the output VAT payable (Note 18).

Prepaid tax consists of local business taxes and permits, CWTs and excess tax credits which can be used as a deduction against future income tax payable.

Restricted cash pertains to funds maintained in various financial institutions: (a) as cash flow waterfall accounts required under the respective credit facilities of SCPC and SMCPC (Notes 16 and 19), (b) as environmental guarantee fund for remittance to the DENR, and (c) as financial benefits to host communities, as required by law.

Advances to suppliers mainly pertains to advance payments for inventories of the Group.

PSALM monthly fee outage credits pertain to the approved reduction in SMEC's future monthly fees payable to PSALM resulting from the outages of the Sual Power Plant in 2021 and 2020.

The methods and assumptions used to estimate the fair values of restricted cash and derivative assets are discussed in Note 31.

Other prepaid expenses pertain to the following:

a. Prepaid insurance of the Group for power plants amounted to P114,124 and P119,456 as at December 31, 2021 and 2020, respectively.

b. The Parent Company's prepaid legal and financial advisory fees relating to its financing activities amounting to P107,167 and P62,075 as at December 31, 2021 and 2020, respectively.

c. Prepaid rent of the Group from various short-term lease agreements amounted to P28,661 and P27,598 as at December 31, 2021 and 2020, respectively (Note 6).

11. Investments and Advances

Investments and advances consist of:

	2021	2020
Investments in Shares of Stock of an Associate and Joint Ventures		
Cost	**P7,618,892**	P7,618,892
Accumulated Equity in Net Losses		
Balance at beginning of year	**2,251,362**	1,778,669
Equity in net losses during the year	**119,810**	473,379
Share in other comprehensive income during the year	**(1,238)**	(1)
Adjustment to equity in net losses in prior year	**(2,462)**	(685)
Balance at end of year	**2,367,472**	2,251,362
	5,251,420	5,367,530
Advances	**5,587,426**	4,589,268
	P10,838,846	P9,956,798

Advances pertain to deposits made to certain land holding companies which will be applied against future stock subscriptions.

The following are the developments relating to the Group's investments in shares of stock of an associate and joint ventures:

a. Investment in shares of stock of an associate

   OEDC

   In April 2013, SPGC and San Miguel Equity Investments, Inc. (SMEII), an entity under common control, entered into a Deed of Assignment of Subscription Rights whereby SMEII agreed to assign 35% ownership interest in OEDC to SPGC for a consideration of P8,750.

   Subscriptions payable amounted to P28,101 as at December 31, 2021 and 2020 (Note 20).

The table below summarizes the financial information of investment in shares of stock of an associate which is accounted for using the equity method:

	2021 (Unaudited)	2020 (Audited)
Country of Incorporation	**Philippines**	Philippines
Current assets	**P512,192**	P467,266
Noncurrent assets	**1,309,723**	1,305,062
Current liabilities	**(724,485)**	(660,915)
Noncurrent liabilities	**(474,897)**	(534,101)
Net assets	**P622,533**	P577,312
Revenue	**P1,838,709**	P1,652,648
Net income	**P41,684**	P25,462
Other comprehensive income	**3,537**	3
Total comprehensive income	**P45,221**	P25,465
Share in net income	**P14,589**	P8,912
Share in other comprehensive income	**P1,238**	P1
Carrying amount of investment	**P231,597**	P215,770

b. Investments in shares of stock of joint ventures

i. AHC and KWPP

The Parent Company, through PVEI, and Korea Water Resources Corporation (K-water) entered into a joint venture for the acquisition, rehabilitation, operation and maintenance of the 218 MW Angat Hydroelectric Power Plant (Angat Power Plant) awarded by PSALM to K-water.

On November 18, 2014, PVEI acquired from the individual stockholders and K-water, 2,817,270 shares or 60% of the outstanding capital stock of AHC and from the individual stockholders, 75 shares representing 60% of KWPP's outstanding capital stock.

Subsequently, AHC and KWPP each issued shares in favor of nominee directors of PVEI and K-water to complete their respective shareholding interest.

In accordance with the entry of PVEI into AHC and KWPP, K-water and PVEI are jointly in control of the management and operation of AHC and KWPP.

AHC
AHC was incorporated on November 15, 2013 and was created to engage in the operations and maintenance of the Angat Power Plant and to supply power generated to power corporations and to electric utilities, to import hydro-electric facilities and equipment, and to do all acts necessary and incidental thereto, in accordance with RA No. 9136 or otherwise known as the EPIRA.

KWPP
KWPP was incorporated on November 27, 2013 and was established for the purpose of acquiring, holding or leasing water and flowage rights.

The table below summarizes the financial information of investments in shares of stock of joint ventures which is accounted for using the equity method:

December 31, 2021 (Unaudited)

	AHC	**KWPP**
Country of Incorporation	**Philippines**	**Philippines**
Current assets	**P2,646,360**	**P2,875**
Noncurrent assets	**17,166,595**	**18,293**
Current liabilities	**(1,147,775)**	**(5,884)**
Noncurrent liabilities	**(12,468,790)**	**(14,307)**
Net assets	**P6,196,390**	**P977**
Revenue	**P1,926,530**	**P -**
Net losses/total comprehensive losses	**(P223,940)**	**(P59)**
Share in net losses/total comprehensive losses	**(P134,364)**	**(P35)**
Carrying amount of investment	**P5,019,011**	**P812**

December 31, 2020 (Audited)

	AHC	KWPP
Country of Incorporation	Philippines	Philippines
Current assets	P2,222,271	P2,685
Noncurrent assets	16,969,641	18,803
Current liabilities	(1,312,650)	(5,721)
Noncurrent liabilities	(11,458,932)	(14,730)
Net assets	P6,420,330	P1,037
Revenue	P1,341,109	P -
Net losses/total comprehensive losses	(P799,653)	(P62)
Share in net losses/total comprehensive losses	(P479,792)	(P37)
Carrying amount of investment	P5,153,375	P847

<u>Investment in Shares of Stock of Subsidiaries</u>
The following are the developments relating to the subsidiaries:

i. PVEI

In January 2017, PVEI granted shareholder advances amounting to US$31,800 (equivalent to P1,578,870) to its joint venture company, AHC. The advances bear an annual interest rate of 4.50% and are due on April 30, 2017. The due date of the advances may be extended as agreed amongst the parties.

As at December 31, 2021 and 2020, the remaining balance of the shareholder advances amounted to US$2,281 (equivalent to P116,339 and P109,550, respectively) and due date was extended to December 31, 2022. Interest income amounted to P5,138, P5,165 and P5,367 in 2021, 2020 and 2019, respectively (Note 20).

In June and October 2021, PVEI granted shareholder loans to AHC amounting to P600,000 and P408,540, respectively. The loans bear interest rates of 4.6% and 6.125%, respectively, and are due on January 5, 2032. Outstanding balance amounted to P1,008,540 and interest income amounted to P18,840 as at and for the year ended December 31, 2021 (Note 20).

ii. MPGC

In 2019, MPGC started the construction of its 4 x 150 MW CFB Coal-fired Power Plant in Mariveles, Bataan.

On January 7, 2019, the BOD and stockholders of MPGC approved the increase in its authorized capital stock from P3,800,000 divided into 38,000,000 common shares with par value of P100 per share to P9,600,000 divided into 96,000,000 common shares with par value of P100 per share. On January 25, 2019, the Parent Company subscribed to the remaining unissued 18,314,898 common shares of MPGC, thereby increasing its ownership interest in MPGC from 49% to 73.58%. With the subscription, the Parent Company has obtained control over MPGC and started consolidating MPGC effective January 25, 2019.

Subsequently, on September 6, 2019, the Parent Company subscribed to an additional 58,000,000 common shares out of the increased authorized capital stock of MPGC at the subscription price of P100 per share, or a total subscription amount of P5,800,000. The increase in authorized capital stock of MPGC was approved by the Philippine SEC on the same date.

On December 21, 2020, the BOD and stockholders of MPGC approved another increase in its authorized capital stock from P9,600,000 to P12,600,000, divided into 126,000,000 shares with par value of P100 per share, and the Parent Company subscribed to an additional 29,177,717 shares at a subscription price of P100 per share, or a total subscription amount of P2,917,772. On December 7, 2021, the Philippine SEC approved the increase in authorized capital stock of MPGC.

Following these subscriptions, the Parent Company's ownership interest in MPGC further increased from 89.54% as at December 31, 2020 to 91.98% as at December 31, 2021. Non-controlling interests in MPGC held by MGen and Zygnet were reduced from 10.05% to 7.71% and from 0.41% to 0.31%, respectively, as at December 31, 2021.

The additional capital infusion finances in part the power plant project of MPGC.

As at December 31, 2021, the Parent Company has fully paid the total subscriptions made in 2021.

iii. MPPCL

In 2018, the Parent Company acquired the Masinloc Group including MPPCL which owns, operates and maintains the Masinloc Power Plant.

Commercial operations of Unit 3 commenced on September 26, 2020, following the granting of a Provisional Authority to Operate by ERC in favor of MPPCL Unit 3 and the declaration with IEMOP of its commercial operations (Note 12).

iv. MPPCL, MaPoCo and MaPaCo

Effective October 1, 2021, MPPCL, MaPoCo and MaPaCo have adopted Philippine Peso as their functional currency. The change from US dollar to Philippine Peso functional currency was determined based on the evaluation of the significant change in the underlying transactions, events and conditions relevant to MPPCL, MaPoCo and MaPaCo in accordance with PAS 21, *The Effects of Changes in Foreign Exchange Rates*.

A notification of the change in functional currency was filed separately by MPPCL, MaPoCo and MaPaCo with the Philippine SEC on January 28, 2022.

v. DIPI

On November 3, 2020, the Parent Company acquired all the outstanding capital stock of DIPI for a total consideration of P5,138, including transaction costs. The acquisition gave the Parent Company 100% ownership interest and control over DIPI and resulted to the consolidation of DIPI effective November 3, 2020.

The acquisition of DIPI is accounted for as an asset acquisition since the acquired set of assets and activities does not constitute a business as defined in PFRS 3.

DIPI owns certain parcels of land located in Pagbilao, Quezon to be used for future expansion projects of the Group (Note 12).

vi. Soracil

On March 15, 2021, the Parent Company acquired 100% outstanding capital stock of Soracil for a total consideration amount of P798,098, inclusive of transaction costs. Soracil is engaged in the business of acquiring by purchase, lease, or otherwise, lands or interest in lands and realty, and to own, hold, improve, develop, manage, alone or jointly with others and operate said land or lands or real estate so acquired, and to erect or cause to be erected on any lands, owned, held, occupied, or acquired by the corporation, buildings and other structures with their appurtenances, and to rebuild, enlarge, alter, improve, or remodel any building or other structures now or hereafter erected on any lands or real estates so owned, held or occupied, or otherwise dispose of any lands or real estate or interests in lands or real estates and in buildings and other structures at any time owned or held by the corporation.

The following summarized the recognized net assets acquired from Soracil at acquisition date:

Current assets	**P16,254**
Noncurrent assets	**779,505**
Current liabilities	**(151)**
Net assets	**P795,608**

In accordance with the criteria set out in paragraph 2 of PFRS 3 and based on Philippine Interpretations Committee Question and Answer No. 2011 - 06 PFRS 3 (2008), and PAS 40, Investment Property - Acquisition of Investment Properties - Asset Acquisition or Business Combination, the Parent Company is exempt from applying acquisition method and should be accounted for as an asset acquisition based on the principles described in other PFRS. The acquired set of assets and activities does not constitute a business as defined in PFRS 3.

12. Property, Plant and Equipment

Property, plant and equipment consist of:

	Note	Power Plants	Land and Leasehold Improvements	Other Equipment	Building	Capital Projects in Progress	Total
Cost							
January 1, 2020		P105,359,446	P11,932,557	P2,926,411	P1,743,202	P37,415,253	P159,376,869
Additions		953,009	52,733	796,993	53,130	24,915,544	26,771,409
Acquisition of a subsidiary	*11*	-	660,939	-	-	-	660,939
Reclassifications		24,872,748	517,925	1,185,177	2,134,936	(26,798,988)	1,911,798
Currency translation adjustments		(2,671,479)	(5,135)	(131,105)	(69,817)	(1,261,029)	(4,138,565)
December 31, 2020		128,513,724	13,159,019	4,777,476	3,861,451	34,270,780	184,582,450
Additions		527,220	342,780	339,283	4,803	38,380,511	39,594,597
Acquisition of a subsidiary	*11*	-	781,995	-	-	-	781,995
Reclassifications		2,619,673	(70,095)	641,642	5,102	(309,903)	2,886,419
Currency translation adjustments		4,287,195	31,999	199,017	186,554	151,201	4,855,966
December 31, 2021		**135,947,812**	**14,245,698**	**5,957,418**	**4,057,910**	**72,492,589**	**232,701,427**
Accumulated Depreciation and Amortization							
January 1, 2020		8,030,395	269,362	520,323	110,355	-	8,930,435
Depreciation and amortization		4,750,370	175,031	201,322	88,546	-	5,215,269
Reclassifications		492	-	37,881	-	-	38,373
Currency translation adjustments		(1,103,045)	(69)	(38,802)	(7,259)	-	(1,149,175)
December 31, 2020		11,678,212	444,324	720,724	191,642	-	13,034,902
Depreciation and amortization		5,248,687	196,429	401,056	114,162	-	5,960,334
Reclassifications		-	-	48,326	-	-	48,326
Currency translation adjustments		1,561,861	1,464	43,991	17,043	-	1,624,359
December 31, 2021		**18,488,760**	**642,217**	**1,214,097**	**322,847**	**-**	**20,667,921**
Accumulated Impairment Losses							
January 1, 2020		-	-	102,402	-	-	102,402
Impairment	*26*	-	-	35,018	-	-	35,018
Currency translation adjustments		-	-	(5,309)	-	-	(5,309)
December 31, 2020		-	-	132,111	-	-	132,111
Impairment	*26*	-	-	34,991	-	-	34,991
Currency translation adjustments		-	-	7,872	-	-	7,872
December 31, 2021		**-**	**-**	**174,974**	**-**	**-**	**174,974**
Carrying Amount							
December 31, 2020		P116,835,512	P12,714,695	P3,924,641	P3,669,809	P34,270,780	P171,415,437
December 31, 2021		**P117,459,052**	**P13,603,481**	**P4,568,347**	**P3,735,063**	**P72,492,589**	**P211,858,532**

a. Other equipment includes machinery and equipment, transportation equipment, mining equipment, office equipment and furniture and fixtures.

b. CPIP pertains to the following:

   i. Projects of MPPCL for the construction of the Masinloc Power Plant Unit 4, 20 MW BESS, and other related facilities.

      Following the declaration with IEMOP of the commercial operations date of Masinloc Unit 3 effective September 26, 2020, all related CPIP costs were reclassified to the appropriate property, plant and equipment account.

   ii. Expenditures of MPGC related to the construction of its power plant project in Mariveles, Bataan.

   iii. Projects of UPSI for the construction of BESS facilities and gas turbine generators situated in various locations in the Philippines.

   iv. Projects of SMCGP Philippines Energy for the ongoing construction of BESS facilities in Kabankalan, Negros Occidental

      Following the commercial operations of the 20 MW Kabankalan 1 BESS on January 26, 2022, all related CPIP costs were reclassified to the appropriate property, plant and equipment account.

   v. Initial expenditures of EERI related to the development of its combined cycle power plant in Batangas.

   vi. Various construction works relating to the respective power plant facilities of SCPC and SMCPC.

c. Depreciation and amortization of property, plant and equipment are recognized in the consolidated statements of income as follows:

	Note	**2021**	2020	2019
Cost of power sold	*24*	**P5,484,187**	P4,828,013	P4,363,897
Selling and administrative expenses	*25*	**476,147**	387,256	223,391
		P5,960,334	P5,215,269	P4,587,288

   Total depreciation and amortization, recognized in the consolidated statements of income, include amortization of capitalized interest and decommissioning and dismantling costs amounting to P251,398, P364,273 and P99,307 in 2021, 2020 and 2019, respectively. The Group recognized impairment losses amounting to P34,991, P35,018, and P35,084 in 2021, 2020, and 2019, respectively, and presented as part of “Other income - net” account in the consolidated statements of income (Note 26).

   The Group has borrowing costs amounting to P1,059,256, P1,509,315 and P2,360,582 which were capitalized in 2021, 2020 and 2019, respectively. The capitalization rates used to determine the amount of interest eligible for capitalization were 7.47% in 2021 and range from 7.75% to 12.96% and 6.28% to 9.09% in 2020 and 2019, respectively. The unamortized capitalized borrowing costs amounted to P7,943,628 and P7,135,770 as at December 31, 2021 and 2020, respectively (Note 19).

Reclassifications also include application of advances to contractors against progress billings for capital projects in progress.

As at December 31, 2021 and 2020, certain property, plant and equipment amounting to P127,318,347 and P125,835,340, respectively, are pledged as security for syndicated project finance loans (Note 19).

Certain fully depreciated property, plant and equipment with aggregate costs amounting to P4,460,275 and P4,066,574 as at December 31, 2021 and 2020, respectively, are still being used in the Group's operations.

13. Right-of-Use Assets

The movements in right-of-use assets are as follows:

	Land	Buildings and Improvements	Power Plants	Total
Cost				
January 1, 2020	P4,326,235	P90,450	P167,387,089	P171,803,774
Additions	983,315	4,192	-	987,507
Remeasurement and others	252,256	-	-	252,256
Currency translation adjustments	(5,579)	-	-	(5,579)
December 31, 2020	5,556,227	94,642	167,387,089	173,037,958
Additions	172,797	315,240	-	488,037
Remeasurement and others	(123,522)	-	-	(123,522)
Currency translation adjustments	(14,033)	-	-	(14,033)
December 31, 2021	**5,591,469**	**409,882**	**167,387,089**	**173,388,440**
Accumulated Depreciation and Amortization				
January 1, 2020	63,362	36,713	5,186,403	5,286,478
Depreciation and amortization	59,409	36,657	5,186,403	5,282,469
Remeasurement and others	155,927	-	-	155,927
December 31, 2020	278,698	73,370	10,372,806	10,724,874
Depreciation and amortization	64,026	70,713	5,186,403	5,321,142
Remeasurement and others	182,763	-	-	182,763
December 31, 2021	**525,487**	**144,083**	**15,559,209**	**16,228,779**
Carrying Amount				
December 31, 2020	P5,277,529	P21,272	P157,014,283	P162,313,084
December 31, 2021	**P5,065,982**	**P265,799**	**P151,827,880**	**P157,159,661**

The carrying amount of the power plants of the IPPAs under lease arrangements amounted to P151,827,880 and P157,014,283 as at December 31, 2021 and 2020, respectively (Note 6).

The carrying amount of MPPCL's land under lease arrangement amounted to P88,535 and P102,568 as at December 31, 2021 and 2020, respectively (Note 6).

The combined asset retirement costs of SCPC, SMCPC, UPSI and MPPCL amounted to P588,594 and P717,289 as at December 31, 2021 and 2020, respectively.

The remeasurement pertain mainly to the change in the estimated dismantling costs of ARO during the year.

14. Deferred Exploration and Development Costs

The movement in deferred exploration and development costs is as follows:

	Note	**2021**	2020
Balance at beginning of year		**P714,726**	P710,836
Additions		**4,204**	3,390
Reclassification	*6*	**463**	500
Balance at end of year	*4*	**P719,393**	P714,726

Deferred exploration and development costs comprise of expenditures which are directly attributable to the mining activities of DAMI, SEPC and BERI in relation to their respective COC.

In 2010, SMEC acquired DAMI, SEPC and BERI resulting in the recognition of mining rights of P1,719,726 (Notes 4 and 15).

DAMI's coal property covered by COC No. 126, issued by the DOE, is located in South Cotabato consisting of 2 coal blocks with a total area of 2,000 hectares, more or less, and has an In-situ coal resources (measured plus indicated coal resources) of about 68.30 million metric tons as at December 31, 2021 and 2020.

SEPC has a coal mining property and right over an aggregate area of 7,000 hectares, more or less, composed of 7 coal blocks located in South Cotabato and Sultan Kudarat. As at December 31, 2021 and 2020, COC No. 134 has an In-situ coal resources (measured plus indicated coal resources) of about 35.02 million metric tons.

BERI's COC No. 138, issued by the DOE is located in Sarangani and South Cotabato consisting of 8 coal blocks with a total area of 8,000 hectares, more or less, and has an In-situ coal resources (measured plus indicated coal resources) of about 23.45 million metric tons as at December 31, 2021 and 2020.

Status of Operations

In 2008 and 2009, the DOE approved the conversion of the COC for Exploration to COC for Development and Production of DAMI, SEPC and BERI effective on the following dates:

Subsidiary	COC No.	Effective Date	Term*
DAMI	126	November 19, 2008	20 years
SEPC	134	February 23, 2009	10 years
BERI	138	May 26, 2009	10 years

**The term is followed by another 10-year extension, and thereafter, renewable for a series of 3-year periods not exceeding 12 years under such terms and conditions as may be agreed upon with the DOE.*

On April 27, 2012 and January 26, 2015, the DOE granted the requests of DAMI, SEPC and BERI, for a moratorium on suspension of the implementation of the production timetable as specified under their respective COC. The request is in connection with a resolution passed by South Cotabato in 2010 prohibiting open-pit mining activities in the area. The moratorium was retrospectively effective from the dates of their respective COC, when these were converted to Development and Production Phase, until December 31, 2017 or until the ban on open-pit mining pursuant to the Environment Code of South Cotabato has been lifted, whichever comes first.

On October 20, 2017, DAMI, SEPC and BERI again requested for extension of the moratorium. This was granted on March 27, 2018, with effectivity of January 1, 2018 to December 31, 2018, along with an approved Work Program and Budget (WPB) to be complied with by DAMI, SEPC and BERI during the extended moratorium period.

On September 18, 2018, SEPC applied with the DOE for a ten-year extension of its COC No. 134 which is due to expire on February 23, 2019. This application was accompanied by a new 5-year WPB as required for the extension of the moratorium period to expire in 2018.

On December 18, 2018, DAMI further requested for another extension of the moratorium. The DOE replied on January 11, 2019 requiring, instead of considering another moratorium extension, the submission of a 5-year WPB which DAMI complied with.

On December 18, 2018, BERI requested for another extension of the moratorium. Further, on December 27, 2018, BERI applied for a 10-year extension of its COC No. 138 prior to its expiration on May 23, 2019 and subsequently submitted a 5-year WPB, consistent with the COC No. 138 status as a Development and Production Contract, as required by the DOE.

The first two years of this new 5-year WPB submitted by BERI focuses on the supplemental exploration, with drilling activity especially in Block 58 of the COC No. 138 where mineable reserves of coal are expected to be delineated. Further, the first 2 years of the 5-year WPB submitted by DAMI, SEPC and BERI, focuses on the "removal of tension cracked materials to prevent landslide" within their respective COC areas as identified by Mines and Geosciences Bureau/DENR XII, and requested by the Municipality of Lake Sebu. Full-scale coal production will start during the third year when the Provincial Government of South Cotabato would have endorsed the Project on any or all of the following grounds:

a. the mining of coal in Barangay Ned is found to be beneficial to the host community as it reduces landslide risks and protects lives;

b. the mining method is "contour stripping and progressive rehabilitation" and not the banned "open-pit mining";

c. DAMI, SEPC and BERI have vested rights to mining within their respective COC prior to the issuance of the open-pit mining ban; and

d. the ban could be lifted as a result of court cases filed against it.

On March 2, 2019, DAMI, SEPC and BERI requested DOE for the consolidation of the 3 COCs for the following justifications:

a. the coal seams, although of varying thickness are continuous from one COC to another and deal for interconnected contour strip mining due to nearly horizontal deposition;

b. sulfur content vary over a wide range from less than 1 percent in the lower section of the thick seam in DAMI to over 4 percent in the Maitum blocks of BERI, and would require blending of the coal products from one COC to another in order to meet the acceptable market specification; and

c. the coal resources and reserves vary greatly from one COC to another as the thickness and depth of the coal seams are variable, thus requiring stringent mine planning, operational efficiency and economic feasibility considerations.

However, on May 15, 2019, DAMI, SEPC and BERI clarified to the DOE that their request for consolidation of the 3 COCs was not meant to abandon nor withdraw the extension request of SEPC applied on September 21, 2018, having in mind the vested right provision of Section 21 of RA No. 11038 or the "Expanded National Integrated Protected Areas System Act of 2018". Thus, DAMI, SEPC and BERI altogether declared that it is seeking for:

a. the extension of COC of SEPC; and

b. the consolidation of COC No. 126 and COC No.138 of DAMI and BERI, respectively, based on the justification set forth in the March 2, 2019 letter.

On December 11, 2019, the DOE approved the 10-year extension and the initial 5-year WPB for COC No. 134 of SEPC.

On January 10, 2020, DAMI and BERI met with the Energy Resources Development Bureau representatives to discuss the proposed consolidated 5-year WPB and the documentary requirements to effect consolidation of the 2 COCs.

On April 13, 2020, SEPC, DAMI and BERI reported to DOE inevitable delays in the implementation of their business plans, as embodied in their approved WPB of their respective COC, due to the COVID-19 pandemic. This was followed on June 24, 2020 by a request for 6 months extension of the Work and Financial Commitments of SEPC, DAMI and BERI due to the continuing effects of the COVID-19 pandemic.

On August 28, 2020, DAMI and BERI submitted to DOE for approval a Deed of Assignment and Transfer conveying the agreement whereby BERI assigns and transfers its rights and obligations over COC No. 138 to DAMI. This is a requirement of the DOE for the consolidation of the COCs of BERI and DAMI.

On October 5, 2020, SEPC further requested that instead of only 6 months, its production years be extended by 2 years to enable recovery of its investment and maximize the recovery of its existing reserves.

On December 6, 2021, the Sangguniang Panlalawigan of South Cotabato endorsed the implementation of the respective COCs of DAMI, BERI and SEPC, thereby removing the biggest impediment for implementation of the 3 COCs and the implementation of the 5-year WPB of SEPC that was approved by the DOE on December 11, 2019. With this endorsement, the DOE was prompted to undertake completed staff work for the COCs of DAMI and BERI. Approval of this request and the corresponding 5-year consolidated WPB of DAMI and BERI is therefore expected by the first quarter of 2022. Moreover, the endorsement pushed the immediate implementation of SEPC's 5-year WPB in 2022, which coincides with the previous request for a two-year extension of SEPC's WPB implementation. As at March 1, 2022, SEPC is coordinating with the officials of the barangays and municipalities of Lake Sebu to discuss the upcoming activities, such as trainings/seminars for officials and residents of the community, as part of the implementation of the said 5-year WPB.

Based on management's assessment, there are no indicators that the carrying amount of the mining rights exceeds its recoverable amount as at December 31, 2021 and 2020.

15. Goodwill and Other Intangible Assets

Goodwill and other intangible assets consist of:

	Note	2021	2020
Goodwill	*4*	**P69,953,222**	P69,953,222
Mining rights	*4, 14*	**1,719,726**	1,719,726
Power concession assets - net	*4, 6*	**1,119,978**	1,056,817
Computer software and licenses - net	*4*	**150,220**	128,432
		P72,943,146	P72,858,197

Impairment of Goodwill from Masinloc Group
Goodwill arising from the acquisition of Masinloc Group in 2018, amounting to P69,944,356 which accounts for almost 100% of the total goodwill in the consolidated statements of financial position as at December 31, 2021 and 2020, is allocated to the cash generating unit of the Masinloc Group.

The recoverable amount of goodwill has been determined based on the value in use using discounted cash flows and was based on the following key assumptions:

- Cash flows were projected based on experience and actual operating results and cover forecast until 2026 in 2021 and 2025 in 2020 based on long range plans approved by management. Management believes that the forecast was justifiable due to long-term contracts with major customers. Cash flows beyond the forecasted period are extrapolated using a constant growth rate determined per cash-generating unit.

- A discount rate of 9.0% in 2021 and 2020 was applied based on the weighted-average cost of capital, which reflects the management's estimate of the risk specific to the cash-generating unit.

- Terminal growth rate of 5.0% and 4.0% in 2021 and 2020, respectively, was applied as the Group is in the process of increasing its capacity and upgrading its facilities and hence foresees growth in cash flows generated perpetually. This growth rate is consistent with the long-term average growth rate for the industry.

The values assigned to the key assumptions represent the management's assessment of future trends in the industry and are based on internal sources (historical data).

For purposes of discount rate sensitivity, discount rate scenarios of 8.5% and 9.5% in 2021 were applied on the discounted cash flows analysis. Management believes that any reasonably possible change in the discount rate on which the recoverable amount is based would not cause its carrying amount to exceed its recoverable amount.

Based on management's assessment, goodwill is not impaired since the recoverable amount of the related net assets for which the goodwill was attributed still exceeds its carrying amount as at December 31, 2021 and 2020.

Computer Software and Licenses

The movements in computer software and licenses are as follows:

	Note	2021	2020
Cost			
Balance at beginning of year		**P403,903**	P353,586
Additions		**57,772**	35,410
Reclassifications	*12*	**-**	21,049
Cumulative translation adjustments		**6,657**	(6,142)
Balance at end of year		**468,332**	403,903
Accumulated Amortization			
Balance at beginning of year		**275,471**	265,048
Amortization	*25*	**32,315**	12,377
Cumulative translation adjustments		**10,326**	(1,954)
Balance at end of year	*4*	**318,112**	275,471
		P150,220	P128,432

16. Other Noncurrent Assets

Other noncurrent assets consist of:

	Note	2021	2020
Advances to suppliers and contractors		**P20,452,013**	P8,819,078
Restricted cash - net of current portion	*30, 31*	**1,879,789**	3,916,087
Amounts owed by related parties	*20*	**1,101,147**	139,304
Noncurrent receivables	*30, 31*	**412,557**	369,350
Deferred input VAT - net of current portion		**233,458**	409,194
Derivative assets designated as cash flow hedge	*30, 31*	**42,173**	18,863
Others		**165,903**	61,752
		P24,287,040	P13,733,628

Advances to suppliers and contractors include advance payments to contractors for the construction of the Group’s power plant and BESS projects (Note 12).

Restricted cash mainly comprises of: (a) SCPC’s cash flow waterfall accounts, amounting to P1,144,950 and P1,144,350 as at December 31, 2021 and 2020, respectively (Notes 10 and 19); (b) MPPCL's cash flow waterfall accounts and environmental guarantee fund, amounting to P56,150 and P2,132,527 as at December 31, 2021 and 2020, respectively; (c) the amount received from IEMOP amounting to P491,242 as at December 31, 2021 and 2020, representing the proceeds of sale on WESM for a specific period in 2016, for the electricity generated from the excess capacity of the Sual Power Plant, which SMEC consigned with the RTC of Pasig City (Note 33); and (d) APEC’s reinvestment fund for sustainable capital expenditures and contributions collected from customers for bill deposits which are refundable amounting to P187,412 and P147,933 as at December 31, 2021 and 2020, respectively.

Amounts owed by a related party pertains to the loans granted by SPGC to OEDC and PVEI to AHC. SPGC's loan to OEDC is collectible in equal monthly payments of principal and interest, initially pegged at 4.73% and subject to change every 6 months. The equal monthly payments of OEDC shall be made on the first day of each month commencing in January 2017 until December 2024. PVEI's loans to AHC are collectible on January 5, 2032 including principal and interest which shall accrue with respect to the outstanding amount at the rates ranging from 4.60% to 6.125% per annum (Note 20).

As at December 31, 2021 and 2020, the deferred input VAT mainly pertains to the input VAT relating to the construction of power plants and BESS projects of the Group.

Others mainly pertain to retention asset and costs incurred in relation to long-term customer contracts.

The methods and assumptions used to estimate the fair values of restricted cash, noncurrent receivables and derivative assets are discussed in Note 31.

17. Loans Payable

Loans payable amounting to P1,529,970 and P1,680,805 as at December 31, 2021 and 2020, respectively, mainly represents the unsecured short-term US dollar-denominated amounts obtained by MPPCL from a local bank. Interest rates applied was 3.75% in 2021 and ranged from 3.75% to 4.00% in 2020 (Notes 30 and 31).

Interest expense on loans payable amounted to P62,964, P79,211 and P180,975 in 2021, 2020 and 2019, respectively.

On April 29, 2019, the Parent Company fully paid its US$120,000 short-term loan using a portion of the proceeds from its P30,000,000 fixed-rate bonds issuance (Note 19).

18. Accounts Payable and Accrued Expenses

Accounts payable and accrued expenses consist of:

	Note	**2021**	2020
Trade	*6*	**P15,357,138**	P13,081,116
Non-trade	*6*	**30,834,754**	18,108,889
Output VAT		**7,508,289**	6,633,894
Accrued interest	*6, 17, 19*	**1,226,302**	1,267,229
Amounts owed to related parties	*20*	**732,736**	794,298
Withholding and other accrued taxes		**370,176**	354,937
Premium on option liabilities	*30, 31*	**25,831**	29,559
Derivative liabilities not designated as cash flow hedge	*30, 31*	**-**	9,590
	30, 31	**P56,055,226**	P40,279,512

Trade payables consist of payable related to energy fees, inventories and power purchases. These are generally on a 30-day term and are non-interest bearing.

Non-trade payables include liability relating to payables to contractors, power rate adjustments, concession payables and other payables to the Government excluding output VAT and withholding taxes.

Output VAT consists of current and deferred output VAT payable. Deferred output VAT represents the VAT on sale of power which will be remitted to the Government only upon collection from the customers (Note 8).

The methods and assumptions used to estimate the fair values of financial liabilities are discussed in Note 31.

19. Long-term Debt

Long-term debt consists of:

	Note	**2021**	2020
Bonds			
Parent Company			
Peso-denominated:			
Fixed interest rate of 6.8350%, 7.1783% and 7.6000% maturing in 2022, 2024 and 2026, respectively (a)		**P29,857,106**	P29,759,411
Fixed interest rate of 6.7500% maturing in 2023 (b)		**14,929,804**	14,890,505
Fixed interest rate of 5.3750%, 6.2500% and 6.6250% maturing in 2022, 2024 and 2027, respectively (c)		**19,915,621**	19,879,190
Fixed interest rate of 4.3458%, 4.7575% and 5.1792% maturing in 2021, 2023 and 2026, respectively (d)		**8,807,704**	14,940,675
		73,510,235	79,469,781
Term Loans			
Parent Company			
Peso-denominated:			
Fixed interest rate of 6.9265%, with maturities up to 2024 (e)		**14,341,187**	14,468,244
Fixed interest rate of 5.0000%, with maturities up to 2025 (f)		**4,925,442**	-
Foreign currency-denominated:			
Floating interest rate based on London Interbank Offered Rate (LIBOR) plus margin, maturing in 2021 and 2023 (g)		**25,336,985**	33,305,884
Floating interest rate based on LIBOR plus margin, maturing in 2026 (h)		**14,948,743**	-
Floating interest rate based on LIBOR plus margin, maturing in 2023 (i)		**2,504,152**	-
Subsidiaries			
Peso-denominated:			
Fixed interest rate of 6.2836%, 6.5362% and 7.3889% with maturities up to 2029 (j)		**37,626,133**	39,842,816
Fixed interest rate of 7.7521% and 6.5077% with maturities up to 2030 (k)		**17,154,198**	18,412,313
Foreign currency-denominated			
Fixed interest rate of 4.7776% and 5.5959%, with maturities up to 2023 and 2030, respectively (l) (m)		**24,487,442**	25,596,620
Floating interest rate based on LIBOR plus margin, with maturities up to 2023 and 2030 (l) (m)		**8,086,926**	8,457,124
		149,411,208	140,083,001
	30, 31	**222,921,443**	219,552,782
Less current maturities		**30,185,418**	22,721,660
		P192,736,025	P196,831,122

a. The amount represents the first tranche of the Parent Company's P60,000,000 fixed rate bonds shelf registration. The first tranche, with an aggregate principal amount of P30,000,000, was issued and listed on the Philippine Dealing and Exchange Corp. (PDEx) for trading on April 24, 2019 at the issue price of 100% of face value.

   It comes in three series, with terms and interest rates as follows:

	Term	**Interest Rate Per Annum**
Series H Bonds	3 years, due 2022	6.8350%
Series I Bonds	5 years, due 2024	7.1783%
Series J Bonds	7 years, due 2026	7.6000%

   Interest on the Bonds shall be payable quarterly in arrears every April 24, July 24, October 24 and January 24 of each year starting July 24, 2019, as the first interest payment date.

   The proceeds were used by the Parent Company for partial refinancing of existing loan obligations and/or re-denomination of US dollar-denominated obligations (remaining US$150,000 term loan, used for Masinloc acquisition, and US$120,000 short-term loan), investments in power-related assets and for payment of transaction-related fees, costs and expenses.

   Unamortized debt issue costs amounted to P142,894 and P240,589 as at December 31, 2021 and 2020, respectively. Accrued interest amounted to P334,932 and P334,723 as at December 31, 2021 and 2020, respectively. Interest expense amounted to P2,135,156 in 2021 and 2020 and P1,470,885 in 2019.

b. The amount represents the second tranche of the Parent Company's P35,000,000 fixed rate bonds shelf registration (the "Series G" Bonds). The Series G Bonds, with an aggregate principal amount of P15,000,000, were issued and listed on the PDEx for trading on August 17, 2018 at the issue price of 100% of face value with a 5-year term, due 2023, and interest rate of 6.75%.

   Interest on the Series G Bonds shall be payable quarterly in arrears every February 17, May 17, August 17 and November 17 of each year starting November 17, 2018, as the first interest payment date.

   The proceeds were used by the Parent Company to refinance its outstanding shareholder advances, to partially refinance the US$500,000, 5-year term loan obtained in March 2018 and for payment of transaction-related expenses .

   Unamortized debt issue costs amounted to P70,196 and P109,495 as at December 31, 2021 and 2020, respectively. Accrued interest amounted to P101,262 and P101,261 as at December 31, 2021 and 2020, respectively. Interest expense amounted to P1,012,500 in 2021, 2020 and 2019.

c. The amount represents the first tranche of the Parent Company's P35,000,000 fixed rate bonds shelf registration. The first tranche, with an aggregate principal amount of P20,000,000, was issued and listed on the PDEx for trading on December 22, 2017 at the issue price of 100% of face value.

   It comes in three series, with terms and interest rates as follows:

	Term	**Interest Rate Per Annum**
Series D Bonds	5 years, due 2022	5.3750%
Series E Bonds	7 years, due 2024	6.2500%
Series F Bonds	10 years, due 2027	6.6250%

   Interest on the Bonds shall be payable quarterly in arrears every March 22, June 22, September 22 and December 22 of each year starting March 22, 2018 as the first interest payment date.

   Proceeds from the issuance were used by the Parent Company to refinance its short-term loans obtained from local banks.

   Unamortized debt issue costs amounted to P84,379 and P120,810 as at December 31, 2021 and 2020, respectively. Accrued interest amounted to P23,950 and P23,945 as at December 31, 2021 and 2020, respectively. Interest expense amounted to P1,176,795 in 2021, 2020 and 2019.

d. The amount represents the Parent Company's fixed rate bonds issued with an aggregate principal amount of P15,000,000. The Bonds were issued and listed on the PDEx on July 11, 2016 at the issue price of 100% of face value in three series with terms and interest rates as follows:

	Term	**Interest Rate Per Annum**
Series A Bonds	5 years, due 2021	4.3458%
Series B Bonds	7 years, due 2023	4.7575%
Series C Bonds	10 years, due 2026	5.1792%

   Interest is payable quarterly in arrears every January 11, April 11, July 11 and October 11 of each year starting October 11, 2016, as the first interest payment date.

   The net proceeds were used on July 25, 2016 to refinance the US$300,000 short-term loan provided by a local bank of which the proceeds were used for the redemption of the US$300,000 bond in January 2016.

   On July 12, 2021, the Parent Company redeemed the Series A Bonds, amounting to P6,153,250, upon its maturity pursuant to the terms and conditions of the bonds.

   Unamortized debt issue costs amounted to P39,046 and P59,325 as at December 31, 2021 and 2020, respectively. Accrued interest amounted to P88,548 and P138,236 as at December 31, 2021 and 2020, respectively. Interest expense amounted to P581,331 in 2021 and P708,349 in 2020 and 2019.

e. The amount represents the remaining balance of the P15,000,000, fixed rate 7-year Term Loan Facility availed by the Parent Company on April 26, 2017 from a local bank. Interest is payable quarterly in arrears on the last day of the agreed interest period. Principal repayment shall be in 14 semi-annual installments starting at the end of the first year from drawdown date. The proceeds were used for debt refinancing.

   Unamortized debt issue costs amounted to P58,813 and P81,756 as at December 31, 2021 and 2020, respectively. Accrued interest amounted to P179,202 and P181,069 as at December 31, 2021 and 2020, respectively. Interest expense amounted to P1,017,257, P1,030,620 and P1,038,326 in 2021, 2020 and 2019, respectively.

f. The amount represents the P5,000,000, fixed rate 4-year Term Loan Facility drawn by the Parent Company on May 28, 2021 from a local bank. Interest is payable quarterly in arrears and principal repayment is in semi-annual installments up to May 2025. The proceeds were used for general corporate purposes.

   Unamortized debt issue costs and accrued interest amounted to P49,558 and P23,522, respectively, as at December 31, 2021. Interest expense amounted to P158,504 in 2021.

g. The amount represents the balance of the US$700,000 floating interest term loan availed by the Parent Company from a syndicate of foreign banks on March 16, 2018. The US$700,000 is divided into Facility A Loan amounting to US$200,000 maturing on March 12, 2021 and Facility B Loan amounting to US$500,000 maturing on March 13, 2023. The proceeds were used to partially finance the acquisition of the Masinloc Group.

   On March 12, 2021, the Parent Company fully paid the Facility A Loan using the proceeds from its US$200,000 term loan availed on the same date.

   Unamortized debt issue costs amounted to P162,515 and P310,216 as at December 31, 2021 and 2020, respectively. Accrued interest amounted to P1,982 and P2,571 as at December 31, 2021 and 2020, respectively. Interest expense amounted to P428,485, P757,196 and P1,463,614 in 2021, 2020 and 2019, respectively.

h. The amount represents the balance of the US$200,000 5-year term loan drawn by the Parent Company on March 12, 2021 from a US$200,000 Facility Agreement with a syndicate of foreign banks executed on March 9, 2021. The loan is subject to floating interest rate based on LIBOR plus margin and will mature in March 2026. The funds were used as repayment of Facility A Loan that matured on March 12, 2021.

   On June 7, 2021, the Parent Company availed an additional US$100,000 term loan from its Syndication Agreement executed on May 21, 2021. The Syndication Agreement amended the Facility Agreement dated March 9, 2021, increasing the loan facility from US$200,000 to US$300,000. As at December 31, 2021, the total amount drawn is US$300,000. The proceeds were used mainly for the redemption of Series A Bonds in July 2021.

   Unamortized debt issue costs and accrued interest amounted to P350,957 and P16,386, respectively, as at December 31, 2021. Interest expense amounted to P300,158 in 2021.

i. The amount represents the US$50,000 3-year term loan drawn by the Parent Company on April 12, 2021, from a facility agreement with a foreign bank executed on October 12, 2020. The loan is subject to floating interest rate based on LIBOR plus margin and will mature in October 2023.

   The funds will be used for the payment of capital expenditures in connection with the Ilijan Natural Gas-fired Power Plant (including expansion projects related thereto); funding of liquid natural gas import, storage and distribution facilities; pre-operating and operating working capital requirements for BESS projects, and transaction-related fees, costs and expenses of the facility.

   Unamortized debt issue costs and accrued interest amounted to P45,798 and P1,405, respectively, as at December 31, 2021. Interest expense amounted to P35,788 in 2021.

j. The amount represents the remaining balance of the P42,000,000 and P2,000,000 drawn by SCPC on June 28, 2017 and January 31, 2018, respectively, from the P44,000,000, 12-year Omnibus Loan and Security Agreement (OLSA) with a syndicate of local banks dated June 22, 2017. The proceeds were used mainly by SCPC for the following purposes:

   i. the settlement of the US$360,000 short-term loan availed on May 8, 2017 from a local bank;

   ii. the funding of the acquisition from LETI of the Phase II of Limay Greenfield Power Plant which was then under construction;

   iii. the repayment of advances from the Parent Company; and

   iv. the payment of transaction-related fees and expenses.

   Unamortized debt issue costs amounted to P468,867 and P547,184 as at December 31, 2021 and 2020, respectively. Accrued interest amounted to P17,453 and P18,499 as at December 31, 2021 and 2020, respectively. Interest expense amounted to P2,592,403, P2,723,450 and P2,786,827 in 2021, 2020 and 2019, respectively (inclusive of P437,109 capitalized in CPIP in 2019).

k. The amount represents the remaining balance of the P20,322,000 and P978,000 drawn by SMCPC in tranches on August 17, 2018 and July 31, 2019, respectively, from the P21,300,000, 12-year OLSA with a syndicate of local banks, signed on August 9, 2018. The loan is payable in 47 quarterly installments up to August 2030. The proceeds were used mainly by SMCPC for the following purposes:

   i. the repayment in full of the P5,930,000 short-term loan used to fund the design, construction and operation of the Davao Greenfield Power Plant;

   ii. the partial financing of the remaining works for the Davao Greenfield Power Plant;

   iii. the repayment of advances from the Parent Company; and

   iv. the payment of transaction-related fees and expenses.

   The loan includes amount payable to Bank of Commerce (BOC), an associate of entities under common control, amounting to P2,615,936 and P2,810,624 as at December 31, 2021 and 2020, respectively (Note 20).

Unamortized debt issue costs amounted to P258,126 and P295,903 as at December 31, 2021 and 2020, respectively. Accrued interest amounted to P139,198 and P149,557 as at December 31, 2021 and 2020, respectively. Interest expense amounted to P1,409,378, P1,514,689 and P1,574,840 (inclusive of P18,480, P18,515, and P28,198 capitalized in CPIP) in 2021, 2020 and 2019, respectively.

l. The amount represents the US$172,100 total outstanding loan drawn in tranches by MPPCL from its Omnibus Refinancing Agreement (ORA), dated December 28, 2012, with local banks, which refinanced its debt obligations previously obtained to partially finance the acquisition, operation, maintenance and repair of the power plant facilities purchased from PSALM by MPPCL on August 22, 2007. The loan is divided into fixed interest tranche and floating interest tranche based on a 6-month LIBOR plus margin with maturities up to January 23, 2023.

   Unamortized debt issue costs pertaining to fixed and floating interest tranches amounted to P1,884 and P628, and P6,584 and P2,195 as at December 31, 2021 and 2020, respectively. Accrued interest pertaining to fixed and floating interest tranches amounted to P54,163 and P11,337 and P64,249 and P13,448 as at December 31, 2021 and 2020, respectively. Interest expense on fixed and floating interest tranches amounted to P394,435 and P81,577 (inclusive of P13,279 and P2,745 capitalized in CPIP, respectively), P485,318 and P118,051 (inclusive of P282,882 and P68,809 capitalized in CPIP, respectively), and P590,810 and P181,198 (inclusive of P336,666 and P103,253 capitalized in CPIP, respectively) in 2021, 2020 and 2019, respectively.

m. The amount represents the US$473,130 total outstanding loan drawn in tranches by MPPCL from its Omnibus Expansion Financing Agreement (OEFA) dated December 1, 2015, with local banks, to finance the construction of the additional 335 MW (gross) coal-fired plant within MPPCL existing facilities. The loan is divided into fixed interest tranche and floating interest tranche based on a 6-month LIBOR plus margin with maturities up to December 15, 2030.

   Unamortized debt issue costs pertaining to fixed and floating interest tranches amounted to P247,688 and P81,517, and P271,492 and P89,352, as at December 31, 2021 and 2020, respectively. Accrued interest pertaining to fixed and floating interest tranches amounted to P174,961 and P30,870 and P174,113 and P30,720 as at December 31, 2021 and 2020, respectively. Interest expense on fixed and floating interest tranches amounted to P1,143,037 and P201,674 (inclusive of P38,455 and P6,785 capitalized in CPIP, respectively), P1,188,888 and P231,214 (inclusive of P914,351 and P177,874 capitalized in CPIP, respectively), and P1,111,141 and P299,158 (all capitalized in CPIP) in 2021, 2020 and 2019, respectively.

Valuation Technique for Peso-denominated Bonds
The market value was determined using the market comparison technique. The fair values are based on PDEx. The Bonds are traded in an active market and the quotes reflect the actual transactions in identical instruments.

The fair value of the Bonds amounting to P78,768,298 and P89,459,884 as at December 31, 2021 and 2020, respectively, has been categorized as Level 1 in the fair value hierarchy based on the inputs used in the valuation techniques (Note 31).

The debt agreements of the Parent Company, SCPC, SMCPC and MPPCL impose a number of covenants including, but not limited to, maintenance of certain financial ratios throughout the duration of the term of the debt agreements. The terms and conditions of the debt agreements also contain negative pledge provision with certain limitations on the ability of the Parent Company and its material subsidiaries, SCPC, SMCPC and MPPCL to create or have outstanding any security interest upon or with respect to any of the present or future business, undertaking, assets or revenue (including any uncalled capital) of the Parent Company or any of its material subsidiaries, SCPC, SMCPC and MPPCL to secure any indebtedness, subject to certain exceptions.

The loans of SCPC and SMCPC are secured by real estate and chattel mortgages, on all present and future assets, amounting to P44,100,000 and P21,325,000, respectively, and reserves of SCPC and SMCPC as well as a pledge by the Parent Company of all its outstanding shares of stock in SCPC and SMCPC.

The loans of MPPCL obtained from its ORA and OEFA are secured by real estate and chattel mortgages, on all present assets (purchased under its asset purchase agreement, and all its rights in a land lease agreement, with PSALM) and all future assets as defined in its loan agreements, amounting to US$665,000 and US$525,000, respectively.

As at December 31, 2021 and 2020, the Group is in compliance with the covenants, including the required financial ratios, of the debt agreements.

The movements in debt issue costs are as follows:

	2021	2020
Balance at beginning of year	**P2,134,901**	P2,757,848
Additions	**527,832**	1,200
Currency translation adjustments	**20,879**	(21,537)
Capitalized amount	**(1,981)**	(46,816)
Amortization	**(618,765)**	(555,794)
Balance at end of year	**P2,062,866**	P2,134,901

<u>Repayment Schedule</u>

The annual maturities of long-term debt are as follows:

	Gross Amount				
Year	**US Dollar**	**Peso Equivalent of US Dollar**	**Peso**	**Debt Issue Costs**	**Net**
2022	US$52,058	P2,654,880	P27,779,564	P249,026	P30,185,418
2023	729,052	37,180,948	23,342,184	487,341	60,035,791
2024	31,920	1,627,888	34,309,804	267,910	35,669,782
2025	33,390	1,702,857	9,504,744	145,226	11,062,375
2026	334,913	17,080,203	16,589,154	568,166	33,101,191
2027 and thereafter	313,897	16,008,459	37,203,624	345,197	52,866,886
	US$1,495,230	**P76,255,235**	**P148,729,074**	**P2,062,866**	**P222,921,443**

Contractual terms of the Group's interest bearing loans and borrowings and exposure to interest rate, foreign currency and liquidity risks are discussed in Note 30.

20. Related Party Disclosures

The Parent Company, certain subsidiaries and their shareholders, associates and joint ventures purchase products and services from one another in the normal course of business. Transactions with related parties are made at normal market prices and terms. The Group requires approval of the BOD for certain limits on the amount and extent of transactions with related parties.

Amounts owed by/owed to related parties are collectible/will be settled in cash. An assessment is undertaken at each financial year by examining the financial position of the related party and the market in which the related party operates.

The following are the transactions with related parties and the outstanding balances as at December 31:

	Note	Year	Revenues from Related Parties	Purchases from Related Parties	Amounts Owed by Related Parties	Amounts Owed to Related Parties	Terms	Conditions
SMC	*23, 25*	**2021**	**P399,320**	**P721,640**	**P92,027**	**P18,228**	On demand or 30 days;	Unsecured;
		2020	368,242	697,679	62,319	57,437	non-interest bearing	no impairment
	10	**2021**	**-**	**-**	**12,551**	**-**	1 year;	Unsecured;
		2020	-	-	-	-	non-interest bearing	no impairment
Entities under Common Control	*6, 8, 9, 18, 23, 24, 25*	**2021**	**3,908,994**	**2,124,649**	**1,028,637**	**4,945,538**	On demand or 30 days;	Unsecured;
		2020	2,871,919	1,489,646	711,975	4,430,474	non-interest bearing	no impairment
		2021	**-**	**-**	**-**	**492**	More than 1 year;	Unsecured
		2020	-	-	-	492	non-interest bearing	
Associate	*8, 11, 18, 23*	**2021**	**1,999,770**	**10,954**	**1,238,266**	**29,570**	On demand or 30 days;	Unsecured;
		2020	1,226,847	-	495,809	29,367	non-interest bearing	no impairment
	8, 16	**2021**	**9,408**	**-**	**139,775**	**-**	9 years;	Unsecured;
		2020	12,259	-	181,833	-	interest bearing	no impairment
Joint Venture	*8, 26*	**2021**	**29,732**	**1,299,496**	**3,985**	**155,292**	30 days;	Unsecured;
		2020	29,796	940,531	19,688	428,490	non-interest bearing	no impairment
	8, 11	**2021**	**5,138**	**-**	**143,665**	**-**	92 days;	Unsecured;
		2020	5,165	-	130,434	-	interest bearing	no impairment
	11, 16	**2021**	**18,840**	**-**	**1,026,815**	**-**	10.5 years	Unsecured;
		2020	-	-	-	-	interest bearing	No impairment
Associate and Joint Venture of	*6, 8, 23*	**2021**	**54,913**	**-**	**8,116**	**1,155**	30 days;	Unsecured;
		2020	567,658	-	6,705	1,155	non-interest bearing	no impairment
Entities under Common Control	*19*	**2021**	**-**	**211,738**	**-**	**2,615,936**	12 years;	Secured
		2020	-	227,559	-	2,810,624	interest bearing	
Others	*6, 8, 18, 23*	**2021**	**2,488,888**	**-**	**574,430**	**51,604**	On demand or 30 days;	Unsecured;
		2020	1,502,801	-	368,104	51,457	non-interest bearing	no impairment
		2021	**P8,915,003**	**P4,368,477**	**P4,268,267**	**P7,817,815**		
		2020	P6,584,687	P3,355,415	P1,976,867	P7,809,496		

a. Amounts owed by related parties consist of trade and other receivables, derivative assets and security deposits (Notes 8, 10 and 16).

b. Amounts owed to related parties consist of trade and non-trade payables, management fees, purchases of fuel, reimbursement of expenses, rent, insurance, services rendered, customers' deposits and subscriptions payable to OEDC (Notes 11 and 18).

c. Amounts owed by an associate mainly consist of interest bearing loan granted to OEDC included as part of "Trade and other receivables" and "Other noncurrent assets" accounts in the consolidated statements of financial position (Notes 8 and 16).

d. Amounts owed by a joint venture consists of interest bearing loans granted and management fees charged to AHC by PVEI included as part of "Trade and other receivables" and "Other noncurrent assets" accounts in the consolidated statements of financial position (Notes 8, 11, 16 and 26).

e. Amounts owed to an associate and joint venture of entities under common control pertains to an interest-bearing long-term loan of SMCPC to BOC, included as part of "Long-term debt" account in the consolidated statements of financial position (Note 19). The loan is secured by certain property, plant and equipment as at December 31, 2021 and 2020 (Note 12).

f. The compensation of key management personnel of the Group, by benefit type, follows:

	Note	**2021**	2020	2019
Short-term employee benefits		**P134,074**	P127,224	P113,813
Retirement cost	*21*	**15,520**	7,715	4,171
		P149,594	P134,939	P117,984

21. Retirement Plans

The Parent Company and SMEC have unfunded, noncontributory, defined benefit retirement plans covering all of their permanent employees. Retirement benefits expense pertains to accrual of expected retirement benefits of active employees in accordance with RA No. 7641, *The Philippine Retirement Law*. Retirement benefits expense and liability are determined using the projected unit credit method. The Group's latest actuarial valuation date is December 31, 2021. Valuations are obtained on a periodic basis.

The following table shows the reconciliation of the net defined benefit retirement obligation and its component:

	2021	2020
Balance at beginning of year	**P147,729**	P139,512
Recognized in Profit or Loss		
Current service cost	**18,048**	17,799
Interest expense	**5,708**	7,296
	23,756	25,095
Recognized in Other Comprehensive Income		
Remeasurements:		
Actuarial (gains) losses arising from:		
Changes in demographic assumptions	**7,338**	(8,064)
Experience adjustments	**(4,248)**	(1,005)
Changes in financial assumptions	**(14,907)**	4,201
	(11,817)	(4,868)
Others		
Benefits paid	**(2,080)**	(12,010)
Balance at end of year	**P157,588**	P147,729

Defined benefit retirement obligation included as part of "Other noncurrent liabilities" account in the consolidated statements of financial position, amounted to P157,588 and P147,729 as at December 31, 2021 and 2020, respectively.

Retirement costs recognized in the consolidated statements of income by the Parent Company amounted to P23,385, P24,506 and P16,563 in 2021, 2020 and 2019, respectively (Notes 25).

Retirement costs (benefits) recognized in the consolidated statements of income by the subsidiaries amounted to P371, P589 and (P153,051) in 2021, 2020 and 2019, respectively (Notes 24 and 25).

The equity reserve for retirement plan, which includes the accumulated net actuarial gains and losses recognized in other comprehensive income, net of tax, of the Group and an associate, amounted to P46,195 and P59,057 as at December 31, 2021 and 2020, respectively.

The principal actuarial assumptions used to determine retirement benefits are as follows:

	2021	2020
Discount rate	**4.78% - 5.09%**	3.14% - 3.88%
Salary increase rate	**4.00%**	4.00%

Assumptions for mortality and disability rates are based on published statistics and mortality and disability tables.

The weighted average duration of the defined benefit retirement obligation ranges from 5 to 8.7 years and 7 to 8 years as at December 31, 2021 and 2020, respectively.

Sensitivity Analysis

As at December 31, 2021 and 2020, the reasonably possible changes to one of the relevant actuarial assumptions, holding other assumptions constant, would have affected the defined benefit retirement obligation by the amounts shown below:

	Defined Benefit Retirement Obligation			
	2021		2020	
	1% Increase	**1% Decrease**	1% Increase	1% Decrease
Discount rate	**(P10,421)**	**P12,072**	(P10,823)	P12,708
Salary increase rate	**12,083**	**(10,617)**	12,559	(10,907)

Risks and Management of Risks

The defined benefit retirement obligation exposes the Group to actuarial risks, such as longevity risk and interest rate risk.

The defined benefit retirement obligation is calculated using a discount rate set with reference to government bond yields as such is exposed to market factors including inflation. Higher inflation will lead to higher liability. Also, the defined benefit retirement obligations are to provide benefits for the life of members, so increase in life expectancy will result in an increase in the plan's liability. These risks are managed with the objective of reducing the impact of these risks to the cash flows of the Group.

The Group does not have a formal retirement plan and therefore has no plan assets to match against the liability under the defined benefit retirement obligation. Also, benefit claims under the defined benefit retirement obligation are paid directly by the Group as they become due.

22. Equity

Capital Stock
As at December 31, 2021 and 2020, the Parent Company's authorized capital stock is P2,000,000, divided into 2,000,000,000 common shares with par value of P1.00 per share.

Capital stock consists of subscribed capital stock amounting to P1,250,004, net of subscription receivable amounting to P187,500, as at December 31, 2021 and 2020.

The number of shares subscribed is 1,250,004,000 common shares as at December 31, 2021 and 2020.

Equity Reserves
In September 2010, the Parent Company acquired the remaining 40% non-controlling ownership interest of SMC in SMEC and SPDC. The difference between the price paid and carrying amount of net assets transferred was recognized in equity.

In January 2019, the Parent Company subscribed to the remaining unissued common shares of MPGC, thereby increasing its equity ownership from 49% to 73.58%. In September 2019 and December 2021, the Parent Company's equity ownership was further increased to 89.54% and 91.98%, respectively, as a result of additional subscriptions to the increase in the authorized capital stock of MPGC (Note 11). The difference between the price paid and carrying amount of net assets transferred was recognized in equity.

Retained Earnings
The Parent Company's retained earnings available for dividend declaration, calculated based on the regulatory requirements of the Philippine SEC, amounted to P3,681,838 and P2,781,869 as at December 31, 2021 and 2020, respectively. The difference between the consolidated retained earnings and the Parent Company's retained earnings available for dividend declaration primarily consist of undistributed earnings of subsidiaries and equity method investees. Stand-alone earnings of the subsidiaries and share in net earnings of equity method investees are not available for dividend declaration by the Parent Company until declared by the subsidiaries and equity investees as dividends.

There were no cash dividend declarations to stockholders in 2021, 2020 and 2019.

Parent Company
There were no appropriations of retained earnings of the Parent Company in 2021, 2020 and 2019.

SMEC, SPPC and SPDC
On December 18, 2019, the BOD of SPDC approved the appropriation of retained earnings amounting to P733,400 for the fixed monthly PSALM payments, pursuant to its IPPA Agreement. On December 20, 2021, the BOD of SPDC approved the appropriation of retained earnings amounting to P1,140,000 for the same purpose.

In 2019, the total appropriations utilized and reversed by SMEC, SPPC and SPDC amounted to P6,149,300, P9,158,600 and P759,000, respectively.

In 2020, the total appropriations utilized by SPPC and SPDC amounted to P2,990,300 and P1,000,000, respectively.

In 2021, the total appropriations utilized by SPPC amounted to P3,514,050.

Total combined appropriated retained earnings of SMEC, SPPC and SPDC amounted to P7,710,700 and P10,084,750 as at December 31, 2021 and 2020, respectively.

USCS

The Parent Company issued and listed on the Singapore Exchange Securities Trading Limited ("SGX-ST") the following USCS at an issue price of 100%:

Date of Issuance	Distribution Payment Date	Initial Rate of Distribution	Step-Up Date	Amount of USCS Issued	Amount in Philippine Peso
August 26, 2015	August 26 and February 26 of each year	6.75% per annum	February 26, 2021	US$300,000	P13,823,499
May 7, 2014	May 7 and November 7 of each year	7.5% per annum	November 7, 2019	300,000	13,110,066
				US$600,000	**P26,933,565**

Amount in Philippine Peso pertains to proceeds net of directly attributable transaction costs.

The holders of the USCS have conferred a right to receive distributions on a semi-annual basis from their issuance dates at the initial rate of distribution, subject to the step-up rate. The Parent Company has a right to defer this distribution under certain conditions.

The USCS have no fixed redemption date and are redeemable in whole, but not in part, at the Parent Company's option on step-up date, or any distribution payment date thereafter or upon the occurrence of certain other events at the principal amounts of the USCS plus any accrued, unpaid or deferred distribution.

The proceeds were used by the Parent Company to finance investments in power-related assets and other general corporate purposes.

On November 7, 2019, the Parent Company completed the redemption of the US$300,000 USCS issued on May 7, 2014 (the "First Securities"), equivalent to P15,183,000 on redemption date, pursuant to the terms and conditions of the First Securities. The redemption was made after the issuance of a notice to the holders of the First Securities, dated September 27, 2019. The redemption price of the First Securities includes the principal amount and any accrued but unpaid distributions up to (but excluding) the step-up date.

The difference between the price paid and the First Securities amounted to P2,072,934 and was recognized as part of the "Equity reserves" account in the consolidated statements of financial position.

The First Securities was redeemed using in part the proceeds of the US$500,000 SPCS issued on April 25, 2019.

On February 26, 2021, the Parent Company completed the redemption of the US$300,000 USCS issued on August 26, 2015 (the "Second Securities"), equivalent to P14,581,500 on redemption date, pursuant to the terms and conditions of the Second Securities. The redemption was made after the issuance of a notice to the holders of the Second Securities, dated January 25, 2021. The redemption price of the Second Securities that was paid includes the principal amount and any accrued but unpaid distributions up to (but excluding) the step-up date.

The difference between the price paid and the net carrying value of the Second Securities amounted to P758,001 and was recognized as part of the "Equity reserves" account in the consolidated statements of financial position.

The Second Securities was redeemed using in part the proceeds of the US$350,000 SPCS issued on December 15, 2020.

Distributions to USCS Holders
Details of distributions paid to USCS holders are as follows:

	2021	2020	2019
February	**P656,168**	P735,220	P757,133
May	**-**	-	837,321
August	**-**	711,498	758,435
November	**-**	-	830,478
	P656,168	P1,446,718	P3,183,367

RPS
On March 16, 2018, the Parent Company issued the RPS at an issue price of 100% amounting to US$650,000 (equivalent to P32,751,570, net of issuance costs) in favor of SMC, the Security Holder.

The RPS are direct, unconditional, unsecured and subordinated capital securities with no fixed redemption date. The Security Holder shall have the right to receive distribution at the rate of 6.25% per annum, payable quarterly in arrears every March 16, June 16, September 16 and December 16 of each year commencing on June 16, 2018. The Parent Company has a right to defer this distribution under certain conditions.

The proceeds were used to partially finance the acquisition of the Masinloc Group by the Parent Company.

Distribution to RPS Holder
Details of distributions paid to RPS holder are as follows:

	2021	2020	2019
March	**P492,375**	P513,703	P530,512
June	**487,886**	510,961	527,363
September	**506,797**	499,586	525,992
December	**509,437**	491,563	512,891
	P1,996,495	P2,015,813	P2,096,758

On March 1, 2022, the Parent Company's BOD approved the payment of distributions amounting to US$10,156 to the RPS holder on March 16, 2022.

SPCS

The Parent Company issued and listed on the SGX-ST the following SPCS:

Date of Issuance	Distribution Payment Date	Initial Rate of Distribution	Step-Up Date	Issue Price	Amount of SPCS Issued	Amount in Philippine Peso
September 15, 2021	June 9 and December 9 of each year	5.45% per annum	December 9, 2026	100.125%	US$150,000	P7,367,825
June 9, 2021	June 9 and December 9 of each year	5.45% per annum	December 9, 2026	100.000%	600,000	28,199,807
December 15, 2020	April 21 and October 21 of each year	7.00% per annum	October 21, 2025	102.457%	350,000	17,000,077
October 21, 2020	April 21 and October 21 of each year	7.00% per annum	October 21, 2025	100.000%	400,000	19,141,493
January 21, 2020	January 21 and July 21 of each year	5.70% per annum	January 21, 2026	100.000%	600,000	30,170,603
November 5, 2019	May 5 and November 5 of each year	5.95% per annum	May 5, 2025	100.000%	500,000	24,836,690
July 3, 2019	April 25 and October 25 of each year	6.50% per annum	April 25, 2024	102.052%	300,000	15,440,347
April 25, 2019	April 25 and October 25 of each year	6.50% per annum	April 25, 2024	100.000%	500,000	25,610,522
					US$3,400,000	P167,767,364

Amount in Philippine Peso pertains to proceeds, net of directly attributable transaction costs amounting to P2,565,380.

The US$300,000 SPCS issued in July 2019 were issued at an issue price of 102.052% plus an amount corresponding to accrued distributions from (and including) April 25, 2019 to (but excluding) July 3, 2019. The US$300,000 SPCS are consolidated into and form a single series with the US$500,000 SPCS issued in April 2019, bringing the total securities to US$800,000. The US$300,000 SPCS are identical in all respects with the US$500,000 SPCS, other than with respect to the date of issuance and issue price.

The US$350,000 SPCS issued in December 2020 were issued at an issue price of 102.457% plus an amount corresponding to accrued distributions from (and including) October 21, 2020 to (but excluding) December 15, 2020. The US$350,000 SPCS are consolidated into and form a single series with the US$400,000 SPCS issued in October 2020, bringing the total securities to US$750,000. The US$350,000 SPCS are identical in all respects with the US$400,000 SPCS, other than with respect to the date of issuance and issue price.

The US$150,000 SPCS issued in September 2021 were issued at an issue price of 100.125% plus an amount corresponding to accrued distributions from (and including) June 9, 2021 to (but excluding) September 15, 2021. The US$150,000 SPCS are consolidated into and form a single series with the US$600,000 SPCS issued in June 2021, bringing the total securities to US$750,000. The US$150,000 SPCS are identical in all respects with the US$600,000 SPCS, other than with respect to the date of issuance and issue price.

The SPCS were offered for sale and were sold mainly offshore and to a limited number of qualified buyers in the Philippines. Hence, the offer and sale of the SPCS qualified as an exempt transaction for which no confirmation of exemption from the registration requirements of the Securities Regulations Code was required to be filed with the Philippine SEC.

The holders of the SPCS have conferred a right to receive distributions on a semi-annual basis from their issuance dates at the initial rate of distribution, subject to the step-up rate. The Parent Company has a right to defer this distribution under certain conditions.

The SPCS constitute direct, unconditional, unsecured and unsubordinated obligations of the Parent Company with no fixed redemption date and are redeemable in whole, but not in part, at the Parent Company's option on step-up date, or any distribution payment date thereafter or upon the occurrence of certain other events at the principal amounts of the SPCS plus any accrued, unpaid or deferred distribution.

The net proceeds from the issuance of SPCS in 2019 were used for the redemption of the First Securities, repayment of indebtedness, capital expenditures and investments in power-related assets, the development of the BESS projects and general corporate purposes. The net proceeds of the SPCS issued in 2020 were used for the funding requirements of the development and completion of the BESS projects, capital expenditures and investments in liquefied natural gas facilities and related assets, refinancing or redemption of existing or expiring commitments whether debt or perpetual securities and general corporate purposes.

The net proceeds from the issuance of SPCS in June and September 2021 shall be used primarily for investments in the 1,313.1 MW Batangas Combined Cycle Power Plant and related assets or for general corporate purposes.

Distributions to SPCS Holders

Details of distributions paid to SPCS holders are as follows:

	2021	2020	2019
January	**P1,095,768**	P -	P -
April	**3,190,832**	1,882,400	-
May	**952,753**	1,080,562	-
July	**1,147,753**	1,226,070	-
October	**3,538,231**	1,801,429	1,732,869
November	**1,002,972**	1,027,544	-
December	**1,262,901**	-	-
	P12,191,210	P7,018,005	P1,732,869

On January 21, 2022, the Parent Company paid distributions to holders of the US$600,000 SPCS issued in January 2020, amounting to US$17,100.

On March 1, 2022, the Parent Company's BOD approved the payment of distributions amounting to (i) US$26,250 plus applicable taxes on April 21, 2022 to the US$750,000 SPCS holders, (ii) US$26,000 plus applicable taxes on April 25, 2022 to the US$800,000 SPCS holders, and (iii) US$14,875 plus applicable taxes on May 5, 2022 to the US$500,000 SPCS holders.

23. Revenues

Revenues consist of:

	Note	**2021**	2020	2019
Sale of power:				
Power generation and trading	*6, 20*	**P110,294,417**	P95,034,262	P111,950,126
Retail and other power-related services	*6, 20*	**23,236,333**	19,859,669	23,095,136
Other services		**179,421**	134,720	14,817
	5	**P133,710,171**	P115,028,651	P135,060,079

Revenues from other services mainly pertain to operations and maintenance services provided by a subsidiary to an entity under common control (Note 20).

24. Cost of Power Sold

Cost of power sold consists of:

	Note	**2021**	2020	2019
Coal, fuel oil and other consumables	*9, 20*	**P39,108,912**	P23,954,749	P31,362,501
Power purchases	*6*	**25,304,405**	12,918,282	21,434,786
Energy fees	*6*	**17,762,434**	20,365,268	26,417,124
Depreciation and amortization	*6, 12, 13, 15*	**10,794,984**	10,130,354	9,651,522
Plant operations and maintenance, and other fees	*20, 21*	**3,937,710**	4,526,895	2,892,267
	5	**P96,908,445**	P71,895,548	P91,758,200

25. Selling and Administrative Expenses

Selling and administrative expenses consist of:

	Note	**2021**	2020	2019
Taxes and licenses		**P1,194,088**	P1,244,914	P1,239,190
Salaries, wages and benefits	*20, 21*	**857,508**	824,428	1,148,933
Management fees	*20*	**689,458**	696,023	780,902
Depreciation and amortization	*5, 12, 13, 15*	**579,216**	435,819	266,134
Corporate special program		**429,973**	254,721	376,454
Rent	*4, 6, 20*	**367,110**	327,192	323,373
Outside services		**245,486**	535,906	1,191,920
Professional fees		**180,261**	245,675	131,296
Advertising and promotions		**169,587**	151,793	150,300
Supplies		**165,212**	190,352	109,951
Donations		**162,046**	597,390	486,702
Repairs and maintenance		**57,121**	104,656	424,624
Travel and transportation		**52,733**	106,501	234,156
Insurance		**6,524**	12,036	12,842
Impairment losses on trade receivables (reversals) - net	*4, 8*	**(343,502)**	305,829	257,879
Miscellaneous		**102,450**	177,002	213,538
	5	**P4,915,271**	P6,210,237	P7,348,194

Donations represent contributions to registered donee institutions for their programs on COVID-19 response initiatives, education, environment and disaster-related projects. Corporate special program pertains to the Group's corporate social responsibility projects.

26. Other Income (Charges)

Other income (charges) consists of:

	Note	**2021**	2020	2019
PSALM monthly fees reduction	*6*	**P4,747,104**	P2,581,351	P1,170,542
Marked-to-market gains (losses) on derivatives - net		**278,397**	(232,534)	(264,824)
Construction revenue	*4, 6*	**127,274**	211,396	206,397
Management and shared service income	*20*	**86,082**	32,332	30,281
Reversal of impairment losses on other receivables	*8*	**22,925**	137,551	-
Settlement from third party contractors		**-**	3,825,537	-
Construction cost	*4, 6*	**(127,274)**	(211,396)	(206,397)
Foreign exchange gains (losses) - net	*30*	**(1,495,366)**	1,369,721	2,839,579
Miscellaneous income - net	*4, 6, 12, 20*	**122,337**	208,551	423,677
		P3,761,479	P7,922,509	P4,199,255

In 2020, the Group received a settlement from third party contractors on account of damages arising from the latter's non-fulfillment of obligations under procurement-related contracts.

Construction revenue is recognized by reference to the stage of completion of the construction activity at the reporting date. When it is probable that the total contract costs will exceed total contract revenue, the expected loss is recognized as an expense immediately.

Construction costs pass through the profit or loss before it is capitalized as concession rights.

Miscellaneous income mostly pertains to power bill surcharge, terminal fee, rent income, and impairment losses on property, plant and equipment.

27. Income Taxes

The components of income tax expense (benefit) are as follows:

	Note	**2021**	2020	2019
Current	*28*	**P1,130,275**	P2,220,270	P2,256,733
Deferred		**3,921,236**	5,703,182	5,006,383
Adjustments due to Corporate Recovery and Tax Incentives for Enterprises (CREATE) Act		**(3,151,344)**	-	-
		P1,900,167	P7,923,452	P7,263,116

The movements of deferred tax assets and liabilities are as follows:

2021	**Balance at January 1**	**Adjustments Due to CREATE**	**Recognized in Profit or Loss**	**Recognized in Other Comprehensive Income**	**Others**	**Balance at December 31**
Allowance for impairment losses on trade receivables	**P671,329**	**(P101,098)**	**(P44,516)**	**P -**	**P -**	**P525,715**
Defined benefit retirement obligation	**63,526**	**(215)**	**85**	**-**	**-**	**63,396**
Difference of amortization of borrowing costs over payment and others	**305,522**	**(78,087)**	**246,218**	**-**	**34,795**	**508,448**
Difference of depreciation and other related expenses over monthly lease payments	**(18,850,195)**	**3,141,052**	**(4,123,023)**	**-**	**-**	**(19,832,166)**
Equity reserve for retirement plan	**(424)**	**59**	**-**	**(252)**	**-**	**(617)**
	(P17,810,242)	**P2,961,711**	**(P3,921,236)**	**(P252)**	**P34,795**	**(P18,735,224)**

2020	Balance at January 1	Recognized in Profit or Loss	Recognized in Other Comprehensive Income	Others	Balance at December 31
Allowance for impairment losses on trade receivables	P499,456	P171,873	P -	P -	P671,329
Defined benefit retirement obligation	63,349	177	-	-	63,526
Difference of amortization of borrowing costs over payment and others	68,076	275,079	-	(37,633)	305,522
Difference of depreciation and other related expenses over monthly lease payments	(12,699,884)	(6,150,311)	-	-	(18,850,195)
Equity reserve for retirement plan	99	-	(523)	-	(424)
	(P12,068,904)	(P5,703,182)	(P523)	(P37,633)	(P17,810,242)

The deferred taxes are reported in the consolidated statements of financial position as follows:

	2021	2020
Deferred tax assets	**P1,447,415**	P1,645,882
Deferred tax liabilities	**(20,182,639)**	(19,456,124)
	(P18,735,224)	(P17,810,242)

Deferred tax asset on NOLCO and MCIT of the Group amounting to P4,880,442 and P7,611,358 as at December 31, 2021 and 2020, respectively, has not been recognized because it is not probable that future taxable income will be available against which the Group can utilize the benefits therefrom.

As at December 31, 2021, the NOLCO and MCIT of the Group that can be claimed as deduction from future taxable income and deduction from corporate income tax due, respectively, are as follows:

Year Incurred/Paid	**Carryforward Benefits Up To**	**NOLCO**	**MCIT**
2021	December 31, 2026/2024	P11,141,915	P15,101
2020	December 31, 2025/2023	7,263,808	68,342
2019	December 31, 2022	10,734,628	27,989
		P29,140,351	P111,432

On September 30, 2020, the BIR issued Revenue Regulation No. 25-2020 to implement Section 4 (bbbb) of the RA No. 11494, otherwise known as the Bayanihan to Recover as One Act, relative to NOLCO which provides that the net operating loss of a business or enterprise for taxable years 2020 and 2021 shall be carried over as a deduction from gross income for the next 5 consecutive taxable years immediately following the year of such loss.

The net operating loss for the said taxable years may be carried over as a deduction even after the expiration of RA No. 11494, provided that the same is claimed within the next 5 consecutive taxable years following the year such loss was incurred.

The reconciliation between the statutory income tax rate on income before income tax and the Group's effective income tax rate is as follows:

	2021	2020	2019
Statutory income tax rate	**25.00%**	30.00%	30.00%
Increase (decrease) in income tax rate resulting from:			
Unrecognized deferred tax assets	**15.28%**	8.34%	10.92%
Availment of optional standard deduction and others	**(29.65%)**	(8.77%)	(7.34%)
Effective income tax rate	**10.63%**	29.57%	33.58%

The CREATE Act, which seeks to reduce the corporate income tax rates and to rationalize the current fiscal incentives by making it time-bound, targeted and performance-based, was passed into law on March 26, 2021. One of the key provisions of the CREATE Law is an immediate 5% to 10% point cut in the regular corporate income tax rate and 1% point cut in the minimum corporate income tax rate starting July 1, 2020.

The impact on the December 31, 2020 consolidated financial statements of the Group were recognized as at and for the year ended December 31, 2021 as follows:

	Increase (Decrease)
ASSETS	
Prepaid expenses and other current assets	**P189,276**
Investments and advances - net	**1,545**
Deferred tax assets	**(282,395)**
	(P91,574)
LIABILITIES AND EQUITY	
Income tax payable	**(P416)**
Deferred tax liabilities	**(3,244,106)**
Equity reserves	**59**
Retained earnings	**3,150,471**
Non-controlling interests	**2,418**
	(P91,574)
Equity in net losses of an associate and joint ventures	**(P1,545)**
Provision for income tax:	
Current	**(189,693)**
Deferred	**(2,961,651)**
	(3,151,344)
	(P3,152,889)
Net income attributable to:	
Equity holders of the Parent Company	**P3,150,471**
Non-controlling interests	**2,418**
	P3,152,889

28. Registrations and License

Registrations with the Board of Investments (BOI)

i. In 2013, SMCPC and SCPC were granted incentives by the BOI on a pioneer status for 6 years subject to the representations and commitments set forth in the application for registration, the provisions of Omnibus Investments Code of 1987, (Executive Order (EO) No. 226), the rules and regulations of the BOI and the terms and conditions prescribed. On October 5, 2016, BOI granted SCPC's request to move the start of its commercial operation and Income Tax Holiday (ITH) reckoning date from February 2016 to September 2017 or when the first kilowatt-hour (kWh) of energy was transmitted after commissioning or testing, or 1 month from the date of such commissioning or testing, whichever comes earlier as certified by the NGCP. Subsequently, on December 21, 2016, BOI granted a similar request of SMCPC to move the start of its commercial operation and ITH reckoning date from December 2015 to July 2016, or the actual date of commercial operations subject to compliance with the specific terms and conditions, due to delay in the implementation of the project for reasons beyond its control. SMCPC’s request on the further extension of the ITH reckoning date from July 2016 to September 2017 was likewise approved by the BOI on December 5, 2018. The ITH period for Unit 1 and Unit 2 of SCPC commenced on May 26, 2017. The ITH incentives shall only be limited to the conditions given under the specific terms and conditions of their respective BOI registrations.

ii. On September 20, 2016, LETI was registered with the BOI under EO No. 226 as expanding operator of 2 x 150 MW CFB Coal-fired Power Plant (Phase II Limay Greenfield Power Plant) on a non-pioneer status. The BOI categorized LETI as an “Expansion” based on the 2014 to 2016 IPP's Specific Guidelines for “Energy” in relation to SCPC's 2 x 150 MW Coal-fired Power Plant (Phase I Limay Greenfield Power Plant). As a registered entity, LETI is entitled to certain incentives that include, among others, an ITH for 3 years from January 2018 or date of actual start of commercial operations, whichever is earlier, but in no case earlier than the date of registration. The ITH incentives shall only be limited to the conditions given under the specific terms and conditions of LETI's BOI registrations.

    In June 2017, the BOI approved the transfer of ownership and registration of Phase II Limay Greenfield Power Plant from LETI to SCPC. On July 13, 2018, BOI granted the request of SCPC to move the start of its commercial operation and ITH reckoning date from January 2018 to March 2018 or actual start of commercial operations, whichever is earlier. The ITH period for Unit 3 and Unit 4 commenced on March 26, 2018 and expired in 2021.

    On August 26, 2015, February 11, 2016 and October 26, 2016, the BOI issued a Certificate of Authority (COA) to SMCPC, SCPC and LETI, respectively, subject to provisions and implementing rules and regulations of EO No. 70, entitled “Reducing the Rates of Duty on Capital Equipment, Spare Parts and Accessories Imported by BOI Registered New and Expanding Enterprises.” The COA shall be valid for 1 year from the date of issuance. All capital equipment, spare parts and accessories imported by SMCPC and SCPC for the construction of the power plants were ordered, delivered and completed within the validity period of their respective COAs.

On July 10, 2017, the BOI issued a new COA to SCPC, as the new owner of the Phase II Limay Greenfield Power Plant, subject to provisions and implementing rules and regulations of EO No. 22 (which replaced EO No. 70), also entitled "Reducing the Rates of Duty on Capital Equipment, Spare Parts and Accessories Imported by BOI Registered New and Expanding Enterprises". The COA shall be valid for 1 year from the date of issuance. All capital equipment, spare parts and accessories imported by SCPC for the construction of the Phase II of the power plant were ordered, delivered and completed within the validity period of the COA.

iii. SMEC, SPDC and SPPC are registered with the BOI as administrator of their respective power plants on a pioneer status with non-pioneer incentives and were granted ITH for 4 years without extension beginning August 1, 2010 up to July 31, 2014, subject to compliance with certain requirements under their registrations. The ITH incentive availed was limited only to the sale of power generated from the power plants. Upon expiration of the ITH in 2014, SMEC, SPDC and SPPC are now subject to the regular income tax rate. Accordingly, applications for deregistration have been filed by SMEC, SPDC and SPPC and the same were approved by the BOI on its letter dated February 22, 2022.

iv. On August 21, 2007, SEPC was registered with the BOI under EO No. 226, as New Domestic Producer of Coal on a Non-pioneer status.

v. On October 12, 2012, MPPCL received the BOI approval for the application as expanding operator of 600 MW Coal-Fired Thermal Power Plant. As a registered entity, MPPCL is entitled to ITH for 3 years from June 2017 or actual start of commercial operations, whichever is earlier (but not earlier than the date of registration) subject to compliance with the specific terms and conditions set forth in the BOI registration. On May 27, 2014, the BOI approved MPPCL's request to move the start of its commercial operation and the reckoning date of the ITH entitlement from June 2017 to December 2018. On June 17, 2015, the BOI subsequently granted MPPCL's requests to downgrade the registered capacity from 600 MW to 300 MW.

On December 21, 2015, MPPCL received the BOI approval for the application as new operator of 10 MW BESS Project on a pioneer status. The BESS Facility provides 10 MW of interconnected capacity and enhances the reliability of the Luzon grid using the *Advancion* energy storage solution. As a registered entity, MPPCL is entitled to incentives that include, among others, an ITH for 6 years from December 2018 or date of actual start of commercial operations, whichever is earlier (but not earlier than the date of registration) subject to compliance with the specific terms and conditions of MPPCL's BOI registration. The ITH period for the 10 MW BESS of MPPCL commenced on December 1, 2018. On October 1, 2020, MPPCL likewise received the BOI approval on the additional 20MW BESS Phase 2 Project of MPPCL.

On February 23, 2021, MPPCL received the BOI approval for the applications as new operator of 315MW Super Critical Pulverized Coal Thermal Power Plant Unit 4, and as new operator of 315MW Super Critical Pulverized Coal Thermal Power Plant Unit 5. Each registered activity is entitled to a 4-year ITH reckoned from the start of commercial operations in September 2024 and November 2024, respectively.

vi. On August 24, 2016, SMCGP Philippines Energy received the BOI approval for the application as new operator of 2 x 20 MW Kabankalan *Advancion* Energy Storage Array on a pioneer status. SMCGP Philippines Energy, a registered entity, is entitled to incentives that include, among others, an ITH for 6 years from July 2019 to December 2024 or date of actual start of commercial operations, whichever is earlier (but not earlier than the date of registration). On November 27, 2019, SMCGP Philippines Energy filed a request with the BOI to move the reckoning date of the ITH entitlement from July 2019 to July 2021. Due to the delays brought about by the pandemic, a subsequent request was filed to move the reckoning date to January 2022. On December 17, 2021, the BOI granted the request of SMCGP Philippines Energy Storage for the movement of Start of Commercial Operations and ITH reckoning to January 2022. The incentives shall be limited to the specific terms and conditions of SMCGP Philippines Energy's BOI registration.

vii. On November 29, 2019, the BOI has approved the application of UPSI as new operator of BESS Component of Integrated Renewable Power Facility ("R-Hub") covering various sites across the Philippines. The BOI has also approved UPSI's subsequent applications covering additional sites. Each registered site was granted with certain incentives including ITH, among others.

viii. On February 23, 2021, EERI received the BOI approval for the applications as new operator of 850MW Batangas Combined Cycle Power Plant Phase 1, and 850MW Batangas Combined Cycle Power Plant Phase 2 located in Brgy. Dela Paz Proper, Batangas City, Batangas. Each registered activity is entitled to a 4-year ITH reckoned from the start of commercial operation in April 2023 and October 2026, respectively.

Registration with the AFAB

On April 24, 2019, MPGC was registered with the AFAB, subject to annual renewal, as engaged in business of producing and generating electricity, and processing fuels alternative for power generation, among others, at the Freeport Area of Bataan (FAB). As a FAB enterprise, MPGC will operate a 4 x 150 MW power plant located in Mariveles, Bataan. FAB granted MPGC certain incentives that include, among others, an ITH for 4 years for the original project effective on the committed date or the actual date of start of commercial operations, whichever is earlier. On December 13, 2021, MPGC has been granted a renewed certificate of registration with AFAB valid until December 31, 2022.

License Granted by the ERC

On August 4, 2008, August 22, 2011 and August 24, 2016, MPPCL, SMELC and SCPC, respectively, were granted a RES License by the ERC pursuant to Section 29 of the EPIRA, which requires all suppliers of electricity to the contestable market to secure a license from the ERC. The term of the RES License is for a period of 5 years from the time it was granted and renewable thereafter.

On August 19, 2016, the ERC approved the renewal of SMELC's RES License for another 5 years from August 22, 2016 up to August 21, 2021. On August 18, 2021, the ERC has granted the extension of the validity of the RES License for 15 days from August 21, 2021 until September 5, 2021 to allow SMELC to complete transfer of its remaining contestable customer to SCPC.

On September 30, 2021, the ERC has extended the validity of SCPC's and MPPCL's RES License for 6 months or until March 29, 2022, pending final evaluation of its RES license renewal application.

29. Basic and Diluted Earnings Per Share (EPS)

Basic and diluted EPS is computed as follows:

	2021	2020	2019
Net income attributable to equity holders of the Parent Company	**P16,058,084**	P18,840,154	P14,370,482
Distributions for the year to:			
USCS holders	**(218,723)**	(1,419,650)	(2,887,771)
RPS holder	**(2,000,759)**	(2,011,484)	(2,094,049)
SPCS holders	**(12,737,330)**	(8,156,397)	(2,875,170)
Net income attributable to common shareholders of the Parent Company (a)	**1,101,272**	7,252,623	6,513,492
Weighted average number of common shares outstanding (in thousands) (b)	**1,250,004**	1,250,004	1,250,004
Basic/Diluted Earnings Per Share (a/b)	**P0.88**	P5.80	P5.21

As at December 31, 2021, 2020 and 2019, the Parent Company has no dilutive debt or equity instruments.

30. Financial Risk and Capital Management Objectives and Policies

Objectives and Policies
The Group has significant exposure to the following financial risks primarily from its use of financial instruments:

- Liquidity Risk
- Credit Risk
- Market Risk (Interest Rate Risk, Foreign Currency Risk and Commodity Price Risk)

This note presents information about the exposure to each of the foregoing risks, the objectives, policies and processes for measuring and managing these risks, and for management of capital.

The principal non-trade related financial instruments of the Group include cash and cash equivalents, restricted cash, noncurrent receivables, loans payable, long-term debt and derivative instruments. These financial instruments, except derivative instruments, are used mainly for working capital management purposes. The trade-related financial assets and financial liabilities of the Group such as trade and other receivables, accounts payable and accrued expenses, lease liabilities and other noncurrent liabilities arise directly from and are used to facilitate its daily operations.

The outstanding derivative instruments of the Group, such as swaps and forwards, are intended mainly for risk management purposes. The Group uses derivatives to manage its exposures to foreign currency and commodity price risks arising from the operating and financing activities. The accounting policies in relation to derivatives are set out in Note 3 to the consolidated financial statements.

The BOD has the overall responsibility for the establishment and oversight of the risk management framework of the Group.

The risk management policies of the Group are established to identify and analyze the risks faced by the Group, to set appropriate risk limits and controls, and to monitor risks and adherence to limits. Risk management policies and systems are reviewed regularly to reflect changes in market conditions and activities. The Group, through its training and management standards and procedures, aims to develop a disciplined and constructive control environment in which all employees understand their roles and obligations.

The BOD constituted the Audit and Risk Oversight Committee to assist the BOD in fulfilling its oversight responsibility of the Group's corporate governance process relating to the: a) quality and integrity of the consolidated financial statements and financial reporting process and the systems of internal accounting and financial controls; b) performance of the internal auditors; c) annual independent audit of the consolidated financial statements, the engagement of the independent auditors and the evaluation of the independent auditors' qualifications, independence and performance; d) compliance with tax, legal and regulatory requirements; e) evaluation of management's process to assess and manage the enterprise risk issues; and f) fulfillment of the other responsibilities set out by the BOD. The Audit and Risk Oversight Committee shall prepare such reports as may be necessary to document the activities of the committee in the performance of its functions and duties. Such reports shall be included in the annual report of the Group and other corporate disclosures as may be required by the Philippine SEC and/or the PDEx.

The Audit and Risk Oversight Committee also oversees how management monitors compliance with the risk management policies and procedures of the Group and reviews the adequacy of the risk management framework in relation to the risks faced by the Group. Internal Audit assists the Audit and Risk Oversight Committee in monitoring and evaluating the effectiveness of the risk management and governance processes of the Group. Internal Audit undertakes both regular and special reviews of risk management controls and procedures, the results of which are reported to the Audit and Risk Oversight Committee.

Liquidity Risk

Liquidity risk pertains to the risk that the Group will encounter difficulty to meet payment obligations when they fall due under normal and stress circumstances.

The Group’s objectives to manage its liquidity risk are as follows: a) to ensure that adequate funding is available at all times; b) to meet commitments as they arise without incurring unnecessary costs; c) to be able to access funding when needed at the least possible cost; and d) to maintain an adequate time spread of refinancing maturities.

The Group constantly monitors and manages its liquidity position, liquidity gaps and surplus on a daily basis. A committed stand-by credit facility from several local banks is also available to ensure availability of funds when necessary. The Group also uses derivative instruments such as forwards and swaps to manage liquidity.

The table below summarizes the maturity profile of the Group's financial assets and financial liabilities based on contractual undiscounted receipts and payments used for liquidity management:

December 31, 2021	**Carrying Amount**	**Contractual Cash Flow**	**1 Year or Less**	**>1 Year - 2 Years**	**>2 Years - 5 Years**	**Over 5 Years**
Financial Assets						
Cash and cash equivalents	**P67,690,151**	**P67,690,151**	**P67,690,151**	**P -**	**P -**	**P -**
Trade and other receivables - net*	**47,223,910**	**47,223,910**	**47,223,910**	**-**	**-**	**-**
Derivative assets not designated as cash flow hedge (included under "Prepaid expenses and other current assets" account)	**111,932**	**111,932**	**111,932**	**-**	**-**	**-**
Derivative asset designated as cash flow hedge (included under "Other noncurrent assets" account)	**42,173**	**42,173**	**-**	**42,173**	**-**	**-**
Noncurrent receivables (included under "Other noncurrent assets" account; including current portion)	**1,560,209**	**2,126,273**	**54,194**	**157,764**	**48,394**	**1,865,921**
Restricted cash (included under "Prepaid expenses and other current assets" and "Other noncurrent assets" accounts)	**4,430,396**	**4,430,396**	**2,550,607**	**547,407**	**15**	**1,332,367**
Financial Liabilities						
Loans payable	**1,529,970**	**1,541,923**	**1,541,923**	**-**	**-**	**-**
Accounts payable and accrued expenses*	**48,147,723**	**48,147,723**	**48,147,723**	**-**	**-**	**-**
Long-term debt - net (including current maturities)	**222,921,443**	**275,616,650**	**33,320,507**	**77,621,184**	**100,357,971**	**64,316,988**
Lease liabilities (including current portion)	**78,213,359**	**95,868,508**	**25,301,773**	**20,567,920**	**29,382,548**	**20,616,267**
Other noncurrent liabilities (including current portions of Concession liability and Premium on option liabilities)	**4,146,692**	**4,592,768**	**38,721**	**777,733**	**3,403,186**	**373,128**

**Excluding statutory receivables and payables*

December 31, 2020	Carrying Amount	Contractual Cash Flow	1 Year or Less	>1 Year - 2 Years	>2 Years - 5 Years	Over 5 Years
Financial Assets						
Cash and cash equivalents	P110,717,686	P110,717,686	P110,717,686	P -	P -	P -
Trade and other receivables - net*	36,119,436	36,119,436	36,119,436	-	-	-
Investment in debt instruments	694	694	694	-	-	-
Derivative assets designated as cash flow hedge (included under "Prepaid expenses and other current assets" and "Other noncurrent assets" accounts)	18,889	18,889	26	-	18,863	-
Noncurrent receivables (included under "Other noncurrent assets" account; including current portion)	550,287	572,925	51,055	119,682	102,937	299,251
Restricted cash (included under "Prepaid expenses and other current assets" and "Other noncurrent assets" accounts)	4,790,792	4,790,792	874,705	2,623,779	15	1,292,293
Financial Liabilities						
Loans payable	1,680,805	1,681,505	1,681,505	-	-	-
Accounts payable and accrued expenses*	33,248,504	33,248,504	33,248,504	-	-	-
Derivative liabilities not designated as cash flow hedge (included under "Accounts payable and accrued expenses" account)	9,590	9,590	9,590	-	-	-
Long-term debt - net (including current maturities)	219,552,782	275,299,674	34,832,158	40,877,956	117,246,982	82,342,578
Lease liabilities (including current portion)	99,511,094	117,537,163	28,943,836	24,541,301	42,148,882	21,903,144
Other noncurrent liabilities (including current portions of Concession liability and Premium on option liabilities)	2,237,416	2,251,813	41,553	224,283	1,659,305	326,672

**Excluding statutory receivables and payables*

Credit Risk

Credit risk is the risk of financial loss to the Group when a customer or counterparty to a financial instrument fails to meet its contractual obligations, and arises principally from trade and other receivables. The Group manages its credit risk mainly through the application of transaction limits and close risk monitoring. It is the Group's policy to enter into transactions with a wide diversity of creditworthy counterparties to mitigate any significant concentration of credit risk.

The Group has regular internal control reviews to monitor the granting of credit and management of credit exposures.

Trade and Other Receivables
The exposure to credit risk is influenced mainly by the individual characteristics of each customer. However, management also considers the demographics of the Group's customer base, including the default risk of the industry in which customers operate, as these factors may have an influence on the credit risk.

The Group has established a credit policy under which each new customer is analyzed individually for creditworthiness before the standard payment and delivery terms and conditions are offered. The Group ensures that sales on account are made to customers with appropriate credit history. The Group has detailed credit criteria and several layers of credit approval requirements before engaging a particular customer or counterparty. The review includes external ratings, when available, and in some cases bank references. Purchase limits are established for each customer and are reviewed on a regular basis. Customers that fail to meet the benchmark creditworthiness may transact with the Group only on a prepayment basis.

Financial information on the Group's maximum exposure to credit risk as at December 31, without considering the effects of other risk mitigation techniques, is presented below:

	Note	2021	2020
Cash and cash equivalents (excluding cash on hand)	*7*	**P67,688,162**	P110,715,432
Trade and other receivables - net*	*8*	**47,223,910**	36,119,436
Investment in debt instruments	*10*	**-**	694
Derivative assets not designated as cash flow hedge	*10*	**111,932**	-
Derivative asset designated as cash flow hedge	*16*	**42,173**	18,889
Noncurrent receivables	*8, 16*	**1,560,209**	550,287
Restricted cash	*10, 16*	**4,430,396**	4,790,792
		P121,056,782	P152,195,530

**Excluding statutory receivables*

The table below presents the Group's exposure to credit risk and shows the credit quality of the financial assets by indicating whether the financial assets are subjected to 12-month ECL or lifetime ECL. Assets that are credit-impaired are separately presented.

	Financial Assets at Amortized Cost					
December 31, 2021	12-month ECL	Lifetime ECL - not credit impaired	Lifetime ECL - credit impaired	Financial Assets at FVPL	Financial Assets at FVOCI	Total
Cash and cash equivalents (excluding cash on hand)	P67,688,162	P -	P -	P -	P -	P67,688,162
Trade and other receivables	-	47,223,910	2,672,082	-	-	49,895,992
Derivative assets not designated as cash flow hedge	-	-	-	111,932	-	111,932
Derivative asset designated as cash flow hedge	-	-	-	-	42,173	42,173
Noncurrent receivables	-	1,560,209	-	-	-	1,560,209
Restricted cash	4,430,396	-	-	-	-	4,430,396
	P72,118,558	P48,784,119	P2,672,082	P111,932	P42,173	P123,728,864

December 31, 2020	Financial Assets at Amortized Cost: 12-month ECL	Lifetime ECL - not credit impaired	Lifetime ECL - credit impaired	Financial Assets at FVOCI	Total
Cash and cash equivalents (excluding cash on hand)	P110,715,432	P -	P -	P -	P110,715,432
Trade and other receivables	-	36,119,436	3,034,110	-	39,153,546
Investment in debt instruments	694	-	-	-	694
Derivative assets designated as cash flow hedge	-	-	-	18,889	18,889
Noncurrent receivables	-	550,287	-	-	550,287
Restricted cash	4,790,792	-	-	-	4,790,792
	P115,506,918	P36,669,723	P3,034,110	P18,889	P155,229,640

Receivables that are not credit impaired are considered high grade since the customers or counterparties have strong financial capacity and business performance and with the lowest default risk.

The aging of trade and other receivables (excluding statutory receivables) is as follows:

	December 31, 2021				December 31, 2020			
	Trade	**Non-trade**	**Amounts Owed by Related Parties**	**Total**	Trade	Non-trade	Amounts Owed by Related Parties	Total
Current	**P17,990,189**	**P1,074,987**	**P1,885,024**	**P20,950,200**	P10,403,116	P1,417,383	P868,223	P12,688,722
Past due:								
1 - 30 days	**4,601,818**	**185,891**	**500,031**	**5,287,740**	4,625,818	29,645	302,178	4,957,641
31 - 60 days	**1,748,212**	**215,610**	**40,776**	**2,004,598**	1,232,496	50,065	75,759	1,358,320
61 - 90 days	**1,504,672**	**14,848**	**31,752**	**1,551,272**	625,699	64,070	3,262	693,031
Over 90 days	**11,251,529**	**8,230,403**	**620,250**	**20,102,182**	11,280,534	7,628,991	546,307	19,455,832
	P37,096,420	**P9,721,739**	**P3,077,833**	**P49,895,992**	P28,167,663	P9,190,154	P1,795,729	P39,153,546

Past due trade receivables more than 30 days pertain mainly to generation charges and output VAT. The Group believes that the unimpaired amounts that are past due and those that are neither past due nor impaired are still collectible based on historical payment behavior and analyses of the underlying customer credit ratings. There are no significant changes in their credit quality.

The Group computes impairment loss on receivables based on past collection experience, current circumstances and the impact of future economic conditions, if any, available at the reporting period (Note 4). There are no significant changes in the credit quality of the counterparties during the year.

The Group's cash and cash equivalents, investment in debt instruments, derivative assets and restricted cash are placed with reputable entities with high quality external credit ratings.

The Group has significant concentration of credit risk. Sale of power to Meralco accounts for 40%, 44% and 46% of the Group's total revenues in 2021, 2020 and 2019, respectively.

The Group does not execute any credit guarantee in favor of any counterparty.

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, 2021	**< 1 Year**	**1-2 Years**	**>2-3 Years**	**>3-4 Years**	**>4-5 Years**	**>5 Years**	**Total**
Fixed Rate							
Philippine peso-denominated	**P27,779,564**	**P23,342,184**	**P34,309,804**	**P9,504,744**	**P16,589,154**	**P37,203,624**	**P148,729,074**
Interest rate	**5.0000% to 7.7521%**	**4.7575% to 7.7521%**	**5.0000% to 7.7521%**	**5.0000% to 7.7521%**	**5.1792% to 7.7521%**	**6.2836% to 7.7521%**	
Foreign currency-denominated (expressed in Philippine peso)	**1,994,622**	**6,852,327**	**1,224,792**	**1,281,197**	**1,339,616**	**12,044,460**	**24,737,014**
Interest rate	**4.7776% to 5.5959%**	**4.7776% to 5.5959%**	**5.5959%**	**5.5959%**	**5.5959%**	**5.5959%**	
Floating Rate							
Foreign currency-denominated (expressed in Philippine peso)	**660,258**	**30,328,621**	**403,096**	**421,660**	**15,740,587**	**3,963,999**	**51,518,221**
Interest rate	**LIBOR + Margin**	**LIBOR + Margin**	**LIBOR + Margin**	**LIBOR + Margin**	**LIBOR + Margin**	**LIBOR + Margin**	
	P30,434,444	**P60,523,132**	**P35,937,692**	**P11,207,601**	**P33,669,357**	**P53,212,083**	**P224,984,309**

December 31, 2020	< 1 Year	1-2 Years	>2-3 Years	>3-4 Years	>4-5 Years	>5 Years	Total
Fixed Rate							
Philippine peso-denominated	P9,894,142	P27,729,564	P23,292,184	P34,259,804	P4,679,744	P53,792,778	P153,648,216
Interest rate	4.3458% to 7.7521%	5.3750% to 7.7521%	4.7575% to 7.7521%	6.2500% to 7.7521%	6.2836% to 7.7521%	5.1792% to 7.7521%	
Foreign currency-denominated (expressed in Philippine peso)	2,581,188	1,878,227	6,452,466	1,153,320	1,206,434	12,603,060	25,874,695
Interest rate	4.7776% to 5.5959%	4.7776% to 5.5959%	4.7776% to 5.5959%	5.5959%	5.5959%	5.5959%	
Floating Rate							
Foreign currency-denominated (expressed in Philippine peso)	10,460,899	621,730	26,157,672	379,574	397,054	4,147,843	42,164,772
Interest rate	LIBOR + Margin	LIBOR + Margin	LIBOR + Margin	LIBOR + Margin	LIBOR + Margin	LIBOR + Margin	
	P22,936,229	P30,229,521	P55,902,322	P35,792,698	P6,283,232	P70,543,681	P221,687,683

The sensitivity to a reasonably possible 1% increase in the interest rates, with all other variables held constant, would have decreased the Group's profit before tax (through the impact on floating rate borrowings) by P515,182, P421,648 and P447,638 in 2021, 2020 and 2019, respectively. A 1% decrease in the interest rate would have had the equal but opposite effect. These changes are considered to be reasonably possible given the observation of prevailing market conditions in those periods. There is no impact on the Group's other comprehensive income.

Foreign Currency Risk
The functional currency is the Philippine peso, which is the denomination of the bulk of the Group's revenues. The exposure to foreign currency risk results from significant movements in foreign exchange rates that adversely affect the foreign currency-denominated transactions of the Group. The risk management objective with respect to foreign currency risk is to reduce or eliminate earnings volatility and any adverse impact on equity. The Group enters into foreign currency hedges using derivative instruments, such as foreign currency forwards and call spread swaps to manage its foreign currency risk exposure.

Short-term currency forward contracts (non-deliverable) and long-term call spread swaps are entered into to manage foreign currency risks relating to foreign currency-denominated obligations and long- term borrowings.

Certain derivative contracts are designated as cash flow hedges. The Group applies a hedge ratio of 1:1 and determines the existence of an economic relationship between the hedging instrument and hedged item based on the currency, amount and timing of the cash flows. The Group assesses whether the derivatives designated in the hedging relationship is expected to be effective in offsetting changes in cash flows of the hedged item using the cumulative dollar-offset and hypothetical derivative method.

The following are the main sources of ineffectiveness in the hedge relationships:

- the effect of the counterparty's and the Group's own credit risk on the fair value of the derivative contracts, which is not reflected in the change in the fair value of the hedged cash flows attributable to the change in foreign exchange rates; and

- changes in the timing of the hedged transactions.

Information on the Group's foreign currency-denominated monetary assets and monetary liabilities and their Philippine peso equivalents are as follows:

		December 31, 2021		December 31, 2020	
	Note	**US Dollar**	**Peso Equivalent**	US Dollar	Peso Equivalent
Assets					
Cash and cash equivalents	*7*	**US$582,496**	**P29,706,729**	US$1,789,182	P85,921,896
Trade and other receivables	*8*	**236,449**	**12,058,685**	153,745	7,383,312
Investment in debt instruments	*10*	**-**	**-**	15	694
Noncurrent receivables	*16*	**-**	**-**	1,460	70,099
		818,945	**41,765,414**	1,944,402	93,376,001
Liabilities					
Loans payable	*17*	**30,000**	**1,529,970**	35,000	1,680,805
Accounts payable and accrued expenses	*18*	**590,308**	**30,105,121**	455,003	21,850,624
Long-term debt (including current maturities)	*19*	**1,495,230**	**76,255,235**	1,416,810	68,039,467
Lease liabilities (including current portion)	*6*	**762,458**	**38,884,578**	1,040,248	49,955,816
Other noncurrent liabilities		**67,749**	**3,455,137**	45,234	2,172,269
		2,945,745	**150,230,041**	2,992,295	143,698,981
Net Foreign Currency-denominated Monetary Liabilities		**US$2,126,800**	**P108,464,627**	US$1,047,893	P50,322,980

The Group reported net gains (losses) on foreign exchange amounting to (P1,495,366), P1,369,721 and P2,839,579 in 2021, 2020 and 2019, respectively, with the translation of its foreign currency-denominated assets and liabilities (Note 26).

These mainly resulted from the movements of the Philippine peso against the US dollar as shown in the following table:

	US Dollar to Philippine Peso
December 31, 2021	**50.999**
December 31, 2020	48.023
December 31, 2019	50.635

The management of foreign currency risk is also supplemented by monitoring the sensitivity of the Group's financial instruments to various foreign currency exchange rate scenarios.

The following table demonstrates the sensitivity to a reasonably possible change in the US dollar exchange rate, with all other variables held constant, of the Group's profit before tax (due to changes in the fair value of monetary assets and liabilities) and the

Group's equity (due to translation of results and financial position of foreign operations):

	P1 Decrease in the US Dollar Exchange Rate		**P1 Increase in the US Dollar Exchange Rate**	
December 31, 2021	**Effect on Income before Income Tax**	**Effect on Equity**	**Effect on Income before Income Tax**	**Effect on Equity**
Cash and cash equivalents	**(P574,118)**	**(P548,884)**	**P574,118**	**P548,884**
Trade and other receivables	**(236,398)**	**(178,079)**	**236,398**	**178,079**
	(810,516)	**(726,963)**	**810,516**	**726,963**
Loans payable	**30,000**	**22,500**	**(30,000)**	**(22,500)**
Accounts payable and accrued expenses	**590,013**	**444,524**	**(590,013)**	**(444,524)**
Long-term debt (including current maturities)	**1,495,230**	**1,325,423**	**(1,495,230)**	**(1,325,423)**
Lease liabilities (including current portion)	**762,458**	**571,843**	**(762,458)**	**(571,843)**
Other noncurrent liabilities	**67,749**	**50,841**	**(67,749)**	**(50,841)**
	2,945,450	**2,415,131**	**(2,945,450)**	**(2,415,131)**
	P2,134,934	**P1,688,168**	**(P2,134,934)**	**(P1,688,168)**

	P1 Decrease in the US Dollar Exchange Rate		P1 Increase in the US Dollar Exchange Rate	
December 31, 2020	Effect on Income before Income Tax	Effect on Equity	Effect on Income before Income Tax	Effect on Equity
Cash and cash equivalents	(P1,660,108)	(P1,290,128)	P1,660,108	P1,290,128
Trade and other receivables	(64,128)	(134,377)	64,128	134,377
Investment in debt instruments	-	(15)	-	15
Noncurrent receivables	-	(1,460)	-	1,460
	(1,724,236)	(1,425,980)	1,724,236	1,425,980
Loans payable	-	35,000	-	(35,000)
Accounts payable and accrued expenses	320,284	358,918	(320,284)	(358,918)
Long-term debt (including current maturities)	700,000	1,206,810	(700,000)	(1,206,810)
Lease liabilities (including current portion)	1,027,978	731,854	(1,027,978)	(731,854)
Other noncurrent liabilities	33,738	35,113	(33,738)	(35,113)
	2,082,000	2,367,695	(2,082,000)	(2,367,695)
	P357,764	P941,715	(P357,764)	(P941,715)

Exposures to foreign exchange rates vary during the year depending on the volume of foreign currency-denominated transactions. Nonetheless, the analysis above is considered to be representative of the Group's foreign currency risk.

Commodity Price Risk
Commodity price risk is the risk that future cash flows from a financial instrument will fluctuate because of changes in commodity prices.

The Group, through SMC and the Parent Company, enters into commodity derivatives to manage its price risks on strategic commodities. Commodity hedging allows stability in prices, thus offsetting the risk of volatile market fluctuations. Through hedging, prices of commodities are fixed at levels acceptable to the Group, thus protecting raw material cost and preserving margins. For hedging transactions, if prices go down, hedge positions may show marked-to-market losses; however, any loss in the marked-to-market position is offset by the resulting lower physical raw material cost.

Commodity Swaps. Commodity swaps are used to manage the Group's exposures to volatility in prices of coal.

Other Market Price Risk
The Group's market price risk arises from its investments carried at fair value (financial assets at FVOCI). The Group manages its risk arising from changes in market price by monitoring the changes in the market price of the investments.

Capital Management
The Group maintains a sound capital base to ensure its ability to continue as a going concern, thereby continue to provide returns to stockholders and benefits to other stakeholders and to maintain an optimal capital structure to reduce cost of capital.

The Group manages its capital structure and makes adjustments in the light of changes in economic conditions. To maintain or adjust the capital structure, the Group may adjust the dividend payment to shareholders, distribution payment, pay-off existing debts, return capital to shareholders or issue new shares, subject to compliance with certain covenants of its long-term debts, SPCS, RPS and USCS (Notes 19 and 22).

The Group defines capital as capital stock, additional paid-in capital, SPCS, RPS and USCS and retained earnings, both appropriated and unappropriated. Other components of equity such as equity reserves are excluded from capital for purposes of capital management.

The Group monitors capital on the basis of debt-to-equity ratio, which is calculated as total debt divided by total equity. Total debt is defined as total current liabilities and total noncurrent liabilities, while equity is total equity as shown in the consolidated statements of financial position.

The BOD has overall responsibility for monitoring capital in proportion to risk. Profiles for capital ratios are set in the light of changes in the external environment and the risks underlying the Group's business, operation and industry.

There were no changes in the Group's approach to capital management during the year.

31. Financial Assets and Financial Liabilities

The table below presents a comparison by category of the carrying amounts and fair values of the Group's financial instruments:

	December 31, 2021		December 31, 2020	
	Carrying Amount	**Fair Value**	Carrying Amount	Fair Value
Financial Assets				
Cash and cash equivalents	**P67,690,151**	**P67,690,151**	P110,717,686	P110,717,686
Trade and other receivables - net*	**47,223,910**	**47,223,910**	36,119,436	36,119,436
Investment in debt instruments (included under "Prepaid expenses and other current assets" account)	**-**	**-**	694	694
Derivative assets not designated as cash flow hedge (included under "Prepaid expenses and other current assets" account)	**111,932**	**111,932**	-	-
Derivative asset designated as cash flow hedge (included under "Prepaid expenses and other current assets" and "Other noncurrent assets" accounts)	**42,173**	**42,173**	18,889	18,889
Noncurrent receivables (included under "Other noncurrent assets" account; including current portion)	**1,560,209**	**1,560,209**	550,287	550,287
Restricted cash (included under "Prepaid expenses and other current assets" and "Other noncurrent assets" accounts)	**4,430,396**	**4,430,396**	4,790,792	4,790,792
	P121,058,771	**P121,058,771**	P152,197,784	P152,197,784
Financial Liabilities				
Loans payable	**P1,529,970**	**P1,529,970**	P1,680,805	P1,680,805
Accounts payable and accrued expenses*	**48,147,723**	**48,147,723**	33,248,504	33,248,504
Derivative liabilities not designated as cash flow hedge (included under "Accounts payable and accrued expenses" account)	**-**	**-**	9,590	9,590
Long-term debt - net (including current maturities)	**222,921,443**	**242,668,663**	219,552,782	253,364,991
Lease liabilities (including current portion)	**78,213,359**	**78,213,359**	99,511,094	99,511,094
Other noncurrent liabilities (including current portions of Concession liability and Premium on option liabilities)	**4,146,692**	**4,146,692**	2,237,416	2,237,416
	P354,959,187	**P374,706,407**	P356,240,191	P390,052,400

**Excluding statutory receivables and payables*

The following methods and assumptions are used to estimate the fair value of each class of financial instruments:

Cash and Cash Equivalents, Trade and Other Receivables (excluding statutory receivables), Noncurrent Receivables and Restricted Cash. The carrying amounts of cash and cash equivalents, and trade and other receivables approximate their fair values primarily due to the relatively short-term maturities of these financial instruments. In the case of noncurrent receivables and restricted cash, the carrying amounts approximate their fair values, since the effect of discounting is not considered material.

Derivatives. The fair values of forward exchange contracts are calculated by reference to current forward exchange rates. In the case of freestanding currency and commodity derivatives, the fair values are determined based on quoted prices obtained from their respective active markets. Fair values for stand-alone derivative instruments that are not quoted from an active market and for embedded derivatives are based on valuation models used for similar instruments using both observable and non-observable inputs. The fair values of the derivatives have been categorized as Level 2 in the fair value hierarchy.

Loans Payable and Accounts Payable and Accrued Expenses (excluding statutory payables and Derivative Liabilities). The carrying amounts of loans payable and accounts payable and accrued expenses approximate their fair values due to the relatively short-term maturities of these financial instruments.

Lease Liabilities. The fair value is based on the present value of expected cash flows using the applicable discount rates based on current market rates of similar instruments. The fair value of lease liabilities has been categorized as Level 2 in the fair value hierarchy.

Long-term Debt and Other Noncurrent Liabilities. The fair value of interest-bearing fixed-rate loans is based on the discounted value of expected future cash flows using the applicable market rates for similar types of instruments as at reporting date. Discount rates used for Philippine peso-denominated loans range from 0.99% to 4.74% and 0.95% to 2.98% as at December 31, 2021 and 2020, respectively. Discount rates used for foreign currency-denominated loans range from 0.25% to 1.50% and 0.13% to 0.94% as at December 31, 2021 and 2020, respectively. The carrying amounts of floating rate loans with quarterly interest rate repricing approximate their fair values.

The fair value of peso-denominated bonds has been categorized as Level 1 and interest-bearing fixed-rate loans and other noncurrent liabilities have been categorized as Level 2 in the fair value hierarchy.

Derivative Financial Instruments

The Group's derivative financial instruments according to the type of financial risk being managed and the details of freestanding derivative financial instruments that are categorized into those accounted for as cash flow hedges and those that are not designated as accounting hedges are discussed below.

The Group enters into various foreign currency and commodity derivative contracts to manage its exposure on foreign currency and commodity price risks. The portfolio is a mixture of instruments including forwards and swaps.

Derivative Instruments Accounted for as Cash Flow Hedges

Call Spread Swaps

As at December 31, 2021 and 2020, the Group has outstanding call spread swaps designated as cash flow hedges with an aggregate notional amount of US$60,000 and US$100,000, respectively, and with an average strike rate range of P52.95 to P56.15. The call spread swaps are designated to hedge foreign currency exposure on US dollar-denominated loans maturing in March 2023 and 2021. As at December 31, 2021, the positive fair value of the call spread swaps, included under "Other noncurrent assets" account amounted to P42,173 (Note 16). As at December 31, 2020, the positive fair value of the call spread swaps, included under "Prepaid expenses and other current assets" and "Other noncurrent assets" accounts amounted to P26 and P18,863, respectively (Notes 10 and 16).

The table below provides a reconciliation of the components of equity and other comprehensive income items, net of tax, resulting from cash flow hedge accounting as at December 31:

	2021	2020
Balance at beginning of year	**(P47,153)**	(P39,910)
Changes in fair value of derivatives	**23,285**	(56,630)
Amount reclassified to profit or loss due to interest expense and other financing charges	**32,677**	49,387
Balance at end of year	**P8,809**	(P47,153)

The hedges were assessed to be effective as the critical terms of the hedged items match the hedging instruments. No ineffectiveness was recognized in the consolidated statements of income for the years ended December 31, 2021 and 2020.

Derivative Instruments not Designated as Hedges

The Group enters into certain derivatives as economic hedges of certain underlying exposures. These include freestanding derivatives which are not designated as accounting hedges. Changes in fair value of these instruments are accounted for directly in the consolidated statements of income. Details are as follows:

Freestanding Derivatives

Freestanding derivatives consist of foreign currency and commodity derivatives entered into by the Group.

Currency Forwards

The Group entered into short-term foreign currency forward contracts with aggregate notional amount of US$50,000 and US$45,000 as at December 31, 2021 and 2020, respectively. The positive (negative) fair value of these currency forwards amounted to P49,775 and (P9,590) as at December 31, 2021 and 2020, respectively (Notes 10 and 18).

Commodity Swaps

The Group has outstanding fixed swap agreements covering the coal requirements of a subsidiary with various maturities in 2022. Under the agreements, payment is made either by the Group or its counterparty for the difference between the hedged fixed price and the relevant monthly average index price. The outstanding notional quantity covered by the commodity swaps is 96,000 metric tons as at December 31, 2021. The positive fair value of these commodity swaps amounted to P62,157 as at December 31, 2021.

As at December 31, 2020, the Group has no outstanding commodity swaps on the purchase of coal.

The Group recognized marked-to-market gains (losses) from freestanding derivatives amounting to P278,397, (P232,534) and (P264,824) in 2021, 2020 and 2019, respectively (Note 26).

Fair Value Changes on Derivatives
The net movements in fair value of all derivative instruments are as follows:

	2021	2020
Balance at beginning of year	**P9,299**	P57,558
Net change in fair value of derivatives:		
Not designated as accounting hedge	**278,397**	(232,534)
Designated as accounting hedge	**23,285**	(56,630)
	310,981	(231,606)
Less fair value of settled instruments	**156,876**	(240,905)
Balance at end of year	**P154,105**	P9,299

32. Supplemental Cash Flows Information

The following table summarizes the changes in liabilities and equity arising from financing activities, including both changes arising from cash flows and non-cash changes:

	Loans Payable	**Long-term Debt**	**Lease Liabilities**	**USCS**	**SPCS**	**Total**
Balance as at January 1, 2021	**P1,680,805**	**P219,552,782**	**P99,511,094**	**P13,823,499**	**P132,199,732**	**P466,767,912**
Changes from Financing Activities						
Proceeds from borrowings	**29,077,530**	**21,885,000**	**-**	**-**	**-**	**50,962,530**
Proceeds from issuance of SPCS	**-**	**-**	**-**	**-**	**35,567,632**	**35,567,632**
Payments of borrowings	**(29,332,530)**	**(23,136,723)**	**-**	**-**	**-**	**(52,469,253)**
Payments of lease liabilities	**-**	**-**	**(24,464,357)**	**-**	**-**	**(24,464,357)**
Redemption of USCS	**-**	**-**	**-**	**(14,581,500)**	**-**	**(14,581,500)**
Total Changes from Financing Activities	**(255,000)**	**(1,251,723)**	**(24,464,357)**	**(14,581,500)**	**35,567,632**	**(4,984,948)**
Effect of Changes in Foreign Exchange Rates	**104,165**	**4,527,470**	**2,603,667**	**-**	**-**	**7,235,302**
Other Changes	**-**	**92,914**	**562,955**	**758,001**	**-**	**1,413,870**
Balance as at December 31, 2021	**P1,529,970**	**P222,921,443**	**P78,213,359**	**P -**	**P167,767,364**	**P470,432,136**

	Loans Payable	Long-term Debt	Lease Liabilities	SPCS	Total
Balance as at January 1, 2020	P2,278,575	P226,799,041	P124,202,679	P65,885,565	P419,165,860
Changes from Financing Activities					
Proceeds from borrowings	5,728,725	2,179,240	-	-	7,907,965
Proceeds from issuance of SPCS	-	-	-	66,314,167	66,314,167
Payments of borrowings	(6,227,025)	(6,261,421)	-	-	(12,488,446)
Payments of lease liabilities	-	-	(22,629,718)	-	(22,629,718)
Total Changes from Financing Activities	(498,300)	(4,082,181)	(22,629,718)	66,314,167	39,103,968
Effect of Changes in Foreign Exchange Rates	(99,470)	(3,765,488)	(2,946,482)	-	(6,811,440)
Other Changes	-	601,410	884,615	-	1,486,025
Balance as at December 31, 2020	P1,680,805	P219,552,782	P99,511,094	P132,199,732	P452,944,413

Other changes pertain to additions for new lease agreements and amortization of lease liabilities and amortization of debt-issue costs of long-term debt.

33. Other Matters

a. EPIRA

The EPIRA sets forth the following: (i) Section 49 created PSALM to take ownership and manage the orderly sale, disposition and privatization of all existing NPC generation assets, liabilities, IPP contracts, real estate and all other disposable assets; (ii) Section 31(c) requires the transfer of the management and control of at least 70% of the total energy output of power plants under contract with NPC to the IPP Administrators as one of the conditions for retail competition and open access; and (iii) Pursuant to Section 51(c), PSALM has the power to take title to and possession of the IPP contracts and to appoint, after a competitive, transparent and public bidding, qualified independent entities who shall act as the IPP Administrators in accordance with the EPIRA. In accordance with the bidding procedures and supplemented bid bulletins thereto to appoint an IPP Administrator relative to the capacity of the IPP contracts, PSALM has conducted a competitive, transparent and open public bidding process following which the Group was selected winning bidder of the IPPA Agreements (Note 6).

The EPIRA requires generation and DU companies to undergo public offering within 5 years from the effective date, and provides cross ownership restrictions between transmission and generation companies. If the holding company of generation and DU companies is already listed with the PSE, the generation company or the DU need not comply with the requirement since such listing of the holding company is deemed already as compliance with the EPIRA.

A DU is allowed to source from an associated company engaged in generation up to 50% of its demand except for contracts entered into prior to the effective date of the EPIRA. Generation companies are restricted from owning more than 30% of the installed generating capacity of a grid and/or 25% of the national installed generating capacity. The Group is in compliance with the restrictions as at December 31, 2021 and 2020.

b. Contingencies

The Group is a party to certain cases or claims which are either pending decision by the court/regulators or are subject to settlement agreements. The outcome of these cases or claims cannot be presently determined.

i. *Temporary Restraining Order (TRO) Issued to Meralco*

SMEC, SPPC, SPDC, MPPCL and other generation companies became parties to a Petition for Certiorari and Prohibition with prayer for TRO and/or Preliminary Injunction ("Petition") filed in the Supreme Court ("SC") by special interest groups which sought to stop the imposition of the increase in generation charge of Meralco for the November 2013 billing month. On December 23, 2013, the SC issued a TRO ordering Meralco not to collect, and the generators not to demand payment, for the increase in generation charge for the November 2013 billing month. As a result, Meralco was constrained to fix its generation rate to its October 2013 level of P5.67/kWh. Claiming that since the power supplied by generators is billed to Meralco's customers on a pass-through basis, Meralco deferred a portion of its payment on the ground that it was not able to collect the full amount of its generation cost. The TRO was originally for a period of 60 days.

On January 8, 2014, Meralco filed its Consolidated Comment/Opposition with Counter-Petition ("Counter-Petition") which prayed, among others, for the inclusion of SMEC, SPPC, SPDC, MPPCL and several generators as respondents to the case. On January 10, 2014, the SC issued an order treating the Counter-Petition as in the nature of a third party complaint and granting the prayer to include SMEC, SPPC, SPDC and MPPCL as respondents in the Petition.

On February 18, 2014, the SC extended the TRO issued on December 23, 2013 for another 60 days or until April 22, 2014 and granted additional TROs enjoining PEMC and the generators from demanding and collecting the deferred amounts. In a Resolution dated April 22, 2014, the SC extended indefinitely the effectivity of the TROs issued on December 23, 2013 and February 18, 2014. To date, the Petition is pending resolution with the SC.

ii. *ERC Order Voiding WESM Prices*

Relative to the above-cited Petition, on December 27, 2013, the DOE, ERC and PEMC, acting as a tripartite committee, issued a joint resolution setting a reduced price cap on the WESM of P32/kWh. The price was set to be effective for 90 days until a new cap is decided upon.

On March 3, 2014, the ERC, in the exercise of its police power, issued an order in Miscellaneous Case No. 2014-021, declaring the November and December 2013 Luzon WESM prices void, imposed the application of regulated prices and mandated PEMC, the operator of the WESM, to calculate and issue adjustment bills using recalculated prices (the "March 3, 2014 Order"). On March 27, 2014, the ERC directed PEMC to provide the market participants an additional period of 45 days from receipt of the order within which to comply with the settlement of their respective adjusted WESM bills in accordance with the March 3, 2014 Order. The period to comply with the settlement of the adjusted WESM bills was further extended by the ERC in a subsequent order dated May 9, 2014. Based on these orders, SMEC, SPPC and SPDC recognized a reduction in the sale of power while SMELC and MPPCL recognized a reduction in its power purchases. Consequently, a payable and receivable were also recognized for the portion of over-collection or over-payment, the settlement of which have been covered by a 24-month Special Payment Arrangement with PEMC which was already completed on May 25, 2016.

SMEC, SPPC, SPDC and MPPCL filed various pleadings requesting ERC for the reconsideration of the March 3, 2014 Order. Other generators also requested the SC to stop the implementation of the March 3, 2014 Order.

On June 26, 2014, SMEC, SPPC and SPDC filed before the Court of Appeals ("CA") a Petition for Review under Rule 43 of the Revised Rules of Court assailing the ERC orders dated March 3, 2014, March 27, 2014, and May 9, 2014 ("the 2014 ERC Orders"). On the other hand, MPPCL filed its Petition for Review with the CA on December 12, 2014.

After consolidating the cases, the CA, in its decision dated November 7, 2017 (the "November 7, 2017 Decision"), granted the Petition for Review filed by SMEC, SPPC, SPDC and MPPCL declaring the 2014 ERC Orders null and void and accordingly reinstated and declared as valid the WESM prices for Luzon for the supply months of November to December 2013.

Motions for Reconsideration of the November 7, 2017 Decision and Motions for Intervention and Motions to Admit Motions for Reconsideration were filed by various intervenors.

In a resolution dated March 22, 2018 (the “March 22, 2018 Resolution”), the CA denied the aforesaid motions. In June 2018, the intervenors filed their respective motions for reconsideration of the said resolution of the CA dated March 22, 2018. On June 27, 2018, MPPCL filed a Consolidated Comment to the various Motions for Reconsideration while SMEC, SPPC and SPDC filed their Consolidated Opposition to said Motions for Reconsideration on July 27, 2018.

On March 29, 2019, the CA issued an Omnibus Resolution affirming the November 7, 2017 Decision and the March 22, 2018 Resolution.

The intervenors thereafter filed petitions for certiorari before the SC, First Division. Each were denied by the SC through its resolutions dated September 11, 2019 and October 1, 2019 generally on the same ground that the petitioners each failed to sufficiently show that the CA committed any reversible error in promulgating its resolution dated March 22, 2018 denying petitioners’ motions to intervene and the subsequent Omnibus Resolution dated March 29, 2019 denying the petitioners’ motions for reconsideration of the denial of their respective motions to intervene.

MPPCL filed on January 22, 2020, while SMEC, SPPC and SPDC filed on January 30, 2020, their respective Comments on the Petition for Review filed by the ERC with the SC. In its petition, the ERC appealed the November 7, 2017 Decision and Omnibus Resolution dated March 29, 2019, which nullified and set aside the 2014 ERC Orders, which declared the WESM prices for November and December 2013 void.

PEMC also filed a Motion to Admit Comment and Comment on the ERC’s Petition for Review both dated March 12, 2020.

In a Resolution dated February 10, 2020, the SC directed the respondents to file their respective Comments on the Petition for Review filed by Meralco (“Meralco Petition”). SMEC, SPPC and SPDC, received, through counsel, a copy of the Resolution on June 25, 2020. SMEC, SPPC and SPDC filed on July 15, 2020, while MPPCL filed on July 16, 2020, their Comments on the Meralco Petition, all within the period of extension granted by the SC.

On July 9, 2020, AP Renewables Inc. (“APRI”) filed a Motion to Consolidate praying for the SC to direct the consolidation of the foregoing case with ERC v. SMEC, et. al. (SC-G.R. Nos. 246621-30, First Division). The ERC, through the Office of the Solicitor General, filed a Manifestation and Motion dated September 15, 2020, agreeing with APRI but deferring to the judgment of the SC on the matter.

On July 21, 2020, Meralco filed a Motion for Leave to File and Admit the Attached Manifestation with Manifestation, both of even date, (collectively, “Meralco Manifestation”), praying that the SC apply the ruling in the case of PSALM v. PEMC (G.R. No. 190199, March 11, 2020) in resolving the instant case. The SC has not yet issued an order to respondents to comment on said Meralco Manifestation.

On September 22, 2020, SMEC, SPPC and SPDC filed motions to admit their Comment on the Meralco Manifestation.

Entries of judgment have been issued by the SC certifying that the resolutions denying the Petitions for Review on Certiorari filed by various intervenors against SMEC, SPPC, SPDC and MPPCL, among others, have become final and executory.

In a Resolution dated November 4, 2020, the SC directed the consolidation of the separate petitions filed by the ERC and Meralco considering that said cases involve the same parties, raise the same issues, and assail the same decision and resolution, and the transfer of the Meralco Petition to the third division of the SC handling the petition by the ERC.

The ERC has also filed its Consolidated Reply to the comments on its petition dated November 18, 2020. To date, the case remains pending with the SC.

Upon finality of the decision, a claim for refund may be made by the relevant subsidiaries with PEMC for an amount up to P2,321,785, plus interest.

iii. *Generation Payments to PSALM*

SPPC and PSALM are parties to the Ilijan IPPA Agreement covering the appointment of SPPC as the IPP Administrator of the Ilijan Power Plant.

SPPC and PSALM have an ongoing dispute arising from differing interpretations of certain provisions related to generation payments under the Ilijan IPPA Agreement. As a result of such dispute, the parties have arrived at different computations regarding the subject payments. In a letter dated August 6, 2015, PSALM has demanded payment of the difference between the generation payments calculated based on its interpretation and the amount which has already been paid by SPPC, plus interest, covering the period December 26, 2012 to April 25, 2015.

On August 12, 2015, SPPC initiated a dispute resolution process with PSALM as provided under the terms of the Ilijan IPPA Agreement, while continuing to maintain its position that it has fully paid all of its obligations to PSALM. Notwithstanding the bona fide dispute, PSALM issued a notice terminating the Ilijan IPPA Agreement on September 4, 2015. On the same day, PSALM also called on the performance bond posted by SPPC pursuant to the Ilijan IPPA Agreement.

On September 8, 2015, SPPC filed a Complaint with the RTC of Mandaluyong City. In its Complaint, SPPC requested the RTC that its interpretation of the relevant provisions of the Ilijan IPPA Agreement be upheld. The Complaint also asked that a 72-hour TRO be issued against PSALM for illegally terminating the Ilijan IPPA Agreement and drawing on the performance bond of SPPC. On even date, the RTC issued a 72-hour TRO which prohibited PSALM from treating SPPC as being in Administrator Default and from performing other acts that would change the status quo ante between the parties before PSALM issued the termination notice and drew on the performance bond of SPPC. The TRO was extended until September 28, 2015.

On September 28, 2015, the RTC issued an order granting a Preliminary Injunction enjoining PSALM from proceeding with the termination of the Ilijan IPPA Agreement while the main case is pending.

On October 19, 2015, the RTC also issued an order granting the Motion for Intervention and Motion to Admit Complaint-in-intervention by Meralco.

In an order dated June 27, 2016 (the "June 27, 2016 RTC Order"), the RTC denied PSALM's: (1) Motion for Reconsideration of the order dated September 28, 2015, which issued a writ of preliminary injunction enjoining PSALM from further proceeding with the termination of the Illijan IPPA Agreement while the case is pending; (2) Motion for Reconsideration of the order dated October 19, 2015, which allowed Meralco to intervene in the case; and (3) Motion to Dismiss. In response to the June 27, 2016 RTC Order, PSALM filed a petition for certiorari with the CA seeking to annul the same. PSALM also prayed for the issuance of a TRO and/or writ of preliminary injunction "against public respondent RTC and its assailed orders". The CA, however, denied the petition filed by PSALM in its decision dated December 19, 2017 ("CA Decision"). In the CA Decision, the CA upheld the lower court's issuance of a writ of preliminary injunction against PSALM prohibiting the termination of the Ilijan IPPA Agreement while the case in the lower court is pending.

PSALM filed its Motion for Reconsideration dated January 19, 2018 to the CA Decision. In a Resolution dated July 12, 2018 (the "2018 CA Resolution"), the CA denied PSALM's Motion for Reconsideration of the CA Decision.

On September 4, 2018, PSALM filed a Petition for Certiorari with urgent prayer for the issuance of a TRO and/or Writ of Preliminary Injunction before the SC praying for the reversal and nullification of the CA Decision and the 2018 CA Resolution. Said petition was denied by the SC in its resolution dated March 4, 2019 (the "March 4, 2019 SC Resolution") due to lack of payment of the required fees and for PSALM's failure to sufficiently show that the CA committed any reversible error in the challenged decision and resolution as to warrant the exercise of the CA's discretionary appellate jurisdiction. The motion for reconsideration filed by PSALM pursuant to the March 4, 2019 SC Resolution was denied by the SC in a resolution dated August 5, 2019 which became final and executory through an Entry of Judgement issued by the SC on the same date.

Prior to the CA Decision, on December 18, 2017, the presiding judge of the RTC who conducted the judicial dispute resolution issued an order inhibiting himself in the instant case. The case was then re-raffled to another RTC judge in Mandaluyong City.

SPPC filed a Request for Motion for Production of Documents on February 28, 2018, while PSALM filed its Manifestation with Motion to Hear Affirmative Defenses and Objections Ad Cautelam.

On September 24, 2018, the RTC issued an order denying PSALM's Motion to Hear Affirmative Defense and granted SPPC's Motion for Production of Documents. PSALM then filed a Motion for Reconsideration of the said order. On December 14, 2018, SPPC filed its opposition to the Motion for Reconsideration. In an order dated April 29, 2019, the RTC denied the Motion for Reconsideration filed by PSALM on the basis that it found no strong and compelling reason to modify, much less reverse, its order dated September 24, 2018 which denied the Motion to Hear Affirmative Defenses filed by PSALM.

On July 23, 2019, PSALM filed a Petition for Certiorari with urgent prayer for the issuance of a TRO and/or Writ of Preliminary Injunction with the CA, seeking the reversal of the September 24, 2018 and April 29, 2019 orders of the RTC. Although, the CA dismissed the Petition for Certiorari filed by PSALM in a Resolution dated August 23, 2019 (the "2019 CA Resolution"), the CA subsequently granted the Motion for Reconsideration filed by PSALM in response to the 2019 CA Resolution. In a Resolution dated February 24, 2020, the CA required PSALM to revise its petition and send the revised copies to SPPC and Meralco.

In January 2020, PSALM also filed with the RTC a Motion Ad Cautelam to Lift or Dissolve the Writ of Preliminary Injunction with Application to File Counterbond. SPPC filed its Opposition to this motion citing SPPC's letter dated March 6, 2020 informing PSALM of its intention to advance the full settlement of the Monthly Payments due for the period March 26, 2020 until the end of the IPPA Agreement on June 26, 2022. SPPC stated that given this intention, PSALM can no longer assert that it stands to suffer injury in the form of reduction in expected cash or that the Government would be exposed to financial risk.

PSALM filed several pleadings: (1) Urgent Ex-Parte Motion for Early Resolution of its Motion for Leave to File Amended Answer Ad Cautelam dated May 28, 2020; (b) Motion for Reconsideration of the RTC's Order of February 14, 2020, which did not allow PSALM to present witnesses in support of its Motion to Dissolve the Writ of Preliminary Injunction and directed the parties to submit pleadings and documents in support of their respective positions; and (3) Reply to SPPC's Opposition to its Motion to Dissolve the Writ of Preliminary Injunction. On July 6, 2020, SPPC filed an Opposition to the Motion for Reconsideration filed by PSALM on the RTC's Order of February 14, 2020.

PSALM also filed a Reply to SPPC's Opposition to the Motion Ad Cautelam to Lift or Dissolve the Writ of Preliminary Injunction. In August 2020, PSALM also filed a Reply to the Supplemental Opposition to the Motion Ad Cautelam to Dissolve the Writ of Preliminary Injunction. On September 14, 2020, SPPC filed a Motion to Admit Consolidated Rejoinder and Consolidated Rejoinder. The Consolidated Rejoinder addresses both PSALM's Reply to the Opposition to the Motion Ad Cautelam to Lift or Dissolve the Writ of Preliminary Injunction and its Reply to SPPC's Supplemental Opposition to the same motion.

In September 2020, PSALM filed an Urgent Ex Parte Motion for Early Resolution of its Motion for Leave to File the Amended Answer Ad Cautelam.

In an Order dated November 17, 2020, the RTC considered as submitted for resolution, PSALM's Motion Ad Cautelam to Lift or Dissolve the Writ of Preliminary Injunction.

In an Order dated November 27, 2020, the RTC denied PSALM's Motion for Leave to File Amended Answer Ad Cautelam. On January 29, 2021, PSALM filed a Motion for Reconsideration. SPPC filed an Opposition and PSALM filed a Reply.

On January 15, 2021, SPPC filed a Motion for Summary Judgment, praying that judgment be rendered in favor of SPPC on all its causes of action based on the pleadings, affidavits, and admissions on file. PSALM has filed an Opposition to the motion.

In an Order dated March 23, 2021 (the “March 23, 2021 RTC Order”), the RTC denied PSALM’s Motion for Reconsideration of the Order of November 27, 2020, which denied the Motion for Leave to File Amended Answer Ad Cautelam. In the same Order, the RTC also denied SPPC’s Motion for Summary Judgment and referred the case to mediation.

The mediation scheduled on April 19, 2021, was not held because the SC directed the closure of courts and related offices, including the Philippine Mediation Center, for the duration of the enhanced community quarantine (“ECQ”) and modified enhanced community quarantine (“MECQ”).

In an Order dated May 18, 2021, the RTC recalled the March 23, 2021 RTC Order, where it set the case for mediation given that the parties have already exhausted both court-annexed mediation and judicial dispute resolution and scheduled the pre-trial of the case on June 18, 2021. The pre-trial was however cancelled and no new schedule was provided by the RTC. SPPC filed a motion to postpone the pre-trial on the ground that it still has a pending Motion for Reconsideration of the order denying its Motion for Summary Judgement. PSALM filed a Motion for Leave to File a Supplemental Pre-trial Brief, purportedly for purposes of complying with Section 6, Rule 18 of the Amended Rules of Civil Procedure.

On June 21, 2021, SPPC received PSALM’s Opposition to its Motion for Reconsideration of the Order denying the Motion for Summary Judgment. On June 25, 2021, SPPC filed a Motion for Leave to File Reply and Reply to PSALM’s Opposition. On July 19, 2021, PSALM moved for reconsideration of the court’s postponement of the pre-trial and filed a Rejoinder to SPPC’s Reply.

The RTC suspended pre-trial proceedings until after its resolution of SPPC’s Motion for Reconsideration of the denial of the Motion for Summary Judgment.

In June 2021, PSALM also filed a petition for certiorari under Rule 65 of the rules of Court to annul the trial court’s Order of November 27, 2020, which denied PSALM’s Motion for Leave to File Amended Answer, and the 23 March 2021 RTC Order, which denied PSALM’s Motion for Reconsideration of the Order of denial. The petition has been docketed as CA-G.R. SP NO. 169443.

On August 5, 2021, the CA issued a Resolution, directing SPPC to file a Comment on the petition in CA-G.R. SP NO. 169443 within 10 days, and PSALM to file a Reply within five days from its receipt of the Comment. Since the courts in the National Capital Region were physically closed until October 15, 2021 because of the quarantine, SPPC was only able to file the Comment by registered mail on October 6, 2021. PSALM filed its reply on October 29, 2021.

On September 13, 2021, the RTC denied SPPC’s motion for partial reconsideration of the March 23, 2021 RTC Order and scheduled the pre-trail of the case on November 19, 2021.

The case underwent pre-trial on November 19, 2021 while the presentation of evidence is scheduled on January 28, February 18, and March 4 and March 25, 2022. The January 28, 2022 hearing by video conferencing was cancelled due to the physical closure of courts in the National Capital Region while the February 18, 2022 hearing, was cancelled upon the motion of the counsel for PSALM.

On December 7, 2021, the RTC denied the Motion Ad Cautelam to Lift or Dissolve the Writ of Preliminary Injunction filed by PSALM. PSALM filed a Motion for Reconsideration to which SPPC has filed an Opposition.

Meanwhile, the proceedings before the RTC continues and by virtue of the Preliminary Injunction issued by the RTC, SPPC continues to be the IPP Administrator for the Ilijan Power Plant without restrictions or limitations on the ability of SPPC to supply power from the Ilijan Power Plant to Meralco under its PSA with the latter, or the ability of SPPC to take possession of the Ilijan Power Plant upon the expiry of the Ilijan IPPA Agreement in June 2022.

iv. *Criminal Cases*

SPPC

On September 29, 2015, SPPC filed a criminal complaint for estafa and for violation of Section 3(e) of RA No. 3019, otherwise known as the Anti-Graft and Corrupt Practices Act ("RA No. 3019"), before the Department of Justice (DOJ), against certain officers of PSALM, in connection with the termination of SPPC's Ilijan IPPA Agreement, which was made by PSALM with manifest partiality and evident bad faith. Further, it was alleged that PSALM fraudulently misrepresented its entitlement to draw on the performance bond posted by SPPC, resulting in actual injury to SPPC in the amount of US$60,000. On June 13, 2017, the DOJ endorsed the complete records of the complaint to the Office of the Ombudsman for appropriate action where it is still pending to date.

On a related matter, on November 14, 2018, SPPC filed with the Office of the Ombudsman-Field Investigation Office, an administrative complaint against an executive officer of PSALM and several unidentified persons for violation of the Ombudsman Act and the Revised Administrative Code, in the performance of their functions as public officers. The case is still pending with the Ombudsman-Field Investigation Office.

SMEC

On October 21, 2015, SMEC filed a criminal complaint for Plunder and violation of Section 3(e) and 3(f) of RA No. 3019, before the DOJ against a certain officer of PSALM, and certain officers of Team Philippines Energy Corp. (TPEC) and TeaM Sual Corporation, relating to the illegal grant of the so-called "excess capacity" of the Sual Power Plant in favor of TPEC which enabled it to receive a certain amount at the expense of the Government and SMEC.

In a Resolution dated July 29, 2016, the DOJ found probable cause to file an Information against the respondents for Plunder and violation of Section 3(e) and 3(f) of the RA No. 3019. The DOJ further resolved to forward the entire records of the case to the Office of the Ombudsman for their proper action. Respondents have respectively appealed said DOJ's Resolution of July 29, 2016 with the Secretary of Justice.

On October 25, 2017, the DOJ issued a Resolution partially granting the Petition for Review by reversing the July 29, 2016 DOJ Resolution insofar as the conduct of the preliminary investigation. On November 17, 2017, SMEC filed a motion for partial reconsideration of said October 25, 2017 DOJ Resolution. Said motion is still pending to date.

v. *Civil Cases*

SMEC

On June 17, 2016, SMEC filed with the RTC, Pasig City ("RTC Pasig") a civil complaint for consignation against PSALM arising from PSALM's refusal to accept SMEC's remittances corresponding to the proceeds of the sale on the WESM for electricity generated from capacity in excess of the 1,000 MW of the Sual Power Plant ("Sale of the Excess Capacity"). With the filing of the complaint, SMEC also consigned with the RTC Pasig, the amount corresponding to the proceeds of the Sale of the Excess Capacity for the billing periods December 26, 2015 to April 25, 2016.

On October 3, 2016, SMEC filed an Omnibus Motion to Admit Supplemental Complaint and to Allow Future Consignation without Tender ("Omnibus Motion"). Together with this Omnibus Motion, SMEC consigned with the RTC Pasig an additional amount corresponding to the proceeds of the Sale of the Excess Capacity for the billing periods from April 26, 2016 to July 25, 2016.

On July 5, 2017, SMEC consigned with the RTC Pasig the amount representing additional proceeds of Sale of the Excess Capacity for the billing period July 26, 2016 to August 25, 2016. SMEC also filed a Motion to Admit Second Supplemental Complaint in relation to said consignation.

On May 22, 2018, the RTC Pasig issued an order dismissing the complaint for consignation filed by SMEC on the ground that the court has no jurisdiction over the subject matter of the complaint and finding that the ERC has the technical competence to determine the proper interpretation of "contracted capacity", the fairness of the settlement formula and the legality of the memorandum of agreement.

On July 4, 2018, SMEC filed its Motion for Reconsideration ("MR") to the May 22, 2018 order which dismissed the consignation case. The MR was heard on July 13, 2018 where the parties were given time to file their responsive pleadings. PSALM filed its Comment dated July 26, 2018 to the MR and SMEC filed its Reply to PSALM's Comment on August 13, 2018. The motion has not yet been resolved as of date.

In an Order dated November 19, 2019, the presiding judge voluntarily inhibited herself from further hearing the case.

On December 13, 2019 the case was re-raffled to RTC Branch 268. On February 7, 2020, a clarificatory hearing was held and Branch 268 noted the pending incidents, which are: (a) SMEC's Motion for Partial Reconsideration and Supplemental Motion for Reconsideration of the Order dated May 22, 2018; (b) SMEC's two Motions to Admit Supplemental Complaint; and (c) PSALM's Motion to Set Preliminary Hearing on the Special and Affirmative Defenses.

In an Order dated September 30, 2021, the RTC Branch 268: (a) granted SMEC's Motion for Reconsideration of the Order of May 22, 2018, which dismissed the case for lack of jurisdiction; (b) granted SMEC's Omnibus Motion to Admit Supplemental Complaint and Allow Future Consignations without Tender; and (c) reinstated the Complaint (the "September 30, 2021 Order").

RTC Branch 268 scheduled the pre-trial on December 13, 2021 but the pre-trial was postponed because PSALM filed an Omnibus Motion for Reconsideration of the September 30, 2021 Order and to Resolve Pending Motion to Set Preliminary Hearing on Special and Affirmative Defenses, and to Defer Pre-trial. SMEC has already filed an Opposition to the Omnibus Motion.

Further related thereto, on December 1, 2016, SMEC received a copy of a Complaint filed by TPEC and TeaM Sual Corporation with the ERC against SMEC and PSALM in relation to the Excess Capacity issues, which issues have already been raised in the abovementioned cases. SMEC filed a Motion to Dismiss and Motion to Suspend Proceeding of the instant case. The complaint is still pending with the ERC to date.

As at December 31, 2021 and 2020, the total amount consigned with the RTC Pasig is P491,242, included under "Other noncurrent assets", particularly "Restricted cash" account, in the consolidated statements of financial position (Note 16).

c. Event After the Reporting Date

On January 21, 2022, the Parent Company availed US$200,000 from a 3-year term loan subject of a facility agreement executed with a foreign bank on September 8, 2021. Initial loan amount under the facility agreement of US$100,000, was increased to US$200,000 on December 16, 2021. The loan is subject to floating interest rate based on LIBOR plus margin and will mature in September 2024.

The funds will be used for the payment of capital expenditures in connection with the Ilijan Natural Gas-fired Power Plant (including expansion projects related thereto); funding of liquid natural gas import, storage and distribution facilities; other transaction related fees, costs and expenses on the facility.

d. Commitments

The outstanding purchase commitments of the Group amounted to P100,125,622 as at December 31, 2021.

Amount authorized but not yet disbursed for capital projects is approximately P214,795,314 as at December 31, 2021.

e. Effects of COVID-19

COVID-19, an infectious disease that was first reported to have been transmitted to humans in late 2019, has spread globally over the course of 2020, and in March 2020 it was declared as a pandemic by the World Health Organization. Countries have taken measures in varying degrees to contain the spread, including social distancing measures, community quarantine, suspension of operations of non-essential businesses and travel restrictions.

The Philippine government issued a series of directives and social distancing measures as part of its efforts to contain the outbreak in the Philippines. On March 16, 2020, Presidential Proclamation No. 929 was issued, declaring a State of Calamity throughout the Philippines for a period of six months and an ECQ was imposed on the island of Luzon, including Metro Manila. Initially, the ECQ was set to end by April 12, 2020 but was subsequently extended for two-week periods until May 15, 2020 (the period from March 16, 2020 through May 15, 2020, the "ECQ period"). Under the ECQ guidelines, restrictions on movement outside of the residence were set in place (ranging from stay-at-home orders to total lockdowns), mass transport facilities were suspended, schools were closed and alternative work arrangements were implemented. The COVID-19 pandemic affected most daily activities and forced many businesses to suspend operations or shut down for the duration of the ECQ.

Only essential businesses such as plants involved in manufacturing and processing basic food products, medicine, medical devices/equipment and essential products such as hygiene products, and delivery services transporting food, medicine and essential goods, as well as essential sectors such as hospitals, power and water utilities were allowed to operate, subject to certain conditions and limitations on operating capacity.

After the ECQ was lifted in certain areas, a MECQ, general community quarantine ("GCQ") or modified general community quarantine ("MGCQ") was implemented. On June 1, 2020, Metro Manila was placed under GCQ which allowed certain sectors, including agriculture, food manufacturing and all supply chains, packaging and raw materials, supermarkets and logistics, among others, to resume full operations. The graduated lockdown schemes from ECQ, MECQ, GCQ, and MGCQ impose varying degrees of restrictions on travel and business operations. The Philippine government continues to calibrate the imposition of lockdown or community quarantine measures across the country depending on the situation in specific localities. Following a surge of COVID-19 cases in Metro Manila and surrounding provinces, the region was again placed under ECQ from March 29, 2021 until April 11, 2021 and was eased to MECQ from April 12, 2021 until May 14, 2021. Thereafter, the Philippine government eased the community quarantine measures in Metro Manila and surrounding provinces to GCQ with heightened restrictions until June 15, 2021. Metro Manila was then placed under GCQ with some restrictions from June 16, 2021 to July 15, 2021, and thereafter to GCQ from July 16, 2021 until end of July 2021. Following the confirmation of the Department of Health on July 22, 2021 of the local transmission of the COVID-19 Delta variant, the Philippine government reimposed stricter quarantine restrictions in Metro Manila and other provinces, which are now under GCQ with heightened restrictions from July 23, 2021 to July 31, 2021. Under GCQ with heightened restrictions, only essential travel is allowed. Subsequently, and amid the threat of the more infectious COVID-19 Delta variant, Metro Manila was placed under ECQ from August 6, 2021 to August 20, 2021 which has been eased to MECQ starting August 21, 2021 until September 15, 2021. On August 26, 2021, the Philippines government announced that it will phase out the large-scale community quarantine measures and replace the same with granular lockdowns and implement an alert level system. As at report date, Metro Manila is under Alert Level 1.

The day-to-day operations of the Group, being primarily engaged in power generation, are not significantly affected by the ECQ or other graduated quarantine measures because the Philippine government considers power generation as an essential service and operations related thereto continue to be permitted. As a result, the Group's power generation activities and any repairs and preventive maintenance works remain generally unhampered. As a critical safety measure to prevent the spread of COVID-19 cases and ensure operational resiliency, power plant personnel stay in the plant premises and are provided with the necessary accommodations, including food and other essential supplies, during the community quarantine period. On the other hand, support functions have been placed under flexible work arrangements (i.e. work from home, skeletal work force). The foregoing measures allow the Group to operate its power plant portfolio continuously and at levels sufficient to meet its bilateral volume commitments to its customers notwithstanding economic and logistical challenges faced during the community quarantine period. As of report date, a substantial percentage of the Group's employees have been vaccinated as part of the SMC's "Ligtas Lahat" COVID-19 vaccination program with a plan to inoculate all employees and members of its extended workforce.

The demand from industrial customers in the Luzon Grid decreased significantly during the ECQ period as a result of the cessation or suspension of business operations, but has gradually increased with the transitions from ECQ to MECQ and GCQ, as the gradual reopening of economic activities was permitted in the NCR. In contrast, the demand from most of the Group's utility customers remained stable, and at times increased compared to their historical demand, which compensated for the reduction of industrial demand. Notably, a significant portion of utility demand represents residential and small-scale industrial customers and commercial businesses, which had consistent and levelled load profiles throughout the quarantine periods, resulting in improved fuel and operational efficiencies in the Group's power plants. From the Group's perspective, its bilateral energy volumes were derived mainly from contracted capacity with utility companies. Their PSAs mostly require a take-or-pay arrangement or impose minimum offtake volumes which thus allow the Group to continuously bill these customers at the relevant contracted volumes or capacities even during the various community quarantine periods.

As part of the Philippine government's ECQ measures, the primary regulators in the local power industry - the ERC and the DOE, issued separate advisories allowing deferred payment, over four equal monthly installments, of power bills falling due within the ECQ period. Subsequently, in view of the enactment of the Bayanihan to Recover as One Act in September 2020, the primary regulators issued advisories directing the implementation of a minimum 30-day grace period and staggered payment without interests, penalties and other charges to all payments falling due within the period of community quarantine. In 2021, there were a few DUs that entered into a payment arrangement scheme with the Group that will assist them in implementing DOE advisories in support to their member consumers during certain community quarantine periods. Nevertheless, with the consolidated unrestricted cash and cash equivalents of P67,690,151 as at December 31, 2021, the Group has sufficient funds to continue settling its obligations as they fall due even without the benefit of a corresponding deferral as may be allowed by the regulators, while accommodating the deferred payment schemes availed of by its customers. As at report date, the power bills covered by the deferred payment schemes have been substantially collected.

The Group continues to review and implement the necessary changes to its operations and business processes as well as its capital expenditure plans in view of the global and local economic factors as a result of the COVID-19 pandemic. The Group places equal importance to maintaining and, in certain aspects, even improving its financial position and financial performance despite the pandemic.

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 TO ACCOMPANY SUPPLEMENTARY INFORMATION FOR FILING WITH THE SECURITIES AND EXCHANGE COMMISSION

The Board of Directors and Stockholders
SMC Global Power Holdings Corp.
5th Floor, C5 Office Building Complex
#100 E. Rodriguez Jr. Ave., C5 Road
Bo. Ugong, Pasig City 1604, Metro Manila

We have audited in accordance with Philippine Standards on Auditing, the consolidated financial statements of SMC Global Power Holdings Corp. and Subsidiaries (the "Group") as at December 31, 2021 and 2020 and for each of the three years in the period ended December 31, 2021, included in this Form 17-A, and have issued our report thereon dated March 4, 2022.

Our audits were made for the purpose of forming an opinion on the consolidated financial statements of the Group taken as a whole. The supplementary information included in the following accompanying additional components is the responsibility of the Group's management. Such additional components include:

- Map of the Conglomerate
- Supplementary Schedules of Annex 68-J
- Reconciliation of Retained Earnings Available for Dividend Declaration

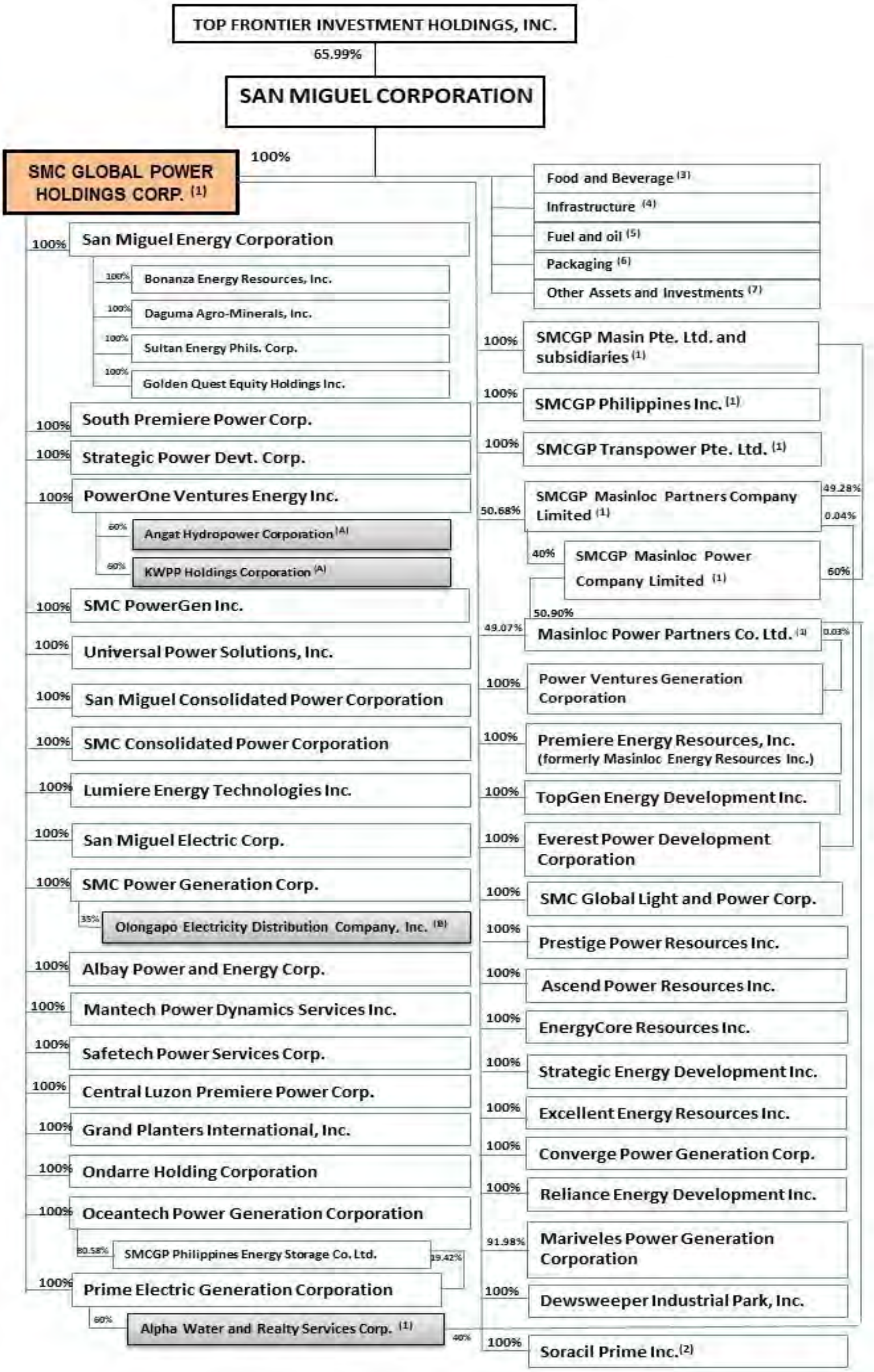
These supplementary information are presented for purposes of complying with the Revised Securities Regulation Code Rule 68 issued by the Securities and Exchange Commission, and is not a required part of the basic consolidated financial statements. Such information have been subjected to the auditing procedures applied in the audits of the basic consolidated financial statements and, in our opinion, is fairly stated, in all material respects, in relation to the basic consolidated financial statements taken as a whole.

R.G. MANABAT & CO.

DARWIN P. VIROCEL
Partner
CPA License No. 0094495
SEC Accreditation No. 94495-SEC, Group A, valid for five (5) years
covering the audit of 2019 to 2023 financial statements
Tax Identification No. 912-535-864
BIR Accreditation No. 08-001987-031-2019
Issued August 7, 2019; valid until August 6, 2022
PTR No. MKT 8854088
Issued January 3, 2022 at Makati City

March 4, 2022
Makati City, Metro Manila

SMC GLOBAL POWER HOLDINGS CORP.
GROUP STRUCTURE *
As of December 31, 2021



(1) Acquired in 2018; SMCGP Masin Pte. Ltd. owns 49.28% partnership interest in SMCGP Masinloc Partners Company Limited ("MAPACO") which was transferred to SMC Global Power Holdings Corp. ("SMC Global Power") pursuant to a Deed of Assignment dated June 8, 2021. Based on this, the partnership interest of SMC Global Power was increased from 50.68% to 99.96% partnership interest in MAPACO while Everest Power Development Corporation owns the remaining 0.04% partnership interest in MAPACO. MAPACO owns 40% partnership interest of SMCGP Masinloc Power Company Limited ("MAPOCO"). The 60% partnership interest of SMCGP Masin Pte. Ltd. in MAPOCO was transferred to SMC Global Power pursuant to a Deed of Assignment dated June 8, 2021. However, the amendment of the Amended Articles of Partnership of MAPACO and MAPOCO will be filed with the Philippine Securities and Exchange Commission (SEC) after the withdrawal of the license to operate of MAPL with the Philippine SEC. MAPACO owns 50.90% partnership interest in Masinloc Power Partners Co. Ltd. (MPPCL) while Power Ventures Generation Corporation owns 0.03% partnership interest and SMC Global Power owns 49.07% partnership interest in MPPCL. Strategic Holdings B.V. and Transpower Holdings B.V., previously owned by SMCGP Masin Pte. Ltd. and SMCGP Masinloc Power Company Limited, respectively, were liquidated in April 2020 while SMCGP Masin Pte. Ltd. is still in the process of liquidation as of December 31, 2021.

(2) Acquired in 2021.

(3) Food and Beverage business includes San Miguel Food and Beverage, Inc. (formerly San Miguel Pure Foods Company Inc.) and subsidiaries, which consist of:

a. San Miguel Super Coffeemix Co., Inc., PT San Miguel Foods Indonesia (formerly PT San Miguel Pure Foods Indonesia) and San Miguel Foods International, Limited (formerly San Miguel Pure Foods International, Limited) and subsidiary, San Miguel Foods Investment (BVI) Limited (formerly San Miguel Pure Foods Investment (BVI) Limited) and subsidiary, San Miguel Pure Foods (VN) Co., Ltd.;

b. Ginebra San Miguel Inc. subsidiaries including Distileria Bago, Inc., East Pacific Star Bottlers Phils Inc., Ginebra San Miguel International, Ltd., GSM International Holdings Limited, Global Beverage Holdings Limited and Siam Holdings Limited.; and

c. San Miguel Brewery Inc. subsidiaries including Iconic Beverages, Inc. and Brewery Properties Inc. and subsidiary and San Miguel Brewing International Ltd. and subsidiaries including, San Miguel Brewery Hong Kong Limited and subsidiaries, PT. Delta Djakarta Tbk. and subsidiary, San Miguel (Baoding) Brewery Company Limited, San Miguel Brewery Vietnam Limited, San Miguel Beer (Thailand) Limited and San Miguel Marketing (Thailand) Limited. San Miguel (Baoding) Brewery Co. Ltd. is in the process of liquidation as at December 31, 2021.

(4) Infrastructure business include San Miguel Holdings Corp. and subsidiaries, SMC NAIAX Corporation (formerly Vertex Tollways Devt. Inc.), Trans Aire Development Holdings Corp., SMC TPLEX Holdings Company Inc. (formerly Rapid Thoroughfares Inc.), SMC TPLEX Corporation (formerly Private Infra Dev Corporation), Universal LRT Corporation (BVI) Limited, Sleep International (Netherlands) Cooperatief U.A., Wiselink Investment Holdings, Inc., Cypress Tree Capital Investments, Inc. and subsidiaries, San Miguel Aerocity Inc., Luzon Clean Water Development Corporation, Atlantic Aurum Investments B.V. subsidiaries including SMC Tollways Corporation (formerly Atlantic Aurum Investments Philippines Corporation) and subsidiaries including Stage 3 Connector Tollways Holding Corporation and subsidiary, SMC Skyway Stage 3 Corporation (formerly Citra Central Expressway Corp.), and SMC Skyway Corporation (formerly Citra Metro Manila Tollways Corporation) and subsidiary, Skyway O&M Corp., SMC SLEX Holdings Company Inc. (formerly MTD Manila Expressways Inc.) and subsidiaries, Alloy Manila Toll Expressways Inc., Manila Toll Expressway Systems Inc. and SMC SLEX Inc. (formerly South Luzon Tollway Corporation).

(5) Fuel and Oil business include SEA Refinery Corporation and subsidiary, Petron Corporation and subsidiaries including Petron Marketing Corporation, Petron Freeport Corporation, Overseas Ventures Insurance Corporation Ltd., New Ventures Realty Corporation and subsidiaries, Petron Singapore Trading Pte., Ltd., Petron Global Limited, Petron Oil & Gas International Sdn. Bhd. and subsidiaries including Petron Fuel International Sdn. Bhd., Petron Oil (M) Sdn. Bhd. and subsidiaries including Petron Fuel International Sdn. Bhd., Petron Oil (M) Sdn. Bhd. and Petron Malaysia Refining & Marketing Bhd. (collectively Petron Malaysia), Petron Finance (Labuan) Limited and Petrochemical Asia (HK) Limited and subsidiaries.

(6) Packaging business include San Miguel Yamamura Packaging Corporation and subsidiaries, San Miguel Yamamura Packaging International Limited and subsidiaries, and Mindanao Corrugated Fibreboard, Inc.

(7) Other Assets and Investments include San Miguel Properties, Inc and subsidiaries., Bank of Commerce[(B)] , SMC Shipping and Lighterage Corporation and subsidiaries, San Miguel Equity Investments Inc. and subsidiaries including Northern Cement Corporation and First Stronghold Cement Industries Inc., SMC Asia Car Distributors Corp. and subsidiaries, San Miguel International Limited and subsidiaries, SMC Stock Transfer Service Corporation, ArchEn Technologies Inc., SMITS, Inc. and subsidiaries, San Miguel Integrated Logistics Services, Inc. and subsidiary, Anchor Insurance Brokerage Corporation, Davana Heights Development Corporation and subsidiaries, SMC Equivest Corporation and Petrogen Insurance Corporation.

***** The group structure includes the ultimate parent company, Top Frontier Investment Holdings, Inc., the intermediate parent company, San Miguel Corporation and its major subsidiaries, associates and joint ventures, and SMC Global Power Holdings Corp. and subsidiaries.

Note: [(A)] Joint Venture
[(B)] Associate

SMC GLOBAL POWER HOLDINGS CORP. AND SUBSIDIARIES
INDEX TO FINANCIAL STATEMENTS AND
SUPPLEMENTARY SCHEDULES
DECEMBER 31, 2021

* Balance of account is less than 5% of total assets of the Group

SMC GLOBAL POWER HOLDINGS CORP. AND SUBSIDIARIES
SCHEDULE A - FINANCIAL ASSETS
DECEMBER 31, 2021
(Amounts in Thousands, Except No. of Shares Data)

Name of Issuing Entity/ Description of Each Issue	Number of Shares or Principal Amount of Bonds and Notes		Amount Shown in the Statements of Financial Position	Value Based on Market Quotations at December 31, 2021		Income Received and Accrued
Cash and cash equivalents	-	P	67,690,151	Not applicable	P	564,563
Trade and other receivables - net	-		47,223,910	Not applicable		10,407
Investment in debt instruments	-		-	Not applicable		6
Derivative assets	-		154,105	Not applicable		278,397*
Noncurrent receivables	-		1,560,209	Not applicable		25,713
Restricted cash	-		4,430,396	Not applicable		16,411
		P	121,058,771		P	895,497

This represents net marked-to-market gains/ losses from derivative asset that is still outstanding as of year-end and derivative liabilities that have matured during the year.

See Notes 7, 8, 16, 20, 30 and 31 of the Consolidated Financial Statements.

SMC GLOBAL POWER HOLDINGS CORP. AND SUBSIDIARIES
SCHEDULE C - AMOUNTS RECEIVABLE FROM RELATED PARTIES WHICH ARE ELIMINATED DURING THE CONSOLIDATION OF FINANCIAL STATEMENTS
DECEMBER 31, 2021
(Amounts In Thousands)

NAME OF RELATED PARTY	BEGINNING BALANCE	ADDITIONS/ CTA/RECLASS/ OTHERS	AMOUNTS COLLECTED/ CREDIT MEMO	AMOUNTS WRITTEN OFF	TOTAL	CURRENT	NONCURRENT	ENDING BALANCE
SMC Global Power Holdings Corp.	P 36,098,461	P 78,460,017	P (15,758,108)	P -	P 98,800,370	P 70,301,920	P 28,498,450	P 98,800,370
San Miguel Energy Corp.	3,242,656	4,681,896	(3,962,509)	-	3,962,043	3,183,913	778,130	3,962,043
SMC Consolidated Power Corporation	998,144	7,727,205	(6,772,402)	-	1,952,947	1,952,947	-	1,952,947
Strategic Power Dev't. Corp.	1,060,322	3,257,779	(2,915,281)	-	1,402,820	1,402,820	-	1,402,820
Mariveles Power Generation Corporation	-	1,092,561	-	-	1,092,561	1,092,561	-	1,092,561
South Premiere Power Corp.	1,128,447	549,820	(995,049)	-	683,218	683,218	-	683,218
Masinloc Power Partners Co. Ltd.	1,186,248	2,973,233	(3,542,246)	-	617,235	617,235	-	617,235
Grand Planters International Inc.	724,529	75,571	(192,488)	-	607,612	607,612	-	607,612
SMCGP Transpower Pte. Ltd - Singapore Office	406,618	39,612	(9,979)	-	436,251	23,555	412,696	436,251
Oceantech Power Generation Corporation	126,000	-	-	-	126,000	126,000	-	126,000
TopGen Energy Development Inc.	-	119,074	-	-	119,074	119,074	-	119,074
Mantech Power Dynamics Services Inc.	83,247	843,521	(814,506)	-	112,262	112,262	-	112,262
Golden Quest Equity Holdings Inc.	95,383	-	-	-	95,383	95,383	-	95,383
Prime Electric Generation Corporation	59,734	-	-	-	59,734	59,734	-	59,734
Central Luzon Premiere Power Corporation	51,668	-	(11,836)	-	39,832	39,832	-	39,832
SMCGP Masinloc Power Company Limited	39,528	2,277	(2,150)	-	39,655	39,655	-	39,655
Safetech Power Services Corp.	34,363	224,032	(228,343)	-	30,052	30,052	-	30,052
SMCGP Transpower Pte Ltd Phils - ROHQ Philippine Branch	221,906	13,376	(209,226)	-	26,056	26,056	-	26,056
Alpha Water and Realty Services Corp.	18,378	55,779	(55,760)	-	18,397	18,397	-	18,397
Daguma Agro-Minerals Inc.	3,239	-	-	-	3,239	3,239	-	3,239
Universal Power Solutions, Inc.	1,904	-	-	-	1,904	1,904	-	1,904
Albay Power and Energy Corporation	2,287	11,069	(12,538)	-	818	818	-	818
SMC Powergen Inc.	-	523	-	-	523	523	-	523
San Miguel Consolidated Power Corporation	-	29	-	-	29	29	-	29
Strategic Energy Development Inc.	57,299	18	(57,299)	-	18	18	-	18
SMCGP Masin Pte Ltd. - Singapore Office	25,632	(25,632)	-	-	-	-	-	-
San Miguel Electric Corp.	19,369	44,020	(63,389)	-	-	-	-	-
SMCGP Masinloc Partners Company Limited	324	(324)	-	-	-	-	-	-
Ondarre Holding Corporation	8,000	-	(8,000)	-	-	-	-	-
	P 45,693,686	P 100,145,456	P (35,611,109)	P -	P 110,228,033	P 80,538,757	P 29,689,276	P 110,228,033

SMC GLOBAL POWER HOLDINGS CORP. AND SUBSIDIARIES
SCHEDULE C - AMOUNTS PAYABLE TO RELATED PARTIES WHICH ARE ELIMINATED DURING THE CONSOLIDATION OF FINANCIAL STATEMENTS
DECEMBER 31, 2021
(Amounts In Thousands)

NAME OF RELATED PARTY	BEGINNING BALANCE	ADDITIONS/ CTA/RECLASS/ OTHERS	AMOUNTS PAID/ DEBIT MEMO	AMOUNTS WRITTEN OFF	TOTAL	CURRENT	NONCURRENT	ENDING BALANCE
San Miguel Energy Corp.	P 11,653,223	P 20,959,798	P (5,371,213)	P -	P 27,241,808	P 24,892,463	P 2,349,345	P 27,241,808
Universal Power Solutions, Inc.	2,208,434	15,776,359	(45,485)	-	17,939,308	17,939,308	-	17,939,308
South Premiere Power Corp.	6,747,073	11,973,407	(1,014,971)	-	17,705,509	14,541,509	3,164,000	17,705,509
Excellent Energy Resources Inc.	14,643	15,272,258	-	-	15,286,901	88,405	15,198,496	15,286,901
SMC Consolidated Power Corporation	7,289,041	22,202,195	(22,867,960)	-	6,623,276	6,623,276	-	6,623,276
Mariveles Power Generation Corporation	2,946,212	2,975,946	(12,108)	-	5,910,050	25,641	5,884,409	5,910,050
Albay Power and Energy Corporation	3,215,101	2,987,260	(2,567,974)	-	3,634,387	3,634,387	-	3,634,387
San Miguel Consolidated Power Corporation	2,528,956	3,349,830	(2,735,567)	-	3,143,219	3,143,219	-	3,143,219
Strategic Power Dev't. Corp.	2,022,660	1,820,753	(1,050,052)	-	2,793,361	2,793,361	-	2,793,361
PowerOne Ventures Energy, Inc.	115,242	1,145,819	(13,213)	-	1,247,848	239,308	1,008,540	1,247,848
SMC Powergen Inc.	-	1,132,686	-	-	1,132,686	1,132,686	-	1,132,686
Masinloc Power Partners Co. Ltd.	754,229	1,484,293	(1,109,696)	-	1,128,826	1,128,826	-	1,128,826
SMCGP Philippines Energy Storage Co. Ltd.	680,184	444,850	(7,224)	-	1,117,810	1,117,810	-	1,117,810
San Miguel Electric Corp.	1,466,786	23,164	(418,462)	-	1,071,488	1,071,488	-	1,071,488
SMC Global Power Holdings Corp.	830,773	176,731	(219,567)	-	787,937	787,937	-	787,937
Dewsweeper Industrial Park, Inc.	708,283	2,682	-	-	710,965	-	710,965	710,965
Daguma Agro-Minerals Inc.	635,842	13,409	-	-	649,251	-	649,251	649,251
Lumiere Energy Technologies Inc.	468,032	-	-	-	468,032	468,032	-	468,032
SMCGP Transpower Pte Ltd Phils - ROHQ Philippine Branch	378,491	51,337	(15,092)	-	414,736	2,040	412,696	414,736
Alpha Water and Realty Services Corp.	404,822	120	(50,001)	-	354,941	354,941	-	354,941
Ondarre Holding Corporation	-	172,695	-	-	172,695	-	172,695	172,695
Strategic Energy Development Inc.	53,516	146,199	(62,300)	-	137,415	137,415	-	137,415
Oceantech Power Generation Corporation	126,000	-	-	-	126,000	126,000	-	126,000
SMCGP Philippines Inc.	107,129	-	(3,115)	-	104,014	104,014	-	104,014
Bonanza Energy Resources, Inc.	76,579	501	-	-	77,080	1,776	75,304	77,080
Sultan Energy Phils Corp.	54,637	400	-	-	55,037	1,462	53,575	55,037
Prime Electric Generation Corporation	50,000	-	-	-	50,000	50,000	-	50,000
Power Ventures Generation Corporation	45,912	1,934	-	-	47,846	47,846	-	47,846
SMCGP Masinloc Partners Company Limited	28,080	518	-	-	28,598	28,598	-	28,598
Everest Power Development Corporation	25,768	2,219	-	-	27,987	27,987	-	27,987
Grand Planters International Inc.	12,337	25,929	(24,254)	-	14,012	14,012	-	14,012
SMC Power Generation Corp.	4,429	17,164	(15,766)	-	5,827	5,827	-	5,827
Reliance Energy Development Inc.	-	5,000	-	-	5,000	-	5,000	5,000
SMC Global Light and Power Corporation	-	5,000	-	-	5,000	-	5,000	5,000
Mantech Power Dynamics Services Inc.	21,669	194,355	(211,460)	-	4,564	4,564	-	4,564
TopGen Energy Development Inc.	-	2,529	-	-	2,529	2,529	-	2,529
SMCGP Masin Pte Ltd. - Philippine Branch	1,534	85	-	-	1,619	1,619	-	1,619
Safetech Power Services Corp.	16,401	125,833	(141,914)	-	320	320	-	320
Soracil Prime Inc.	-	121	-	-	121	121	-	121
SMCGP Transpower Pte. Ltd - Singapore Office	1,322	106	(1,398)	-	30	30	-	30
SMCGP Masinloc Power Company Limited	346	-	(346)	-	-	-	-	-
	P 45,693,686	P 102,493,485	P (37,959,138)	P -	P 110,228,033	P 80,538,757	P 29,689,276	P 110,228,033

SMC GLOBAL POWER HOLDINGS CORP. AND SUBSIDIARIES
SCHEDULE D - LONG-TERM DEBT
December 31, 2021
(Amounts In Thousands)

TITLE OF ISSUE	AGENT/LENDER	Outstanding	Current Portion of Debt	Current Transaction Cost	Amount Shown as Current	Noncurrent Portion of Debt	Noncurrent Transaction Cost	Amount Shown as Noncurrent	Outstanding Balance	INTEREST RATES	Number of Periodic Installments	Interest Payments	Final Maturity
Peso Denominated:													
Parent Company													
Fixed	Philippine Depository & Trust Corp.	P 4,090,440	P -	P -	P -	P 4,090,440	P 11,387	P 4,079,053	P 4,079,053	4.7575%	Bullet	Quarterly	July 2023
Fixed	Philippine Depository & Trust Corp.	4,756,310	-	-	-	4,756,310	27,659	4,728,651	4,728,651	5.1792%	Bullet	Quarterly	July 2026
Fixed	Philippine Depository & Trust Corp.	9,912,960	9,912,960	23,604	9,889,356	-	-	-	9,889,356	5.3750%	Bullet	Quarterly	December 2022
Fixed	Philippine Depository & Trust Corp.	6,478,020	-	-	-	6,478,020	34,065	6,443,955	6,443,955	6.2500%	Bullet	Quarterly	December 2024
Fixed	Philippine Depository & Trust Corp.	3,609,020	-	-	-	3,609,020	26,710	3,582,310	3,582,310	6.6250%	Bullet	Quarterly	December 2027
Fixed	Philippine Depository & Trust Corp.	15,000,000	-	-	-	15,000,000	70,196	14,929,804	14,929,804	6.7500%	Bullet	Quarterly	August 2023
Fixed	BDO Unibank, Inc.	14,400,000	150,000	24,345	125,655	14,250,000	34,468	14,215,532	14,341,187	6.9265%	Amortized	Quarterly	April 2024
Fixed	Philippine Depository & Trust Corp.	13,844,860	13,844,860	20,602	13,824,258	-	-	-	13,824,258	6.8350%	Bullet	Quarterly	April 2022
Fixed	Philippine Depository & Trust Corp.	9,232,040	-	-	-	9,232,040	61,137	9,170,903	9,170,903	7.1783%	Bullet	Quarterly	April 2024
Fixed	Philippine Depository & Trust Corp.	6,923,100	-	-	-	6,923,100	61,155	6,861,945	6,861,945	7.6000%	Bullet	Quarterly	April 2026
Fixed	China Banking Corporation	4,975,000	50,000	13,808	36,192	4,925,000	35,750	4,889,250	4,925,442	5.0000%	Bullet	Quarterly	May 2025
		93,221,750	23,957,820	82,359	23,875,461	69,263,930	362,527	68,901,403	92,776,864				
SMC Consolidated Power Corporation													
Fixed	Philippine National Bank - Trust Banking Group (Facility Agent)	38,095,000	2,525,000	76,654	2,448,346	35,570,000	392,213	35,177,787	37,626,133	6.2836%, 6.5362% and 7.3889%	Amortized	Quarterly	June 2029
San Miguel Consolidated Power Corporation													
Fixed	Rizal Commercial Banking Corporation - Trust & Investments Group (Facility Agent)	17,412,324	1,296,744	36,463	1,260,281	16,115,580	221,663	15,893,917	17,154,198	7.7521% and 6.5077%	Amortized	Quarterly	August 2030
		148,729,074	27,779,564	195,476	27,584,088	120,949,510	976,403	119,973,107	147,557,195				
Foreign Denominated:													
Term Loan:													
Parent Company													
Floating	Standard Chartered Bank (Hong Kong) Limited (Facility Agent)	25,499,500	-	-	-	25,499,500	162,515	25,336,985	25,336,985	LIBOR + Margin	Bullet	Monthly	March 2023
	Standard Chartered Bank (Hong Kong) Limited (Facility Agent)	15,299,700	-	-	-	15,299,700	350,957	14,948,743	14,948,743	LIBOR + Margin	Bullet	Monthly	March 2026
	Mizuho Bank Ltd (Facility Agent)	2,549,950	-	-	-	2,549,950	45,798	2,504,152	2,504,152	LIBOR + Margin	Bullet	Monthly	October 2023
		43,349,150	-	-	-	43,349,150	559,270	42,789,880	42,789,880				
Masinloc Power Partners Co. Ltd.													
Fixed	Philippine National Bank - Trust Banking Group (Facility Agent)	24,737,014	1,994,622	40,285	1,954,337	22,742,392	209,287	22,533,105	24,487,442	4.7776% and 5.5959%	Amortized	Semi-annual	January 2023 and December 2030
Floating	Philippine National Bank – Trust Banking Group (Facility Agent)	8,169,071	660,259	13,266	646,993	7,508,812	68,879	7,439,933	8,086,926	LIBOR + Margin	Amortized	Semi-annual	January 2023 and December 2030
		32,906,085	2,654,881	53,551	2,601,330	30,251,204	278,166	29,973,038	32,574,368				
		76,255,235	2,654,881	53,551	2,601,330	73,600,354	837,436	72,762,918	75,364,248				
Total Long-term debt		**P 224,984,309**	**P 30,434,445**	**P 249,027**	**P 30,185,418**	**P 194,549,864**	**P 1,813,839**	**P 192,736,025**	**P 222,921,443**				

See Notes 19, 30 and 31 of the Consolidated Financial Statements.

SMC GLOBAL POWER HOLDINGS CORP. AND SUBSIDIARIES
SCHEDULE G - CAPITAL STOCK
December 31, 2021

DESCRIPTION	NUMBER OF SHARES AUTHORIZED	NUMBER OF SHARES ISSUED	TREASURY SHARES	NUMBER OF SHARES OUTSTANDING	NUMBER OF SHARES RESERVED FOR OPTIONS *	NUMBER OF SHARES HELD BY: AFFILIATES	NUMBER OF SHARES HELD BY: DIRECTORS, OFFICERS AND EMPLOYEES
ISSUED SHARES COMMON STOCK	2,000,000,000	1,250,004,000	-	1,250,004,000	-	-	3,500

*** See Note 22 of the Consolidated Financial Statements.**

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

INDEPENDENT AUDITOR'S REPORT ON COMPONENTS OF FINANCIAL SOUNDNESS INDICATORS

The Board of Directors and Stockholders
SMC Global Power Holdings Corp.
5th Floor, C5 Office Building Complex
#100 E. Rodriguez Jr. Ave., C5 Road
Bo. Ugong, Pasig City 1604, Metro Manila

We have audited in accordance with Philippine Standards on Auditing, the consolidated financial statements of SMC Global Power Holdings Corp. and Subsidiaries (the "Group") as at December 31, 2021 and 2020 and for each of the three years in the period ended December 31, 2021, and have issued our report thereon dated March 4, 2022.

Our audits were made for the purpose of forming an opinion on the basic consolidated financial statements taken as a whole. The Supplementary Schedule on Financial Soundness Indicators, including their definitions, formulas, calculation, and their appropriateness or usefulness to the intended users, are the responsibility of the Group's management. These financial soundness indicators are not measures of operating performance defined by Philippine Financial Reporting Standards (PFRS) and may not be comparable to similarly titled measures presented by other companies.

This schedule is presented for the purpose of complying with the Revised Securities Regulation Code Rule 68 issued by the Securities and Exchange Commission, and is not a required part of the basic consolidated financial statements prepared in accordance with PFRS. The components of these financial soundness indicators have been traced to the Group's consolidated financial statements as at December 31, 2021 and 2020 and for each of the three years in the period ended December 31, 2021 and no material exceptions were noted.

R.G. MANABAT & CO.

DARWIN P. VIROCEL
Partner
CPA License No. 0094495
SEC Accreditation No. 94495-SEC, Group A, valid for five (5) years
covering the audit of 2019 to 2023 financial statements
Tax Identification No. 912-535-864
BIR Accreditation No. 08-001987-031-2019
Issued August 7, 2019; valid until August 6, 2022
PTR No. MKT 8854088
Issued January 3, 2022 at Makati City

March 4, 2022
Makati City, Metro Manila

SMC GLOBAL POWER HOLDINGS CORP. AND SUBSIDIARIES
DISCUSSION OF THE GROUP'S FINANCIAL SOUNDNESS INDICATORS

LIQUIDITY RATIO

Current Ratio = **Current Assets** / **Current Liabilities**

(in Millions P)	Conventional **December 2021**	Conventional December 2020	Adjusted [1] **December 2021**	Adjusted [1] December 2020
(A) Current Assets	**156,470**	177,378	**156,470**	177,378
(B) Current Liabilities	**109,472**	88,699	**87,876**	64,761
Current Ratio (A)/(B)	**1.43**	2.00	**1.78**	2.74

(1) Current portion of lease liabilities, in relation to the IPPA Agreements with PSALM, are excluded from the total current liabilities as these current obligations on lease are pass-through charges billable to customers. As at December 31, 2021 and 2020, current portion of lease liabilities to PSALM amounted to P21,596 million and P23,938 million, respectively.

SOLVENCY RATIO

Net Debt-to-Equity* Ratio = **Net Debt** / **Total Equity**

Per relevant Loan Covenants of SMC Global Power

(in Millions P)	**December 2021**	December 2020
(A) Net Debt [2]	**184,001**	159,851
(B) Total Equity [3]	**247,603**	225,110
Net Debt-to-Equity Ratio (A)/(B)	**0.74**	0.71

**All items net of amounts attributable to ring-fenced subsidiaries.*

(2) Consolidated net total debt plus total PSALM lease liabilities.
(3) Consolidated total equity.

Asset-to-Equity Ratio = **Total Assets** / **Total Equity**

(in Millions P)	Conventional **December 2021**	Conventional December 2020	Adjusted [4] **December 2021**	Adjusted [4] December 2020
(A) Total Assets	**635,724**	610,016	**483,896**	453,002
(B) Total Equity	**251,729**	226,304	**251,729**	226,304
Asset-to-Equity Ratio (A)/(B)	**2.53**	2.70	**1.92**	2.00

(4) Net carrying amount of the IPPA power plants, in relation to the IPPA Agreements with PSALM, was omitted in total assets as these power plant assets were capitalized with corresponding lease liabilities. As at December 31, 2021 and 2020, the net carrying amount of the IPPA power plant assets amounted to P151,828 and 157,014, respectively.

PROFITABILITY RATIO

Return on Equity = **Net Income** / **Total Equity**

(in Millions P)	**December 2021**	December 2020
(A) Net Income	**15,978**	18,874
(B) Total Equity	**251,729**	226,304
Return on Equity (A)/(B)	**6.3%**	8.3%

Interest Coverage Ratio = **Earnings Before Interest, Taxes, Depreciation and Amortization (EBITDA)** / **Interest Expense**

Per relevant Loan Covenants of SMC Global Power

(in Millions P)	**December 2021**	December 2020
(A) EBITDA (5)	**33,542**	41,451
(B) Interest Expense (6)	**13,405**	13,554
Interest Coverage Ratio (A)/(B)	**2.50**	3.06

(5) Full year consolidated EBITDA (gross of PSALM payments and excluding amounts attributable to ring-fenced subsidiaries).

(6) Full year consolidated interest expense (excluding amounts attributable to ring-fenced subsidiaries).

OPERATING EFFICIENCY

Volume Growth (Decline) = **Current Period Offtake Volume** / **Prior Period Offtake Volume** **- 1**

	Years Ended December 31	
(in GWh)	**2021**	2020
(A) Current Period Offtake Volume	**27,221**	26,291
(B) Prior Period Offtake Volume	**26,291**	28,112
Volume Growth (Decline) [(A)/(B) – 1]	**3.5%**	(6.5%)

$$\textbf{Revenue Growth (Decline)} = \frac{\textbf{Current Period Revenues}}{\textbf{Prior Period Revenue}} - 1$$

(in Millions P)	Years Ended December 31 **2021**	2020
(A) Current Period Revenues	**133,710**	115,029
(B) Prior Period Revenues	**115,029**	135,060
Revenue Growth (Decline) [(A)/(B) – 1]	**16.2%**	(14.8%)

$$\textbf{Operating Margin} = \frac{\textbf{Income from Operations}}{\textbf{Revenues}}$$

(in Millions P)	Years Ended December 31 **2021**	2020
(A) Income from Operations	**31,886**	36,923
(B) Revenues	**133,710**	115,029
Operating Margin (A)/(B)	**23.8%**	32.1%

SMC GLOBAL POWER HOLDINGS CORP. AND SUBSIDIARIES
TRADE AND OTHER RECEIVABLES
DECEMBER 31, 2021
(Amounts in Thousands)

	Total	Current	Past Due			
			1 - 30 Days	31 - 60 Days	61 - 90 Days	Over 90 Days
Trade	P 37,096,420	P 17,990,189	P 4,601,818	P 1,748,212	P 1,504,672	P 11,251,529
Non-trade	9,723,627	1,075,307	185,891	215,744	15,028	8,231,657
Amounts owed by related parties	3,124,337	1,928,064	503,495	40,776	31,752	620,250
Total	49,944,384	P 20,993,560	P 5,291,204	P 2,004,732	P 1,551,452	P 20,103,436
Less allowance for impairment losses	2,672,082					
Net	P 47,272,302					

SMC GLOBAL POWER HOLDINGS CORP.
#100 E. Rodriguez Jr. Ave., C5 Road, Bo. Ugong, Pasig City, Metro Manila
SCHEDULE OF RECONCILIATION OF RETAINED EARNINGS AVAILABLE FOR DIVIDEND DECLARATION
(Amounts in Thousand Pesos)

		(Figures based on functional currency audited financial statement as of and for the year ended December 31, 2021)
Unappropriated Retained Earnings, beginning		**P8,750,712**
Adjustments in previous year's reconciliation		**(5,968,843)**
Unappropriated retained earnings, as adjusted, beginning		**2,781,869**
Net income based on the face of Audited Financial Statements	P16,892,298	
Non-actual gains arising from		
Unrealized foreign exchange and others, net of tax	(340,680)	
Fair value adjustment on currency forwards	(49,775)	
Sub-total	16,501,843	**16,501,843**
Net income actual/realized		**19,283,712**
Redemption of securities		**(758,001)**
Distributions paid during the year		**(14,843,873)**
Unappropriated retained earnings, as adjusted, ending		**P3,681,838**

APPENDIX A: MATERIAL PERMITS AND LICENSES

I. SMCGPH

Name of Permit / License	Issuing Agency	Issue Date	Expiry Date
Certificate of Incorporation	SEC	23-Jan-08	N/A
Amended Articles of Incorporation	SEC	22-Dec-21	N/A
Certificate of Registration	BIR	24-Jan-08	N/A
Business Permit	LGU	09-Feb-22	31-Dec-22
Certificate of Registration as Employer	SSS	01-Sep-11	N/A
Clearance Certificate	PAGIBIG	04-Apr-18	N/A

II. SCPC

Name of Permit / License	Issuing Agency	Issue Date	Expiry Date
Certificate of Incorporation	SEC	19-Aug-11	N/A
Amended Articles of incorporation	SEC	20-Dec-17	N/A
Certificate of Compliance & Provisional Authority to Operate	ERC	09-Mar-17 & 09-Mar-22	09-Mar-22 & 8-Mar-23
Retail Electricity Supplier (RES) License & RES License Extension	ERC	24-Aug-16 & 09-Mar-22	23-Aug-21 & 29-Sep-22
Certificate of Registration - Pioneer Status	BOI	20-Sep-13	N/A
Certificate of Registration	BOI	20-Sep-16	N/A
Foreshore Lease Contract - 465k sqm	DENR	13-Dec-17	13-Dec-42
Environmental Compliance Certificate (ECC) Power Plant	DENR EMB	17-Sep-13	N/A
ECC Power Plant Amendment	DENR EMB	04-May-16	N/A
ECC Ash Storage Facility	DENR-EMB	05-Feb-16	N/A
Discharge Permit - Industrial Phase 1	DENR EMB	26-Aug-21	26-Aug-22
Discharge Permit - Industrial Phase 2	DENR EMB	26-Aug-21	26-Aug-22
Discharge Permit - Cooling Phase 1	DENR EMB	25-Apr-22	25-Apr-23
Discharge Permit - Cooling Phase 2	DENR EMB	20-Apr-22	20-Apr-23
Hazardous Wastes Generator ID	DENR EMB	16-Mar-18	N/A
ECC Substation & Transmission Line Project	DENR-EMB	07-Aug-15	N/A
Permit to Operate PP1	DENR-EMB	15-Mar-22	15-Mar-27
Permit to Operate PP2	DENR-EMB	15-Mar-22	15-Mar-27
Permit to Operate Ash Storage Facility	DENR-EMB	15-Mar-21	15-Mar-26
Transmission Service Agreement	NGCP	26-May-15	25-May-25
Metering Service Agreement	NGCP	26-May-15	25-May-25
Connection Agreement	NGCP	26-May-15	25-May-25
Water Permit for Deepwell 1, 2, 3	NWRB	28-Feb-18	N/A
Water Permit for Seawater - Phase 1	NWRB	25-Aug-17	N/A
DOLE Certificate of Registration (Rule 1020)	DOLE	19-Jun-17	N/A
Business Permit 2022	LGU	26-Jan-22	31-Dec-22
Certificate of Non-Overlap	NCIP	27-Aug-15	N/A
Certificate of Non-Overlap Phase 2	NCIP	14-Dec-17	N/A
Certificate of Authority to Operate	PRC	26-Jul-19	25-Jul-22
Fire Inspection Certificate	BFP	03-Nov-21	02-Dec-22
Certificate of Registration	BIR	19-Aug-11	N/A
Certificate of Registration as Employer	SSS	15-Jun-16	N/A
Certificate of Employer's Registration	PAGIBIG	19-Jul-16	N/A
Certificate of Registration - Permit to Operate & PTO Renewal Receipt	PPA	15-Mar-17 & 04-Mar-22	14-Mar-22 (for renewal)
Various Permits to Operate	DOLE	Applied for renewal and awaiting approval. See Annual Inspection OR and other supporting docs	

kc

III. MPPCL

Name of Permit / License	Issuing Agency	Issue Date	Expiry Date
Articles of Partnership	SEC	25-Jun-07	2057
Amended Articles of Partnership	SEC	6 December 2021	
Provisional Authority to Operate Unit 1, 2, 3 and Emergency Diesel Engine Gen Unit	ERC	10-Jan-22	10-Jan-23
Certificate of Compliance (COC) BESS & Certification on COC Renewal BESS	ERC	15-May-17 & 02-May-22	14-May-22 (renewed)
Retail Electricity Supplier's (RES) License & RES License Extension	ERC	02-Aug-16 & 09-Mar-22	1-Aug-2021 29-Sep-22
Certificate of Registration for Unit 1 & 2	BOI	03-Mar-08	N/A
Certificate of Registration for Unit 3	BOI	12-Oct-12	N/A
Certificate of Registration for Unit 4	BOI	23-Feb-21	N/A
Certificate of Registration for Unit 5	BOI	23-Feb-21	N/A
Certificate of Registration for BESS I	BOI	15-Jan-16	N/A
Certificate of Registration for BESS II	BOI	01-Oct-20	N/A
Special Use Agreement in Protected Areas (SAPA) Original	DENR	23-Mar-10	22-Mar-35
Amended SAPA	DENR	13-May-14	22-Mar-35
Permit to Operate Unit 1&2	DENR	21-Dec-20	21-Dec-25
Permit to Operate Unit 3	DENR	02-Nov-21	02-Nov-26
Power Plant Environmental Compliance Certificate	DENR-EMB	13-Apr-21	N/A
BESS Original Environmental Compliance Certificate	DENR-EMB	05-Oct-15	N/A
BESS ECC Amendment	DENR-EMB	07-Oct-19	N/A
Wastewater Discharge Permit Cooling Water Unit 1 &2	DENR-EMB	06-Dec-21	6-Dec-22
Wastewater Discharge Permit (Wastewater Treatment Facility) Unit 1&2	DENR-EMB	21-Apr-22	21-Mar-23
Wastewater Discharge Permit (Wastewater Treatment Facility) Unit 3	DENR-EMB	06-Aug-21	6-Aug-22
Wastewater Discharge Permit (Employee Housing Facility)	DENR-EMB	04-May-22	4-May-23
Waste Generator Registration Certificate	DENR-EMB	03-Jan-17	N/A
CCO Registration Certificate (Lead)	DENR-EMB	01-Oct-14	N/A
CCO Registration Certificate (Mercury)	DENR-EMB	06-Nov-14	N/A
Surface Level Helipad Permit to Operate	CAAP	17-Jun-19	N/A
Certificate of Registration - Permit to Operate	PPA	21-Feb-19	20-Feb-24
Transmission Service Agreement	NGCP	26-Oct-16	25-Oct-26
Metering Service Agreement	NGCP	26-Oct-16	25-Oct-26
Connection Agreement	NGCP	26-Oct-16	25-Oct-26
Water Permit	NWRB	25-Aug-17	N/A
Water Permit (Deepwell)	NWRB	14-Apr-98	N/A
Water Permit (Deepwell)	NWRB	14-Apr-98	N/A
Water Permit (Lauis River)	NWRB	10-Feb-98	N/A
Water Permit (Oyon Bay)	NWRB	25-May-09	N/A
Business Permit	LGU	2-Feb -22	31-Dec-22
Fire Safety Inspection Certificate	BFP	19-Jan-21	7-Sep-22
Certificate of Registration	BIR	25-Jun-07	N/A
Various Permits to Operate	DOLE	Applied for renewal and awaiting approval. See Annual Inspection OR and other supporting docs	

kc

IV. SMCPC

Name of Permit / License	Issuing Agency	Issue Date	Expiry Date
Certificate of Incorporation	SEC	26-Aug-11	N/A
Amended Articles of Incorporation	SEC	4-Aug-17	N/A
Certificate of Compliance & Provisional Authority to Operate	ERC	5-Oct-16 & 5-Oct-21	05-Oct-21 & 04-Oct-22
Certificate of Registration	BOI	24-Jun-13	N/A
Certificate of Non-Overlap	NCIP	17-Oct-16	N/A
Foreshore Lease Contract	DENR	3-Oct-18	03-Oct-43
Miscellaneous Lease Contract	DENR	3-Oct-18	03-Oct-43
Permit to Operate Air Pollution Control Device	DENR	18-Oct-21	19-Oct-24
Environmental Compliance Certificate	DENR-EMB	17-Jun-13	N/A
Wastewater Discharge Permit (2021-2024)	DENR-EMB	6-Dec-21	19-Oct-24
NWRB Permit - Surface Water (River) 2015 & 2014	NWRB	20-Aug-14	N/A
PTO COR of Jetty/Pier (PPA)	PPA - Davao	1-Jan-22	31-Dec-26
Transmission Service Agreement	NGCP	26-Jun-15	25-Jun-25
Metering Service Agreement	NGCP	26-Jun-15	25-Jun-25
Connection Agreement	NGCP	26-Jul-15	25-Jul-25
SMCPC Environmental Certificate	MENRO	20-Jan-22	N/A
Business Permit	LGU	20-Jan-22	31-Dec-22
Mayors Permit	LGU	20-Jan-22	31-Dec-22
Sanitary Permit to Operate	LGU	20-Jan-22	31-Dec-22
PTO Crane/Hoisting Equipment Crusher 3F	DOLE	23-Aug-21	23-Aug-22
PTO Crane/Hoisting Equipment Crusher 2F	DOLE	23-Aug-21	23-Aug-22
PTO Crane/Hoisting Equipment Crusher GF	DOLE	23-Aug-21	23-Aug-22
PTO Crane/Hoisting Equipment Coal Yard	DOLE	23-Aug-21	23-Aug-22
PTO Crane/Hoisting Equipment Coal Yard	DOLE	23-Aug-21	23-Aug-22
PTO Crane/Hoisting Equipment TT-A	DOLE	23-Aug-21	23-Aug-22
PTO Crane/Hoisting Equipment TT-B	DOLE	23-Aug-21	23-Aug-22
PTO Crane/Hoisting Equipment TT-C 2F	DOLE	23-Aug-21	23-Aug-22
PTO Crane/Hoisting Equipment TT-C	DOLE	23-Aug-21	23-Aug-22
PTO Crane/Hoisting Equipment TT-1	DOLE	23-Aug-21	23-Aug-22
PTO Crane/Hoisting Equipment TT-2	DOLE	23-Aug-21	23-Aug-22
PTO Crane/Hoisting Equipment TT-3	DOLE	23-Aug-21	23-Aug-22
PTO Crane/Hoisting Equipment BC05	DOLE	23-Aug-21	23-Aug-22
PTO Crane/Hoisting Equipment Pump House	DOLE	23-Aug-21	23-Aug-22
PTO Crane/Hoisting Equipment ESP 1	DOLE	23-Aug-21	23-Aug-22
PTO Crane/Hoisting Equipment ESP 2	DOLE	23-Aug-21	23-Aug-22
PTO Crane/Hoisting Equipment Turbine Generator	DOLE	23-Aug-21	23-Aug-22
PTO Crane/Hoisting Equipment Ship Unloader	DOLE	23-Aug-21	23-Aug-22
PTO Crane/Hoisting Equipment Boiler 1	DOLE	23-Aug-21	23-Aug-22
PTO Crane/Hoisting Equipment Boiler 2	DOLE	23-Aug-21	23-Aug-22
PTO Crane/Hoisting Equipment Warehouse	DOLE	23-Aug-21	23-Aug-22
PTO Pressure Vessel HP Heater 2.1	DOLE	23-Aug-21	23-Aug-22
PTO Pressure Vessel HP Heater 2.2	DOLE	23-Aug-21	23-Aug-22
PTO Pressure Vessel LP Heater 2.1	DOLE	23-Aug-21	23-Aug-22
PTO Pressure Vessel LP Heater 2.2	DOLE	23-Aug-21	23-Aug-22
PTO Pressure Vessel LP Heater 2.3	DOLE	23-Aug-21	23-Aug-22
PTO Pressure Vessel Vertical Flash Tank 1	DOLE	23-Aug-21	23-Aug-22
PTO Pressure Vessel Vertical Flash Tank 2	DOLE	23-Aug-21	23-Aug-22
PTO Pressure Vessel Instrument Air Tank 1	DOLE	23-Aug-21	23-Aug-22
PTO Pressure Vessel Instrument Air Tank 2	DOLE	23-Aug-21	23-Aug-22
PTO Pressure Vessel Plant Air Receiver Tank 1	DOLE	23-Aug-21	23-Aug-22
PTO Pressure Vessel Plant Air Receiver Tank 2	DOLE	23-Aug-21	23-Aug-22
PTO Pressure Vessel LP Heater Tank 1.3	DOLE	23-Aug-21	23-Aug-22
PTO Pressure Vessel LP Heater Tank 1.2	DOLE	23-Aug-21	23-Aug-22
PTO Pressure Vessel LP Heater Tank 1.1	DOLE	23-Aug-21	23-Aug-22
PTO Pressure Vessel HP Heater Tank 1.2	DOLE	23-Aug-21	23-Aug-22
PTO Pressure Vessel HP Heater Tank 1.1	DOLE	23-Aug-21	23-Aug-22
PTO Pressure Vessel Vertical Air Tank Fly Ash 1	DOLE	23-Aug-21	23-Aug-22

kt

PTO Pressure Vessel Vertical Air Tank Fly Ash 2	DOLE	23-Aug-21	23-Aug-22
PTO Pressure Vessel Vertical Air Tank Limestone 1	DOLE	23-Aug-21	23-Aug-22
PTO Pressure Vessel Vertical Air Tank Limestone 2	DOLE	23-Aug-21	23-Aug-22
PTO Pressure Vessel Vertical Air Tank Sand 1	DOLE	23-Aug-21	23-Aug-22
PTO Pressure Vessel Vertical Air Tank Sand 2	DOLE	23-Aug-21	23-Aug-22
PTO Pressure Vessel Deaerator Unit 1 (K2MO4E-H-1104	DOLE	23-Aug-21	23-Aug-22
PTO Pressure Vessel Deaerator Unit 2 (H-2104)	DOLE	23-Aug-21	23-Aug-22
PTO Steam Boiler Unit 1	DOLE	23-Aug-21	23-Aug-22
PTO Steam Boiler Unit 2	DOLE	23-Aug-21	23-Aug-22
PTO Steam Turbine 16DO21-I/K Unit1	DOLE	23-Aug-21	23-Aug-22
PTO Steam Turbine 16DO31-I/K Unit2	DOLE	23-Aug-21	23-Aug-22
PTO Internal Combustion Engine John Deere/Clarke (Fire Pump)	DOLE	23-Aug-21	23-Aug-22
PTO Internal Combustion Engine Cummins (Compressor)	DOLE	23-Aug-21	23-Aug-22
PTO Elevator & Related Equipment Wickham (Smokestack)	DOLE	23-Aug-21	23-Aug-22
PTO Elevator & Related Equipment Yungtay (Boiler)	DOLE	23-Aug-21	23-Aug-22
Certificate of Electrical Inspection	DOLE	23-Aug-21	23-Aug-22
Certificate of Employer's Registration	PAGIBIG	1-Apr-16	N/A
Certificate of Registration	BIR	26-Aug-11	N/A
Employer Registration	SSS	19-Feb-16	N/A
Employer Registration	Philhealth	15-Feb-16	N/A

V. SPPC

Name of Permit / License	Issuing Agency	Issue Date	Expiry Date
Certificate of Incorporation	SEC	23-Oct-03	N/A
Cert. of Filing of Amended Art. of Incorporation	SEC	1-Apr-22	N/A
Certificate of Registration	BIR	28-Oct-03	N/A
Business Permit	LGU	27-Jan-22	31-Dec-22

VI. SMEC

Name of Permit / License	Issuing Agency	Issue Date	Expiry Date
Certificate of Incorporation	SEC	30-May-03	N/A
Amended Articles of Incorporation	SEC	1-Apr-22	N/A
Certificate of Registration	BIR	18-Jul-03	N/A
Business Permit (Pasig)	LGU	9-Feb-22	31-Dec-22
Business Permit (Sual)	LGU	24-Jan-22	30-Jun-22

kc

APPENDIX B
SMC GLOBAL POWER HOLDINGS CORP. AND SUBSIDIARIES
PRINCIPAL PROPERTIES
AS OF MARCH 31, 2022

	Company Name / Subsidiary	Address	Liens	Rented / Owned	Condition	Monthly Rental (In PhP, Unless Otherwise Indicated)	Expiry of Lease Contract	Terms of Renewal / Options
1	**SAN MIGUEL ENERGY CORPORATION**							
	1000 MW Sual Coal-Fired Thermal Power Plant	Brgy. Pangascasan, Sual, Pangasinan	n/a	IPPA with PSALM	Good			
2	**SOUTH PREMIERE POWER CORP.**							
	1200 MW Ilijan Natural Gas Combined Cycle Power Plant	Brgy. Ilijan, Batangas City, Batangas	n/a	IPPA with PSALM	Good			
3	**STRATEGIC POWER DEVT. CORP.**							
	345 MW San Roque Multi-Purpose Hydroelectric Power Plant	Brgy. San Roque, San Manuel, Pangasinan	n/a	IPPA with PSALM	Good			
4	**SMC CONSOLIDATED POWER CORPORATION (SCPC)**							
	Phase I - 2 X 150 MW Coal-Fired Power Plant (Units 1 and 2)	Brgy. Lamao, Limay, Bataan	Mortgaged	Owned	Good			
	Phase II - 2 X 150 MW Coal-Fired Power Plant (Units 3 and 4)	Brgy. Lamao, Limay, Bataan	Mortgaged	Owned	Good			
	Land - Site 1 (where a portion of the Phase I power plant and related facilities are situated)	Brgy. Lamao, Limay, Bataan	Leasehold rights mortgaged	Rented	Good	1,446,876.11	November 2040	Renewable for another 25 years at the option of the Lessee
	Land - Site 2 (where a portion of the Phase II power plant and related facilities are situated)	Brgy. Lamao, Limay, Bataan	Leasehold rights mortgaged	Rented	Good	81,021.53	December 2040	Renewable for another 25 years at the option of the Lessee
	Land (Ash Dump Facility)	Brgy. Lamao, Limay, Bataan	Leasehold rights mortgaged	Rented	Good	1,890,841.61	November 2040	Renewable for another 25 years at the option of the Lessee
	Offshore/Foreshore land	Brgy. Lamao, Limay, Bataan	n/a	Rented	Good	2,034,084.17	December 2042	Renewable for another 25 years at the
	Land - Site 3 (where a portion of the Phase II power plant and related facilities are situated)	Brgy. Lamao, Limay, Bataan	Leasehold rights mortgaged	Rented	Good	482,843.28	March 2042	Renewable for another 25 years to be agreed by both parties
5	**SAN MIGUEL CONSOLIDATED POWER CORPORATION (SMCPC)**							
	2 X 150 MW Coal-Fired Power Plant (Units 1 and 2)	Brgy. Culaman, Malita, Davao Occidental	Mortgaged	Owned	Good			
	5 X 1.6 MW Diesel Generator Set	Brgy. Baliwasan, San Jose Road, Zamboanga City, Zamboanga Del Sur	Mortgaged	Owned	Good			
	Land (where Units 1 and 2 power plant and related facilities are situated)	Brgy. Culaman, Malita, Davao Occidental	Leasehold rights mortgaged	Rented	Good	1,636,705.40	June 2038	Renewable for another 25 years at the option of the Lessee
	Offshore/Foreshore land	Brgy. Culaman, Malita, Davao Occidental	n/a	Rented	Good	55,300.51	February 2043	Renewable for another 25 years at the option of the Lessor
	Offshore/Foreshore land	Brgy. Culaman, Malita, Davao Occidental	n/a	Rented	Good	558,354.47	February 2043	Renewable for another 25 years at the option of the Lessor
6	**GRAND PLANTERS INTERNATIONAL INC.**							
	Land - Site 1 (where a portion of the SCPC Phase I and II power plants and related facilities are situated)	Brgy. Lamao, Limay, Bataan	Leasehold rights mortgaged	Owned	Good			
	Land - Site 1 (where the 20 MW battery enegry storage project of UPSI is situated)	Brgy. Lamao, Limay, Bataan	n/a	Owned	Good			
	Land - Site 2	Brgy. Alangan, Limay, Bataan	n/a	Owned	Good			
	Land - Project Expansion	San Vicente, Punao, San Carlos City, Negros Occidental	n/a	Owned	Good			
7	**ONDARRE HOLDING CORPORATION**							
	Land	Brgy. Wack-Wack, Greenhills, Mandaluyong City	n/a	Owned	Good			

	Company Name / Subsidiary	Address	Liens	Rented / Owned	Condition	Monthly Rental (In PhP, Unless Otherwise Indicated)	Expiry of Lease Contract	Terms of Renewal / Options
8	**DAGUMA AGRO-MINERALS, INC.**							
	Land	Tambler, General Santos City	n/a	Rented	Good	53,589.72	June 01, 2023	Renewable
9	**ALPHA WATER REALTY SERVICES CORPORATION**							
	Land (where Units 1-3 power plant and related facilities and the 10 MW battery energy storage project of MPPCL are situated)	Brgy. Bani, Masinloc, Zambales	Leasehold rights mortgaged	Owned	Good			
10	**MASINLOC POWER PARTNERS CO. LTD. (MPPCL)**							
	330 MW coal-fired power plant (Unit 1)	Brgy. Bani, Masinloc, Zambales	Mortgaged	Owned	Good			
	344 MW coal-fired power plant (Unit 2)	Brgy. Bani, Masinloc, Zambales	Mortgaged	Owned	Good			
	335 MW coal-fired power plant (Unit 3)	Brgy. Bani, Masinloc, Zambales	Mortgaged	Owned	Good			
	10 MW battery energy storage system	Brgy. Bani, Masinloc, Zambales	Mortgaged	Owned	Good			
	Land (where a portion of Unit 3 power plant and related facilities are situated)	Brgy. Bani, Masinloc, Zambales	Leasehold rights mortgaged	Rented	Good	US$3,966.43	April 2028	With assignable option to purchase
11	**SMCGP PHILIPPINES ENERGY STORAGE CO. LTD.**							
	Land (where the 2 X 20 MW battery energy storage system is situated)	Brgy. Binicuil, Kabankalan, Negros Occidental	n/a	Owned	Good			
	2 X 20 MW battery energy storage system	Brgy. Binicuil, Kabankalan, Negros Occidental	n/a	Owned	Ongoing construction			
12	**ALBAY POWER AND ENERGY CORPORATION**							
	Land used for operating and maintaining the 40-MVA Substatio	Legazpi City, Albay	n/a	Rented	Good	29,900.77	December 2021	Renewable upon mutual agreement by both parties
	Land used for operating and maintaining the 20-MVA Substation	Centro Occidental, Polangui, Albay	n/a	Rented	Good	28,947.37	February 2024	Renewable upon mutual agreement by both parties
13	**MARIVELES POWER GENERATION CORPORATION**							
	Land (where the 4 x 150 MW coal-fired power plant project is situated)	Sitio Lusong, Brgy. Biaan, Mariveles, Bataan	n/a	Rented	Good	11,470,942.67	June 2044	Renewable upon mutual agreement by both parties
	Land (where the transmission network project is situated)	Sitio Lusong, Brgy. Biaan, Mariveles, Bataan	n/a	Rented	Good	755,200.80	June 2044	Renewable upon mutual agreement by both parties
	Land (for transmission line)	Brgy. Malaya and Maligaya, Mariveles Bataan	n/a	Rented	Good	111,760.00	October 30, 2046	Renewable upon mutual agreement by both parties
	Land (for transmission line)	Brgy. Biaan, Mariveles, Bataan	n/a	Owned	Good			
14	**STRATEGIC ENERGY DEVELOPMENT INC.**							
	15 MW Heavy Fuel Oil Peaking Power Plant	Brgy. Magdum Tagum City, Davao del Norte	n/a	Owned	Good			
	Land (where 15 MW Heavy Fuel Oil Peaking Power Plant is situated)	Brgy. Magdum Tagum City, Davao del Norte	n/a	Owned	Good			
15	**TOPGEN ENERGY DEVELOPMENT INC.**							
	Land	Brgy. Magdum Tagum City, Davao del Norte	n/a	Owned	Good			
	Land	Barrio Centro Occidental, Polangui, Albay	n/a	Owned	Good			
	Land	Brgy. Penafrancia, Daraga, Albay	n/a	Owned	Good			

	Company Name / Subsidiary	Address	Liens	Rented / Owned	Condition	Monthly Rental (In PhP, Unless Otherwise Indicated)	Expiry of Lease Contract	Terms of Renewal / Options
16	**UNIVERSAL POWER SOLUTIONS, INC.**							
	Land (where the 20 MW Malita battery energy storage project is situated)	Brgy. Culaman, Malita, Davao Occidental	n/a	Rented	Good	53,381.27	May 31, 2038	Renewable upon mutual agreement by both parties
	Land (where the 40 MW BCCPP battery energy storage project is situated)	Brgy. Lamao, Limay, Bataan	n/a	Rented	Good	195,741.00	April 15, 2045	Renewable upon mutual agreement by both parties
	Land (where the 20 MW Jasaan battery energy storage project is situated)	Jasaan, Misamis Oriental	n/a	Rented	Good	2,160,000.00	April 15, 2045	Renewable upon mutual agreement by both parties
	Land (where the 20 MW Toledo battery energy storage project is situated)	Calong-calong and Talevera, Toledo City, Cebu	n/a	Rented	Good	900,000.00	April 15, 2045	Renewable upon mutual agreement by both parties
	Land (where the 20 MW Villanueva battery energy storage project is situated)	Brgy. Sta. Ana, Tagaloan and San Maritin , Villanueva, Phividec Industrial Estate of Misamis Oriental - Special Economic Zone (PIEMO-SEZ)	n/a	Rented	Good	295,740.00	June 04, 2045	Renewable upon mutual agreement by both parties
	Land (where the 40 MW Navotas battery energy storage project is situated)	North Bay Boulevard, Navotas, Metro Manila	n/a	Rented	Good	802,864.44	April 30, 2036	Renewable upon mutual agreement by both parties
	Land (where the 20 MW Tabango battery energy storage project is situated)	Bryg .Tugas, Tabango, Leyte	n/a	Rented	Good	4,326.85	March 01, 2036	Renewable upon mutual agreement by both parties
	Land (where the 20 MW Mexico-2 battery energy storage project is situated)	Brgy. San Jose Matulid, Mexico, Pampanga	n/a	Rented	Good	372,023.81	June 03, 2036	Renewable upon mutual agreement by both parties
	Land (where the 20 MW Maco battery energy storage project is situated)	Brgys. Dumlan and Concepcion, Maco, Compostela Valley, Davao del Norte	n/a	Rented	Good	665,531.08	April 15, 2035	Renewable upon mutual agreement by both parties.
	Land (where the 40 MW Gamu battery energy storage project is situated)	Brgy. Lenzon, Gamu, Isabela	n/a	Rented	Good	49,282.37	June 30, 2035	Renewable upon mutual agreement by both parties.
	Land (where the 40 MW Magapit battery energy storage project is situated)	Brgy. Magapit, Lal-lo, Cagayan	n/a	Rented	Good	283,348.02	May 30, 2022	Renewable upon mutual agreement by both parties.
	Land (where the 20 MW Ubay battery energy storage project is situated)	Brgy. Imelda, Ubay, Bohol	n/a	Rented	Good	54,871.57	April 15, 2035	Renewable upon mutual agreement by both parties.
	Land (where the 50 MW San Manuel battery energy storage project is situated)	Brgy. Sto. Domingo, San Manuel, Pangasinan	n/a	Rented	Good	62,702.81	April 1, 2022	Renewable upon mutual agreement by both parties.
	Land (where the 50 MW San Manuel battery energy storage project is situated)	Brgy. Sto. Domingo, San Manuel, Pangasinan	n/a	Rented	Good	152,597.23	April 1, 2035	Renewable upon mutual agreement by both parties.
	Land (where the Mexico battery energy storage project is situated)	Brgy. San Jose Matulid, Mexico, Pampanga	n/a	Rented	Good	246,233.32	June 30, 2035	Renewable upon mutual agreement by both parties.
	Land (where the 50 MW Concepcion battery energy storage project is situated)	Brgy. Sta. Rosa, Concepcion, Tarlac	n/a	Rented	Good	303,408.95	March 01, 2036	Renewable upon mutual agreement by both parties.
17	**DEWSWEEPER INDUSTRIAL PARK, INC.**							
	Land (for future power expansion site)	Brgy. Lipata, Padre Burgos, Quezon	n/a	Owned	Good			
	Land (for future power expansion site)	Brgy. Ibabang Polo, Pagbilao, Quezon	n/a	Owned	Good			
	Land (for future power expansion site)	Brgy. Ilayang Polo, Pagbilao, Quezon	n/a	Owned	Good			
18	**SORACIL PRIME INC.**							
	Land	Brgy. Wack-Wack, Mandaluyong City	n/a	Owned	Good			
19	**EXCELLENT ENERGY RESOURCES INC.**							
	Land (where the Batangas Combined Cycle Power Plant Project is situated)	Barangay Ilijan and Dela Paz, Batangas	n/a	Rented	Good	519,802.57	January 5, 2045	Renewable upon mutual agreement by both parties

	Company Name / Subsidiary	Address	Liens	Rented / Owned	Condition	Monthly Rental (In PhP, Unless Otherwise Indicated)	Expiry of Lease Contract	Terms of Renewal / Options
20	**SMC GLOBAL POWER HOLDINGS CORP.**							
	C5 Office Space	100 E. Rodriguez Jr. Avenue (C-5 Road) Brgy. Ugong, Pasig City, Metro Manila	n/a	Rented	Good	5,511,710.00	March 14, 2026	Renewable upon mutual agreement by both parties
21	**SMC GLOBAL LIGHT AND POWER CORP.**							
	Land (where a solar power plant and related facilities are to be situated)	Brgy. San Luis, Cauayan City, Isabela	n/a	Rented	Good	4,200,000.00	March 14, 2047	Renewable for another 25 years upon mutual agreement by both parties
	Land (where a solar power plant and related facilities are to be situated)	Brgy. Lucanin, Mariveles, Bataan	n/a	Rented	Good	11,849,770.58	June 1, 2047	Renewable for another 25 years at the option of the Lessee
	Land (where a solar power plant and related facilities are to be situated)	Brgy. Lucanin, Mariveles, Bataan	n/a	Rented	Good	8,356,957.50	June 1, 2047	Renewable for another 25 years at the option of the Lessee