SMC GLOBAL POWER

A SUBSIDIARY OF SAN MIGUEL CORPORATION

SMC Global Power Holdings Corp.

#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 Issue 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 May 30, 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 May 30, 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 reports 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.

A REGISTRATION STATEMENT RELATING TO THESE SECURITIES HAS BEEN FILED WITH THE SECURITIES AND EXCHANGE COMMISSION BUT HAS NOT YET BEEN DECLARED EFFECTIVE. NO OFFER TO BUY THE SECURITIES CAN BE ACCEPTED AND NO PART OF THE ISSUE PRICE CAN BE ACCEPTED OR RECEIVED UNTIL THE REGISTRATION STATEMENT HAS BECOME EFFECTIVE AND ANY SUCH OFFER MAY BE WITHDRAWN OR REVOKED, WITHOUT OBLIGATION OR COMMITMENT OF ANY KIND AT ANY TIME PRIOR TO NOTICE OF ITS ACCEPTANCE GIVEN AFTER THE EFFECTIVE DATE. AN INDICATION OF INTEREST IN RESPONSE HERETO INVOLVES NO OBLIGATION OR COMMITMENT OF ANY KIND. THIS OFFER SUPPLEMENT SHALL NOT CONSTITUTE AN OFFER TO SELL OR A SOLICITATION OF AN OFFER TO BUY.

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 MAY 30 2022, affiant exhibiting to me his Philippine Passport with No. P2247867A expiring on May 21, 2029 as competent evidence of identity.

Doc. No. : 325;
Page No. : 66;
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

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 the 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, directive, guideline, policy, 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 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 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 Premier 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.
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.
ERC Order	The order dated March 3, 2014 issued by the ERC which voided the WESM prices for the November and December 2013 billing months and imposed recalculated prices to be calculated by PEMC.
FIA	Foreign Investment Act of 1991 of the Philippines.
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 MW 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	Eleventh Regular Foreign Investment Negative List issued by the Office of the President of the Philippines on October 29, 2018.
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	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**
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, 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[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 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

[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.*

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 MW battery energy storage system project (the "**Masinloc BESS**"), all located in Masinloc, Zambales while SMCGP Philippines Energy holds the 2 x 20 MW battery energy storage system facility in Kabankalan, Negros Occidental (the "**Kabankalan BESS**"), where 1 x 20 MW entered into an Ancillary Service Procurement Agreement with the National Grid Corporation of the Philippines ("**NGCP**") for a period of 5 years commencing on January 2022. 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**"), plans to construct a 1,313.1 MW combined cycle power plant in Barangays Ilijan and Dela Paz

Proper, Batangas (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 Company has access or control over approximately 73 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 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 Company 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. The lease agreements for the property in Bataan and in Isabela where the solar projects will be located have been executed. Moreover, 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. 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.

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.

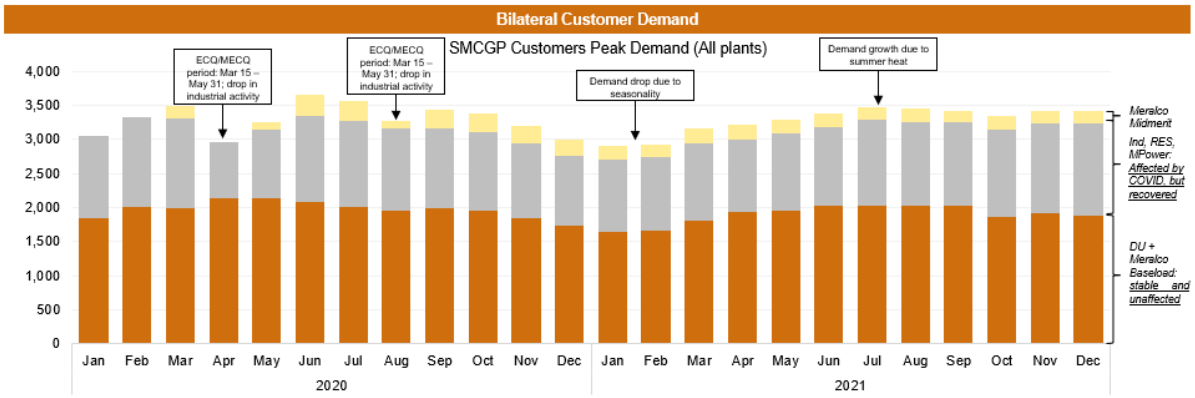
Impact on the Company

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

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., 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)	28,111.7	26,290.6	27,221.5	6,344.3	6,991.4
of which: bilateral offtake agreements	26,133.3	24,075.2	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	4,830.7	4,545.2	4,942.9	4,474.3	6,185.3
For electricity sold on WESM	4,127.9	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**") in light of the temporary restraining order issued by the Philippine SC 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 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 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, 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 "**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. Certain parties including SMEC, SPPC, SPDC and MPPCL filed a request with the ERC for the reconsideration of the ERC Order. Other generators also requested the SC to stop the implementation of the ERC Order. 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 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 ERC Order 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 covering the 2022 dry months and the election period and 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 [●] 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, ₱38 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, 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 [●] 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.

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 an order dated March 3, 2014, 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 ERC order dated March 3, 2014 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.

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**
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, 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 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

[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.*

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 MW battery energy storage system project (the "**Masinloc BESS**"), all located in Masinloc, Zambales while SMCGP Philippines Energy holds the 2 x 20 MW battery energy storage system facility in Kabankalan, Negros Occidental (the "**Kabankalan BESS**"), where 1 x 20 MW entered into an Ancillary Service Procurement Agreement with the National Grid Corporation of the Philippines ("**NGCP**") for a period of 5 years commencing on January 2022. 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**"), plans to construct a 1,313.1 MW combined cycle power plant in Barangays Ilijan and Dela Paz Proper, Batangas (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 Company has access or control over approximately 73 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 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 Company 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. The lease agreements for the property in Bataan and in Isabela where the solar projects will be located have been executed. Moreover, 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. 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.

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

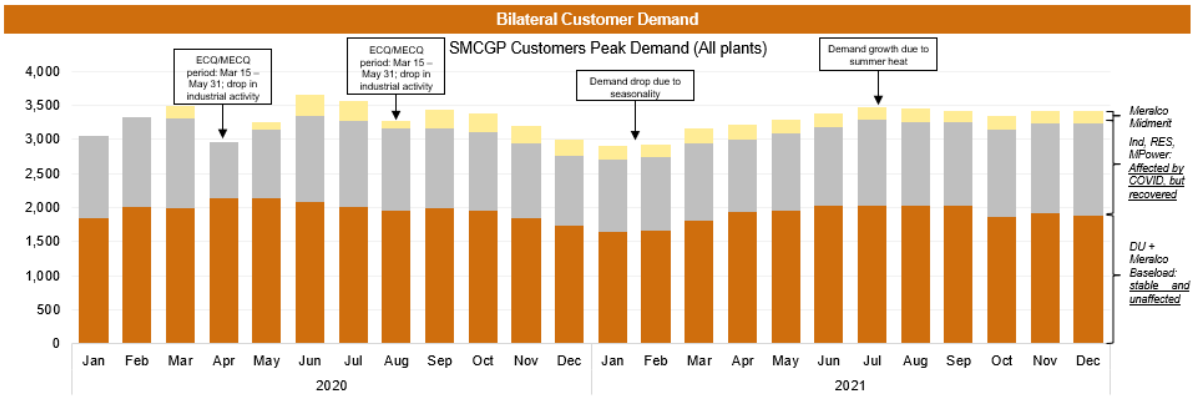
The demand from industrial customers in the Luzon grid decreased significantly during the initial ECQ period in 2020, as a result of the cessation or suspension of business operations, but demand gradually increased with the easing of quarantine restrictions and the gradual reopening of

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 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.

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

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

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 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 Company 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.

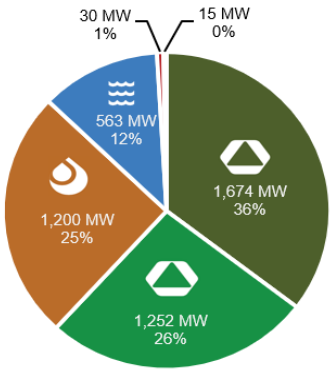
Furthermore, depending on the prevailing global coal prices and the related logistical costs, SMC Global Power could initiate coal exploration, development and production rights over approximately 17,000 hectares of land in Mindanao held through SMEC and its subsidiaries. SMC

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.

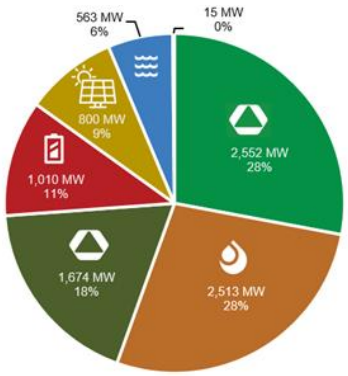
Continue to pursue and develop measures to reduce emissions and operate power plants within and below applicable environmental compliance standards. SMC Global Power continuously supervises, controls and improves processes in the power plants it owns and operates to ensure that regulated emissions from 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]



■ Supercritical & CFB ■ Hydro ■ Natural Gas ■ Pulverized coal ■ BESS ■ Solar ■ Others

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.

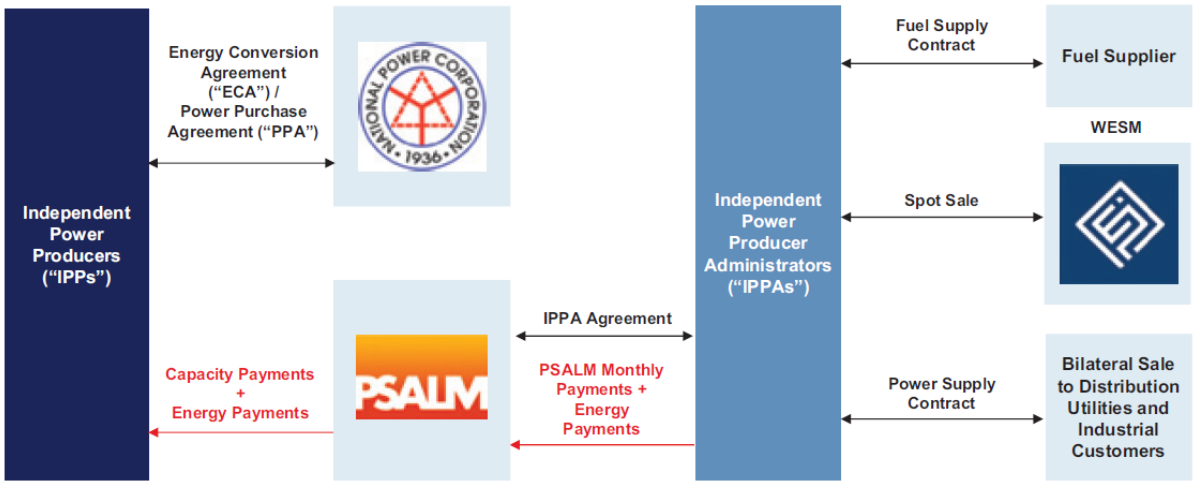
The IPPA framework is intended to provide successful bidders a way to enter and trade in the WESM for a minimal capital outlay without the expense of building a new power plant and for IPPAs to enjoy the benefits normally attributed to owners of power generation plants, including controlling the fuel 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.

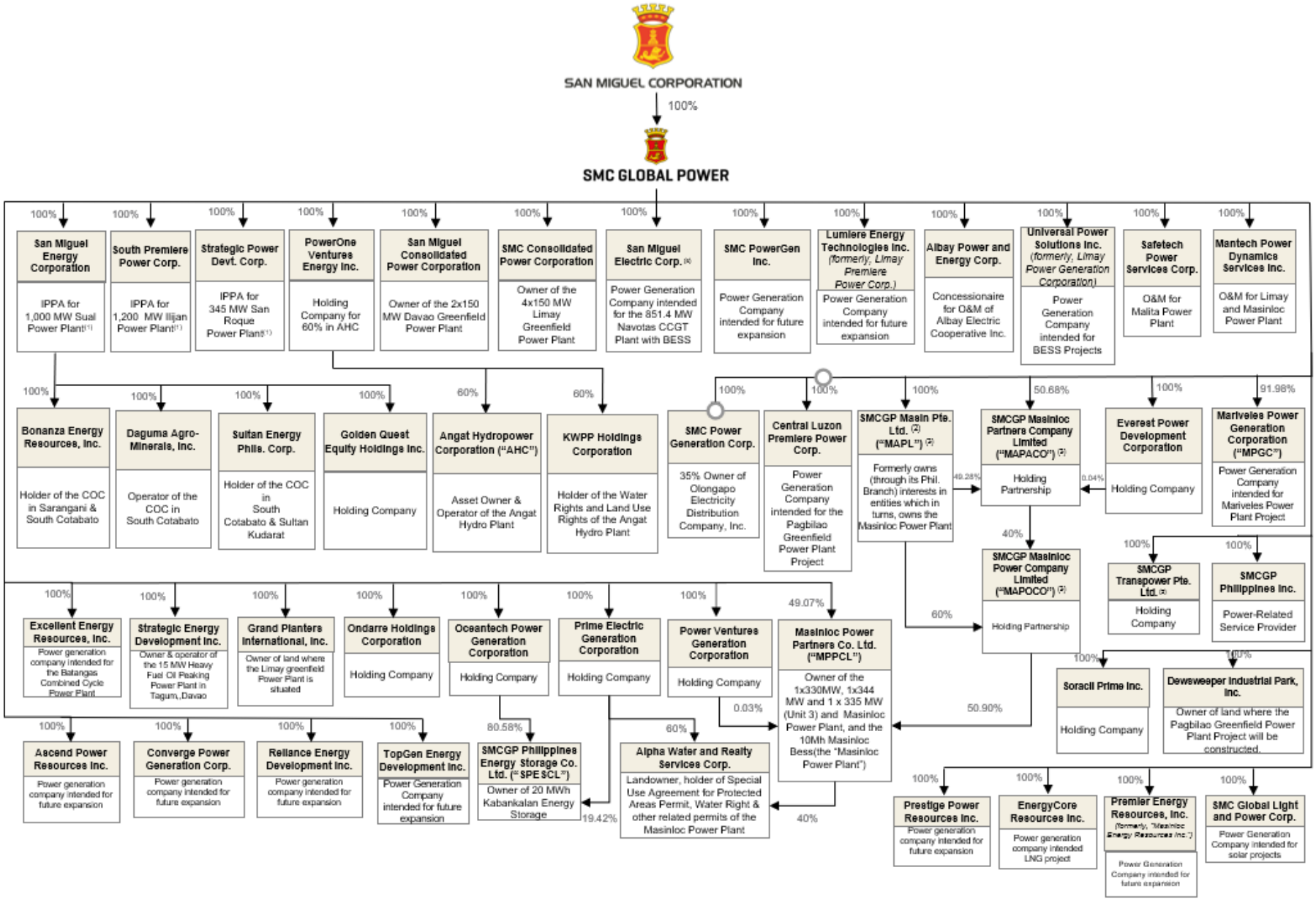
The IPPA may exercise the option to acquire the power plants prior to the end of the IPPA Agreement under certain circumstances, such as changes in law or non-performance by the IPP of its obligations under the ECA. In this case, the transfer price will be the net present value of the sum of the agreed 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)	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	64%	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 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	15,617	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 First Gen Corporation and the Aboitiz Group, which holds interests in Aboitiz Power Corporation and Hedcor, Inc., among others.

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.

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	62,795	12,117	50,498	12,967	53,313	2,913	11,098	3,515	16,994
WESM	1,979	8,167	2,216	5,208	2,513	11,221	691	1,997	460	2,550
Total Major Customers	15,795	70,962	14,333	55,706	15,480	64,534	3,604	13,095	3,975	19,544
Others[(1)]	12,317	64,098	11,958	59,323	11,741	69,176	2,740	14,271	3,016	23,492
Total Sales	28,112	135,060	26,291	115,029	27,221	133,710	6,344	27,366	6,991	43,036

(1) Includes Non-Meralco DUs, ECs, RES, Directly Connected Customers, Contestable Customers, Sales to Distribution Customers, and sales to related parties.

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.

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/Nm³)**	
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/Nm³.....	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/Nm³ or mg/m³ for 1 ppm for SOx.*

** *converted using conversion factors 2.0493 mg/Nm³ or mg/m³ 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/Nm³**)	8.3	150.0	18.7	50.0	150.0

	Subcritical		Supercritical		
Emission	**Indicative Emissions***	**World Bank Standard*****	**Indicative Emissions****	**EPC Guarantee**	**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/Nm³**)	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/Nm³)	30.8[(c)]	Max of 1,500.0[(d)]
SOx (mg/Nm³)	1.9[(c)]	Max of 1,500.0[(d)]
CO (mg/Nm³)	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. 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.

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.

Description of Properties

SMC Global Power owns the Davao Greenfield Power Plant, Limay Greenfield Power Plant, Masinloc Power Plant and Masinloc BESS, Kabankalan BESS and the Tagum Peaking Power Plant. However, SMC Global Power does not own the IPPA plants until it elects a transfer of ownership at the expiry of the IPPA Agreement.

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

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. 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, 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 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.

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 (the "**March 3, 2014 Orde**r"). Subsequent orders were issued by the ERC setting the period for compliance of the March 3, 2014 Order (collectively, 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 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.

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.

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**").

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. 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.

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. In a Resolution dated March 4, 2022, the CA deemed the petition submitted for decision after the parties filed their respective responsive pleadings. The petition has been docketed as CA-G.R. SP NO. 169443.

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. 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 06 April 2022. SPPC is set to present its evidence June 24, 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 one of the respondents In a Decision of the same date, approved by the Ombudsman also on 15 February 2022, the GIPO also dismissed the administrative complaint against the same respondent.. On March 21, 2022, SPPC filed a Motion for Reconsideration of these resolutions. The Ombudsman and the GIPO are yet to decide on the criminal complaint and administrative complaint, respectively, of the remaining PSALM officers.

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.

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.

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.

3M 2021 vs. 3M 2020

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

3M 2022 vs. 3M 2021

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. SCPC dispatched 389 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 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 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 ₱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 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 ₱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 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 ₱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 1,640 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 ₱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.

2021 vs. 2020

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 5,800 GWh supplied to power generation customers while the rest was dispatched to RES customers, was 39% higher compared to the 4,428 GWh net generation posted for 2020. The increase was mainly due to the additional output from Unit 3 which commenced commercial operations on September 26, 2020 and higher operating hours of Units 1 and 2.

Total offtake volume of 7,320 GWh 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 5,655 GWh at 64% net capacity factor rate was 16% lower than 2019 mainly due to lower plant dispatch and higher outages resulting from the forced and maintenance outages of Unit 2, and various technical issues of Unit 1 leading to forced outages in 2020. Total offtake volume decreased to 9,120 GWh in 2020 from 9,374 GWh posted in 2019 on account of lower demand from industrial and RES customers during the quarantine period.

Revenues of ₱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 3,464 GWh in 2019 due to the additional output of Unit 4, which was offset by higher combined outages for routinary repair and annual preventive maintenance works in 2020 of the four units.

SCPC dispatched 1,563 GWh of the plant’s net generation to its power generation customers while the rest was dispatched to its RES customers. Total offtake volume of 1,992 GWh fell behind compared to 2019 by 18% due to lower replacement power sold and lower nominations from distribution utilities.

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 82%. 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 6,748 GWh at 77% net capacity factor rate was 10% higher than in 2018 mainly due to higher operating hours and lower outages of the Sual Power Plant in 2019 as compared to 2018. In 2018, outages were mainly attributable to the annual maintenance outage of Unit 1 for 56 days from September 1 to October 26, 2018 and maintenance outage of Unit 2 for the installation of main unit of transformer from January 18 to February 9, 2018. Total offtake volume likewise increased to 9,374 GWh from 8,416 GWh in 2018 on account of higher Meralco nominations and bilateral sales volume.

Revenues of ₱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 ₱10,028 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 1,018 GWh for 2018. This was attributable to low reservoir level at an average of 261 meters above sea level (masl) in 2019 vs 264 masl in 2018. In 2018, the power plant was tagged as a Must Run Unit for 20 days due to high water level resulting from frequent monsoons and typhoons. Total offtake volume of 1,187 GWh likewise decreased by 12% compared to 2018.

Nevertheless, revenues increased by 12% or ₱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 3,464 GWh, at 86% net capacity factor rate, for 2019 was 37% higher than the 2,529 GWh in 2018. This was due to the full-year operations of Unit 3 and five-month operations of Unit 4 in 2019. SCPC dispatched 1,898 GWh of the plant's net generation to its power generation customers while the rest was dispatched to its RES customers.

Total offtake volume of 2,433 GWh in 2019 was 30% 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 1,908 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 4,252 GWh for 2019, 27% higher compared to the net generation of 3,349 GWh in 2018, for the period starting March 20, 2018 (the acquisition of the Masinloc Power Plant) to December 31, 2018.

As a result of the full-year operations of the Masinloc Power Plant in 2019, MPPCL registered an increase in its total offtake volume of 5,448 GWh by 38% (sold to distribution utilities and electric cooperatives), revenues of ₱25,570 million by 32% (inclusive of ancillary revenues from its 10 MW BESS) and operating income of ₱4,587 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.

2021 vs. 2020

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 ,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 5 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 ₱452 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 1,973 GWh offtake volume in 2018 by 3%. The increase was attributable to the following: (i) higher electricity requirements of existing customers, and (ii) additional contestable customers contracted in 2019. The average realization price, however, was lower due to downward adjustments to rates based on current indices. This led to the 10% decrease in revenues in 2019 which registered at ₱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%
Forward						
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 ₱40,443 million, attributable primarily to the ongoing constructions of the Mariveles Power Plant, BESS projects and Ilijan LNG project.

e. Increase in other noncurrent assets by ₱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 ₱198 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₱383,996 million, ₱284 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 ₱3,369 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 ₱1,847 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 ₱251,728 million, higher by 11% or ₱25,424 million than the December 31, 2020 balance of ₱226,304 million. The increase is accounted for as follows:

a. Increase in SPCS by ₱35,568 million pertains to the aforesaid issuances by SMC Global Power of SPCS amounting to US$750 million in total on various dates – June 9 and September 15, 2021.

b. Increase in equity reserves by ₱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 ₱13,824 million pertains to the redemption on February 26, 2021 of the US$300 million USCS issued in August 2015.

d. Decrease in non-controlling interests by ₱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 ₱30,763 million was mainly due to the net proceeds from the issuances of SPCS amounting to US$1,350 million in total on January 21, October 21 and December 15, 2020 by SMC Global Power (equivalent to ₱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 ₱497 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 ₱2,294 million was mainly due to the (i) application of advances to contractors to progress billings relating to the Mariveles Power Plant construction, and (ii) use of restricted cash to fund the Unit 3-Masinloc Power Plant construction and for loan and interest payments by MPPCL.

The 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 ₱24,692 million was mainly on account of lease payments made by the IPPA entities to PSALM and partly offset by additional lease liabilities recognized for the new lease agreements entered in 2020.

d. Decrease in long-term debt - net of debt issue costs (including current maturities) by ₱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 ₱4,877 million was mainly due to the additional payables recognized for the Mariveles Power Plant and BESS construction projects, and offset by settlements of trade payables related to energy fees, inventories and power purchases.

f. Increase in deferred tax liabilities by ₱6,258 million was primarily attributable to the higher provision for deferred income tax expense recognized by the IPPA entities on the difference of monthly fixed payments to PSALM over lease-related expenses, particularly on the foreign exchange gain recognized on its US dollar-denominated lease liabilities.

g. Increase in other noncurrent liabilities by ₱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 ₱8,191 million was mainly attributable to the net income recognized for the year reduced by distributions to SPCS, RPS and USCS holders.

c. Decrease in equity reserves by ₱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 ₱9,713 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 ₱3,057 million was primarily due to collections of advances made to certain related party land holding companies by SMC Global Power.

e. Decrease in investments and advances by ₱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 ₱5,601 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 ₱5,018 million was primarily attributable to higher provision for deferred income tax expense recognized by the IPPA entities on the temporary differences arising from the foreign exchange translation of their US dollar-denominated finance lease liabilities.

d. Increase in accounts payable and accrued expense was due mainly to higher payables to suppliers and contractors recognized by MPGC for its Mariveles Power Plant Project (₱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 ₱755 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

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

	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 ₱19,710 million and ₱21,596 million, respectively.

SOLVENCY RATIO

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

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

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

	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

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

(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.

$$\text{Interest Coverage Ratio} = \frac{\text{EBITDA}}{\text{Interest Expense}}$$

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%)

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

	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%

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	Period Ended	Salary (in millions)	Bonus (in millions)
Total compensation of the Chief Executive Officer, President and Chief Operating Officer and Senior Executive Officers	2022 (estimated)	₱74.2	₱26.8
	2021	₱73.9	₱24.2
	2020	₱70.6	₱22.9
	2019	₱67.0	₱24.7
All other officers and managers as a group unnamed	2022 (estimated)	₱44.4	₱24.3
	2021	₱43.6	₱26.1
	2020	₱34.1	₱19.9
	2019	₱24.6	₱18.7

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 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 reasonable *per diem,* the Directors of the Company have not received any salary or compensation for their services as directors and for their committee participations for the periods indicated. There are no other special arrangements pursuant to which any director was or is to be compensated. There is no compensatory plan or arrangement for the termination, resignation, or retirement of a member of the Board.

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 March 31, 2022

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 at March 31, 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.

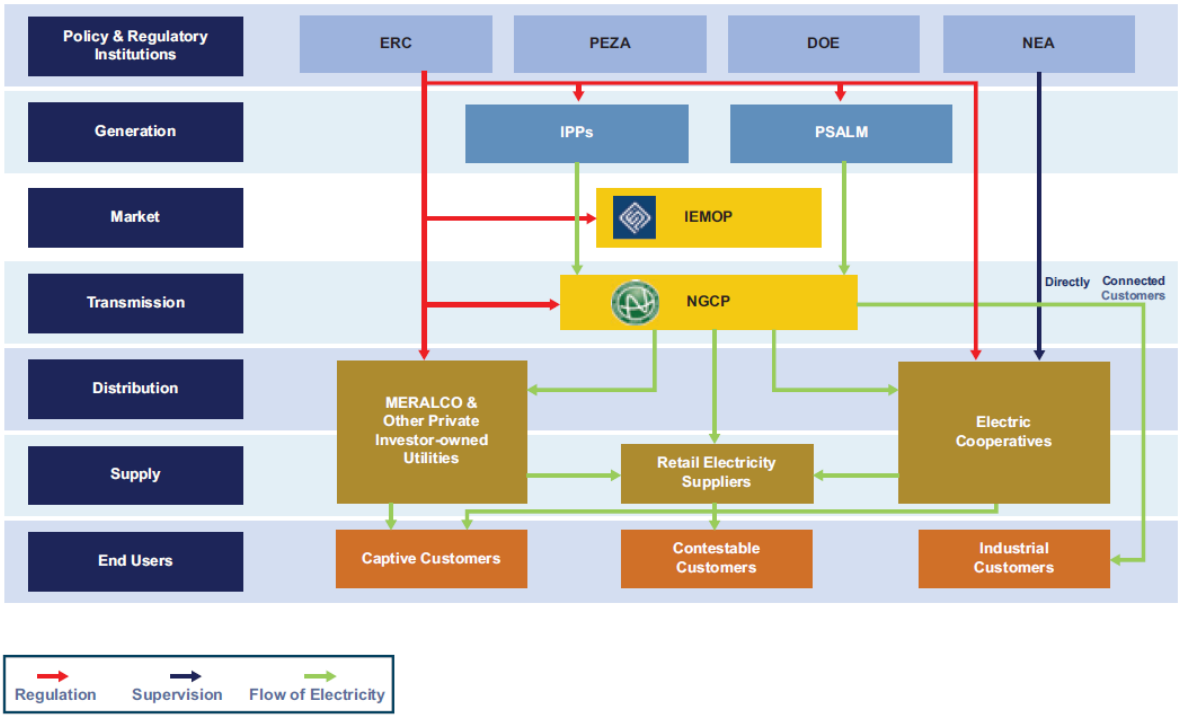
The incumbent members of the Related Party Transaction Committee are Josefina Guevarra-Salonga, Consuelo M. Ynares-Santiago, Jack G. Arroyo, Jr. John Paul L. Ang, and Aurora T. Calderon.

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 Investment Act of 1991 ("FIA")

The FIA liberalized the entry of foreign investment into the Philippines. Under the FIA, in domestic market enterprises, foreigners can own as much as 100% equity except in areas specified in the Eleventh 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 the 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.