

In January 2019, the Parent Company lost in its bid to acquire the power generation company. Consequently, on April 4, 2019, the Board of Directors of the Parent Company approved the reversal of a portion of its 2018 appropriation amounting to ₱1.0 billion.

On November 25, 2019, the Board of Directors of the Parent Company approved the following: (i) appropriation of retained earnings amounting to ₱1.3 billion for the construction and operation of new generating power plant capacity to supply 39 MW full demand requirements in the mainland of Occidental Mindoro starting May 25, 2022, (ii) appropriation of retained earnings amounting to ₱1.0 billion to invest in SPC Island Power Corporation for the 44.2 MW expansion of Bohol Diesel Power Plant in the years 2020 – 2021, and (iii) confirmation of the 2018 appropriation of retained earnings amounting to ₱500.0 million for 1Bohol Power Project that will serve the long-term power requirements of three distribution utilities in Bohol starting December 26, 2023.

On December 2, 2020, the Board of Directors of the Parent Company approved the following: (i) reversal of its 2019 appropriation amounting to ₱1.0 billion as a consequence of change in market conditions. The appropriation was intended for investment in SPC Island Power Corporation for the 44.2 MW expansion of Bohol Diesel Power Plant; (ii) confirmation of the appropriation of retained earnings amounting to ₱1.3 billion for the construction and operation of new generating power plant capacity to supply 39 MW full demand requirements in the mainland of Occidental Mindoro starting May 25, 2022, and (iii) confirmation of the appropriation of retained earnings amounting to ₱500.0 million for 1Bohol Power Project that will serve the long-term power requirements of three distribution utilities in Bohol starting December 26, 2023.

#### Dividends

Cash dividends declared by the Parent Company and its subsidiaries in the last three years are summarized as follows:

Declared By	Date of Declaration	Record Date	Amount	
			Gross (in millions)	Per Share
<b>2022</b>				
<b>SPC</b>	<b>May 31, 2022</b>	<b>June 15, 2022</b>	<b>₱299.3</b>	<b>₱0.20</b>
<b>SLCI</b>	<b>November 16, 2022</b>	<b>November 18, 2022</b>	<b>12.6</b>	<b>0.40</b>
<b>SECI</b>	<b>November 16, 2022</b>	<b>November 18, 2022</b>	<b>14.2</b>	<b>0.75</b>
<b>BLCI</b>	<b>December 7, 2022</b>	<b>December 22, 2022</b>	<b>11.3</b>	<b>0.15</b>
<b>SIPC</b>	<b>December 12, 2022</b>	<b>December 15, 2022</b>	<b>190.0</b>	<b>3.80 (common)</b>
<b>2021</b>				
<b>SPC</b>	April 7, 2021	April 23, 2021	₱598.6	₱0.40
	May 28, 2021	June 14, 2021	897.9	0.60
	December 9, 2021	December 23, 2021	823.1	0.55
<b>SIPC</b>	December 9, 2021	December 15, 2021	350.0	14.0 (common)
<b>BLCI</b>	June 2, 2021	June 7, 2021	11.3	0.15
	December 1, 2021	December 7, 2021	11.3	0.15
<b>2020</b>				
<b>SPC</b>	May 7, 2020	May 22, 2020	₱598.6	₱0.40
	December 2, 2020	December 21, 2020	598.6	0.40
<b>SIPC</b>	December 2, 2020	December 16, 2020	300.0	12.0 (common)
<b>BLCI</b>	May 27, 2020	June 1, 2020	20.0	0.27
	November 4, 2020	November 15, 2020	37.5	0.50
<b>SECI</b>	October 2, 2020	October 15, 2020	18.9	1.00
<b>SLCI</b>	October 2, 2020	October 15, 2020	23.0	0.73



### Non-controlling Interest

As of December 31, 2022 and 2021, the Group has 53.66% direct and indirect ownership interest in BLCI which is primarily engaged in the supply and distribution of electricity in the area presently comprised by Tagbilaran City, Bohol.

The summarized financial information of BLCI as of December 31 is provided below:

	2022	2021
Statements of financial position:		
Current assets	<b>₱481,930,317</b>	₱338,629,153
Noncurrent assets	<b>304,946,293</b>	307,090,467
Current liabilities	<b>326,291,933</b>	162,772,885
Noncurrent liabilities	<b>237,361,170</b>	268,259,416
Equity	<b>223,223,507</b>	214,687,319
Statements of comprehensive income:		
Revenue	<b>1,354,150,549</b>	973,658,521
Costs and expenses	<b>1,352,813,155</b>	976,175,652
Net income	<b>19,109,806</b>	11,425,389
Total comprehensive income	<b>19,786,188</b>	11,513,905
Net income attributable to non-controlling interest	<b>9,288,398</b>	5,294,526
Total comprehensive income attributable to non-controlling interest	<b>9,168,920</b>	5,335,543
Accumulated non-controlling interest	<b>103,441,773</b>	99,486,102

As of December 31, 2022 and 2021, total non-controlling interest amounted to ₱132.5 million and ₱136.4 million, respectively.

### Capital Management

The Group manages its capital structure and makes adjustments to it in the light of changes in economic conditions. To maintain or adjust the capital structure, the Group may adjust the dividend payment to stockholders, return capital to stockholders or issue new shares. No changes were made in the objectives, policies or processes during the years ended December 31, 2022 and 2021.

The Group considers its total equity attributable to equity holders of the Parent, excluding other comprehensive income (loss), as its core capital and is not subject to any externally imposed capital requirements. As of December 31, 2022 and 2021, the Group's core capital amounted as follows:

	2022	2021
Capital stock	<b>₱1,569,491,900</b>	₱1,569,491,900
Additional paid-in capital	<b>86,810,752</b>	86,810,752
Retained earnings	<b>8,727,417,031</b>	7,754,370,912
Treasury stock	<b>(131,008,174)</b>	(131,008,174)
	<b>₱10,252,711,509</b>	₱9,279,665,390



## 19. Cost of Operations

	2022	2021	2020
Fuel, lubricants and chemicals (see Note 9)	<b>₱1,782,032,700</b>	₱758,703,944	₱316,777,057
Purchased power (see Notes 5 and 24)	<b>1,210,261,754</b>	908,258,790	852,689,877
Personnel costs (see Note 21)	<b>125,654,648</b>	119,083,444	110,603,428
Depreciation and amortization (see Note 22)	<b>79,616,613</b>	77,780,037	84,936,282
Spares, materials and supplies (see Note 9)	<b>35,669,642</b>	41,023,244	32,483,605
Repairs and maintenance	<b>21,664,090</b>	13,085,748	13,757,277
Others (see Note 24)	<b>35,273,474</b>	34,556,607	33,143,688
	<b>₱3,290,172,921</b>	₱1,952,491,814	₱1,444,391,214

## 20. General and Administrative Expenses

	2022	2021	2020
Business development	<b>₱63,360,648</b>	₱21,891,882	₱24,447,884
Personnel costs (see Note 21)	<b>61,867,788</b>	57,820,098	51,823,926
Directors' fees	<b>17,604,926</b>	16,073,792	17,443,813
Professional fees	<b>17,559,238</b>	15,190,694	19,428,941
Shared expenses	<b>15,349,154</b>	16,799,664	14,962,804
Insurance	<b>15,050,879</b>	14,468,428	14,713,337
Taxes, licenses and regulatory charges	<b>11,424,430</b>	11,634,226	10,493,090
Rentals (see Notes 5, 29 and 30)	<b>6,627,758</b>	3,157,626	3,377,925
Depreciation and amortization (see Note 22)	<b>4,643,632</b>	9,194,380	9,278,314
Repairs and maintenance	<b>4,194,748</b>	3,591,457	4,372,742
Transportation and travel	<b>3,868,651</b>	1,919,563	3,433,891
Power and water	<b>3,640,408</b>	2,773,220	2,870,460
Communications	<b>3,284,473</b>	3,612,217	4,136,956
Janitorial and security	<b>2,695,588</b>	2,790,972	2,397,475
(Forward)			
Office supplies	<b>₱2,330,079</b>	₱2,188,068	₱2,432,996
Corporate social responsibility	<b>2,069,438</b>	2,017,035	4,901,945
Provisions (see Notes 7, 8 and 11)	<b>2,007,340</b>	9,829,183	2,905,102
Association dues	<b>1,399,213</b>	2,078,264	1,766,897
Supervision and regulation	<b>750,000</b>	750,000	750,000
Entertainment, amusement and recreation	<b>512,373</b>	162,806	362,893
Trainings and seminars	<b>467,597</b>	362,517	108,637
Freight and handling	<b>242,082</b>	282,170	235,173
Others	<b>8,357,817</b>	7,155,406	6,792,311
	<b>₱249,308,260</b>	₱205,743,668	₱203,437,512



Provisions include provision for credit losses (see Note 7).

Others include casualty losses in 2021 amounting to ₱2.1 million recognized as a result of typhoon Odette.

## 21. Personnel Costs

	2022	2021	2020
Salaries and wages	<b>₱128,128,156</b>	₱118,287,194	₱113,208,543
Retirement (see Note 17)	<b>7,851,890</b>	8,287,188	6,702,311
Other employee benefits	<b>51,542,390</b>	50,329,160	42,516,500
	<b>₱187,522,436</b>	₱176,903,542	₱162,427,354

## 22. Depreciation and Amortization

	2022	2021	2020
Depreciation of property, plant and equipment (see Notes 11 and 30):			
Cost of operations (see Note 19)	<b>₱79,139,180</b>	₱77,302,604	₱84,458,849
General and administrative (see Note 20)	<b>4,035,381</b>	8,586,129	8,670,063
	<b>83,174,561</b>	85,888,733	93,128,912
Amortization of franchise:			
Cost of operations (see Note 19)	<b>477,433</b>	477,433	477,433
Amortization of software costs:			
General and administrative (see Note 20)	<b>608,251</b>	608,251	608,251
	<b>₱84,260,245</b>	₱86,974,417	₱94,214,596

## 23. Unbundling of Rates

### Unbundling of Electricity Bill

In compliance with EPIRA, BLCI started to bill its customers using the final unbundled rates approved by the ERC in May 2008 per ERC decision dated March 27, 2008. The Uniform Rate Filing Requirements (UFR) on the rate unbundling released by the ERC on October 30, 2001 specified that BLCI billing will have the following components: Generation Charge, Transmission Charge, System Loss Charge, Distribution Charge, Supply Charge, Metering Charge, and Interclass and Lifeline Subsidies. Local Franchise Taxes, the Power Act Reduction (PAR, for Residential Customers) and the Universal Charge are also separately indicated in the customer's billing statements. The Universal Charges, which are billed and collected merely on behalf of the national government agency, do not form part of BLCI's revenues.



The components of the unbundled bill presented below pertain only to those with recovery mechanism.

Unbundled Bill Component	Mechanism
Generation and System Loss Charges	<ul style="list-style-type: none"> <li>Guidelines for the Automatic Adjustment of Generation Rates and System Loss Rates by Distribution Utilities (DU), as Amended (AGRA)</li> </ul>
Transmission Charge	<ul style="list-style-type: none"> <li>Guidelines for the Adjustment of Transmission Rates by DU (TRAM)</li> <li>Rules for Calculation of the Over or Under Recovery in the Implementation of Transmission Rates and the Corresponding System Loss Rates by DU</li> </ul>
Inter-class Subsidy	<ul style="list-style-type: none"> <li>Guidelines for a “True-Up” Mechanism of the Over or Under Recovery in the Implementation of Inter-class Cross Subsidy Removal by DU</li> </ul>
Lifeline Rate/Subsidy	<ul style="list-style-type: none"> <li>Guidelines for the Calculation of the Over or Under Recovery in the Implementation of Lifeline Rates by DU</li> </ul>

For the years ended December 31, 2022, 2021 and 2020, BLCI’s revenue from distribution of power amounted to ₱1,354.2 million, ₱973.7 million and ₱946.5 million, respectively (see Note 26).

#### Implementation of VAT

With the enactment of R.A. No. 9337, the ERC issued on November 7, 2005 Resolution No. 20, Series of 2005 which prescribed the Guidelines for Implementing the Recovery of VAT and Other Provisions of R.A. No. 9337 affecting the Power Industry. R.A. No. 9337 removes the 2% national franchise tax but imposes a VAT on generation, transmission, distribution, and supply of electricity. Similar to the local franchise tax, the VAT is a separate item in the customers’ bills. The 12% VAT is imposed on electricity consumptions starting February 1, 2006.

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## 24. Significant Contracts

The Group has the following significant contracts:

#### Parent Company

On May 26, 2015, the Parent Company entered into an Ancillary Services Procurement Agreement (ASPA) with the National Grid Corporation of the Philippines (NGCP) that took effect on September 26, 2015 after getting the provisional approval of the ERC. The Parent Company and NGCP executed the ASPA for the supply of dispatchable reserve and reactive power support from its Cebu Diesel Power Plant located in the City of Naga, Cebu for a period of five (5) years under a non-firm arrangement. The ASPA was preterminated on July 13, 2018 due to the return of the Cebu Diesel Power Plant to PSALM (see Note 29).

On December 18, 2018, the Parent Company entered into an ASPA with NGCP for the supply of dispatchable reserve and reactive power support and black start service from the former’s 4x7 MW PB 104 located in Tapal Wharf, Ubay, Bohol under firm and non-firm arrangements. The term of this agreement is for a period of five (5) years commencing upon receipt of a final approval, or in the absence thereof, a provisional approval by the ERC of the application filed on February 14, 2019. The ASPA was implemented effective September 26, 2019.



### SIPC

SIPC and NGCP entered into a Connection Agreement on August 28, 2010, in order for SIPC's generation facilities to remain connected to the transmission system of the NGCP and to continue to avail of the transmission services. This agreement is subject to the terms and conditions for the connection of the generation facility to the transmission system pursuant to the revised rules, terms and conditions for the provision of Open Access Transmission Service. Total transmission charges, lodged in "Others" under "Cost of operations" amounted to ₱5.7 million, ₱5.8 million and ₱6.3 million in 2022, 2021 and 2020, respectively (see Note 19).

On April 18, 2013, SIPC entered into an ASPA with NGCP with provisional approval granted by the ERC on November 11, 2013. The ASPA, however, was made effective only on February 25, 2014 due to the impact of super typhoon Yolanda in November 2013. SIPC and NGCP executed the ASPA for the supply of contingency reserve, dispatchable reserve, reactive power support, and black start service from the Panay and Bohol Diesel Power Plants for a period of five (5) years under a non-firm arrangement. The agreement expired on February 25, 2019. Due to the necessity of extending the services of providing the same ancillary services, SIPC and NGCP have agreed per letter dated November 26, 2018 to extend the ASPA until a new ASPA for each power plant is approved by the ERC.

On November 20, 2018, SIPC entered into an ASPA with NGCP for the supply of dispatchable reserve and black start service under firm and non-firm arrangements, respectively, from SIPC's Bohol Diesel Power Plant. The term of this agreement is for a period of five (5) years commencing upon receipt of a final approval, or in the absence thereof, a provisional approval by the ERC. The ASPA was implemented effective April 26, 2019.

On July 3, 2019 and July 25, 2019, SIPC entered into an ASPA with NGCP for the supply of dispatchable reserve and contingency reserve under firm and non-firm arrangements from SIPC's Panay Diesel Power Plant. The term of this agreement is for a period of five (5) years commencing upon receipt of a final approval, or in the absence thereof, a provisional approval by the ERC. As of December 31, 2022, the ASPA is still for approval by ERC.

As of December 31, 2021, all of SIPC's power supply contracts for the supply of peaking power requirements have expired. Revenue generated from the PSC in 2021 that expired amounted to ₱6.8 million.

In December 2021, due to the major damages brought by Typhoon Odette on the power supply in Bohol, the Company entered in Emergency Power Sales Agreement with local distribution utilities to provide emergency power to the Province of Bohol until the transmission lines connecting the province to the Visayas power grid was completed in February 2022. Revenues generated from the EPSA in 2022 amounted to ₱75.5 million.

### BLCI

On March 22, 2013, the ERC provisionally approved the Power Sales Contract (PSC) between BLCI and KEPCO SPC that was executed on October 12, 2012. The contract period is 10 years with an annual contract quantity of 43,800,000 kWh. KEPCO SPC started its supply to BLCI on July 26, 2013. On June 29, 2015, ERC issued the final approval on the PSC between BLCI and KPSC with modification on the base price particularly on the fuel cost component.

Pursuant to Section 8 of R.A. No. 9136, the National Transmission Corporation (TransCo) was created and assumed the electrical transmission functions of the NPC. On November 13, 2006, BLCI and TransCo entered into a Transmission Service Agreement (TSA) to support the CSEE between BLCI and NPC. By virtue of R.A. No. 9511 dated December 1, 2008, the NGCP was granted a franchise to



engage in the business of conveying or transmitting electricity through high voltage backbone system of interconnected transmission lines, substations and related facilities and for other purposes. These activities were previously undertaken by TransCo.

The Wholesale Electricity Spot Market (WESM) started operation in the Visayas region on December 26, 2010. BLCI is registered with Philippine Electricity Market Corporation (PEMC)/Independent Electricity Market Operator of the Philippines, Inc. (IEMOP) as a direct WESM participant in order to avail of the opportunities in the competitive electricity market effective December 26, 2010.

Total power purchases from KEPCO SPC, NGCP, NPCs and PEMC/IEMOP, net of discounts, amounted to ₱1,254.9 million, ₱863.4 million, and ₱794.8 million in 2022, 2021 and 2020, respectively, and presented as “Purchased power” under “Cost of operations” in the consolidated statements of comprehensive income (see Note 19).

The outstanding payables to KEPCO SPC, NGCP and PEMC/IEMOP included under “Trade and other payables” (see Note 14), on purchased power amounted to ₱174.0 million and ₱51.1 million as of December 31, 2022 and 2021, respectively.

## 25. Income Tax

	2022	2021	2020
Current	<b>₱93,336,400</b>	₱77,005,217	₱125,379,407
Deferred	<b>14,770,731</b>	4,620,497	(2,126,082)
	<b>₱108,107,131</b>	₱81,625,714	₱123,253,325

The reconciliation between the amounts of provision for income tax computed at the statutory tax rate to provision for income tax in the consolidated statements of comprehensive income for the years ended December 31 follows:

	2022	2021	2020
Income before income tax	<b>₱1,394,889,461</b>	₱1,279,338,784	₱1,756,599,765
Provision for income tax computed at 25% and 20% for 2022 and 2021 and 30% for 2020	<b>₱348,722,366</b>	₱319,592,759	₱526,979,930
Adjustments to income tax resulting from:			
Equity in net earnings of associates	<b>(231,338,576)</b>	(216,962,474)	(364,036,470)
Net unrealized forex loss (gain)	<b>17,014,161</b>	(409,124)	(98,196)
Impact of OSD	<b>(200,265)</b>	(13,026,245)	(23,033,087)
Interest income already subjected to final tax	<b>(6,949,552)</b>	(8,608,745)	(15,493,374)
Others	<b>(19,141,003)</b>	1,039,543	(1,065,478)
	<b>₱108,107,131</b>	₱81,625,714	₱123,253,325



The Group's deferred income tax assets and deferred income tax liabilities relate to the following:

	2022	2021
Deferred income tax assets on:		
Asset retirement obligation	<b>₱23,575,717</b>	₱22,430,472
Right-of-use asset	<b>2,846,922</b>	—
Pension liabilities	<b>7,474,725</b>	6,541,368
Unrealized foreign exchange loss	<b>330,425</b>	106
	<b>₱34,227,789</b>	₱28,971,946
	2022	2021
Deferred income tax liabilities on:		
Excess of fair value over acquisition cost - property, plant and equipment and inventory	<b>₱569,015</b>	₱601,838
Lease liability	<b>2,756,738</b>	—
Unrealized forex exchange gain	<b>17,326,346</b>	23,684
	<b>₱20,652,099</b>	₱625,522

On July 7, 2008, R.A. No. 9504, which amended the provisions of the 1997 Tax Code, became effective. It includes provisions relating to the availment of the OSD. Corporations, except for non-resident foreign corporations, may now elect to claim standard deduction in an amount not exceeding 40% of their gross income. A corporation must signify in its returns its intention to avail of the OSD. If no indication is made, it shall be considered as having availed of the itemized deductions. The availment of the OSD shall be irrevocable for the taxable year for which the return is made. On November 26, 2008, the BIR issued Revenue Regulation 16-2008 for the implementing guidelines of the law.

The Parent Company, SIPC and BLCI availed of the OSD in the computation of their taxable income in 2022, 2021 and 2020 with an effective tax rate of 15% in 2022 and 2021 and 18% in 2020.

## 26. Segment Information

For management purposes, the Group is organized into business units based on their products and services provided as follows:

- Generation - generation and supply of power and ancillary services to NPC/PSALM, NGCP, distribution utilities, WESM and other customers.
- Distribution - distribution and sale of electricity to the end-users.
- Others - includes the operations of SECI and SLCI such as to manage, operate and invest in power generating plants and related facilities.

These operating segments are consistent with those reported to the BOD, the Group's Chief Operating Decision Maker (CODM).

The Group operates and generates revenue principally only in the Philippines (i.e., one geographical location). Thus, geographical segment information is not presented.





The CODM monitors the operating results of its business units separately for the purpose of making decisions about resource allocation and performance assessment. Segment performance is evaluated based on operating profit or loss in the consolidated financial statements.

The Group earned inter-segment revenues amounting to ₱70.2 million in 2022 and nil in 2021 and 2020, pertaining to the supply of emergency power by SPC and SIPC to BLCI.

2022						
	Before Eliminations				Eliminations	After Eliminations/ Consolidated
	Generation	Distribution	Others	Total		
Revenue	₱2,565,982,204	₱1,354,150,548	₱–	₱3,920,132,752	(₱70,160,929)	₱3,849,971,823
Income before income tax	1,645,872,826	28,209,580	9,907,042	1,683,989,448	(289,099,987)	1,394,889,461
Net income	1,545,931,257	20,044,018	9,907,042	1,575,882,317	(289,099,987)	1,286,782,330
Total assets	8,548,644,207	786,876,611	63,229,460	9,398,750,278	2,208,953,018	11,607,703,296
Property, plant and equipment (see Note 11)	473,583,345	259,866,612	–	733,449,957	1,267,905	734,717,862
Total liabilities	650,911,273	563,653,103	236,902	1,214,801,278	(6,583,898)	1,208,217,380
Depreciation and amortization (see Note 22)	57,800,909	26,459,336	–	84,260,245	–	84,260,245
Capital expenditures	13,035,579	60,839,249	–	73,874,828	(477)	73,874,351
2021						
	Before Eliminations				Eliminations	After Eliminations/ Consolidated
	Generation	Distribution	Others	Total		
Revenue	₱1,495,725,744	₱973,658,521	₱–	₱2,469,384,265	₱–	₱2,469,384,265
Income before income tax	1,897,868,015	17,604,966	4,889,220	1,920,362,201	(641,023,417)	1,279,338,784
Net income	1,822,421,878	11,425,389	4,889,220	1,838,736,487	(641,023,417)	1,197,713,070
Total assets	7,344,102,008	645,719,620	80,012,500	8,069,834,128	2,282,390,810	10,352,224,938
Property, plant and equipment (see Note 11)	505,488,253	225,009,267	–	730,497,520	1,268,382	731,765,902
Total liabilities	504,637,301	431,032,301	132,434	935,802,036	(5,936,033)	929,866,003
Depreciation and amortization (see Note 22)	61,537,016	25,437,401	–	86,974,417	–	86,974,417
Capital expenditures	27,818,771	42,958,309	–	70,777,080	–	70,777,080
2020						
	Before Eliminations				Eliminations	After Eliminations/ Consolidated
	Generation	Distribution	Others	Total		
Revenue	₱1,049,533,098	₱946,537,844	₱–	₱1,996,070,942	₱–	₱1,996,070,942
Income before income tax	2,199,377,721	51,270,341	26,661,280	2,277,309,342	(520,709,577)	1,756,599,765
Net income	2,090,835,118	36,559,619	26,661,280	2,154,056,017	(520,709,577)	1,633,346,440
Total assets	8,097,928,052	709,556,687	75,102,801	8,882,587,540	2,557,435,766	11,440,023,306
Property, plant and equipment (see Note 11)	538,610,286	209,804,715	–	748,415,001	1,268,382	749,683,383
Total liabilities	409,270,372	483,883,274	111,956	893,265,602	(8,514,120)	884,751,482
Depreciation and amortization (see Note 22)	72,192,334	21,712,199	–	93,904,533	310,063	94,214,596
Capital expenditures	18,457,862	31,006,109	–	49,463,971	–	49,463,971

The Group's revenue from contracts with customers is mainly from generation and distribution services. Set out below is the disaggregation of the Group's revenue from contracts with customer in 2022, 2021 and 2020:

2022			
	Generation	Distribution	Total
Revenue from power supply contracts and ancillary services	₱1,054,696,712	₱–	₱1,054,696,712
Revenue from market power trading	1,441,124,563	–	1,441,124,563
Revenue from distribution services (see Note 23)	–	1,354,150,548	1,354,150,548
Total revenue	₱2,495,821,275	₱1,354,150,548	₱3,849,971,823



	2021		Total
	Generation	Distribution	
Revenue from power supply contracts and ancillary services	₱799,436,314	₱—	₱799,436,314
Revenue from market power trading	696,289,430	—	696,289,430
Revenue from distribution services (see Note 23)	—	973,658,521	973,658,521
Total revenue	1,495,725,744	973,658,521	2,469,384,265
Revenue from management services presented as “Service income” (see Note 5)	40,002,385	—	40,002,385
Total	₱1,535,728,129	₱973,658,521	₱2,509,386,650

	2020		Total
	Generation	Distribution	
Revenue from power supply contracts and ancillary services	₱889,961,519	₱—	₱889,961,519
Revenue from market power trading	159,571,579	—	159,571,579
Revenue from distribution services (see Note 23)	—	946,537,844	946,537,844
Total revenue	1,049,533,098	946,537,844	1,996,070,942
Revenue from management services presented as “Service income” (see Note 5)	120,007,156	—	120,007,156
Total	₱1,169,540,254	₱946,537,844	₱2,116,078,098

Revenue from the Group’s major customers, which account for 23%, 32%, 41% in 2022, 2021 and 2020, respectively, amounted to ₱906.6 million, ₱787.4 million and ₱816.2 million, respectively.

#### Eliminations

Eliminations are part of detailed reconciliations presented below:

#### *Reconciliation of Net Income*

	2022	2021	2020
Segment net income	₱1,575,882,321	₱1,838,736,487	₱2,154,056,017
Equity in net earnings of associates (see Note 10)	925,354,304	867,849,896	1,213,454,900
Dividend income from associates (see Note 10)	(1,004,673,517)	(1,146,799,813)	(1,381,016,911)
Dividend income from subsidiaries	(209,780,778)	(362,073,500)	(353,147,566)
Group net income	₱1,286,782,330	₱1,197,713,070	₱1,633,346,440

#### *Reconciliation of Total Assets*

	2022	2021
Segment assets	₱9,400,018,185	₱8,071,728,032
Inter-segment receivables	(15,222,759)	(14,575,375)
Investments in associates and subsidiaries	2,190,385,854	2,263,175,787
Goodwill	32,522,016	32,522,016
Group assets	₱11,607,703,296	₱10,352,850,460



*Reconciliation of Total Liabilities*

	2022	2021
Segment liabilities	<b>₱1,214,801,278</b>	₱936,427,558
Inter-segment payables	<b>(6,583,898)</b>	(5,936,033)
Group liabilities	<b>₱1,208,217,380</b>	₱930,491,525

Indicators

The following financial indicators are used, among others, by management to evaluate the performance of the Group as of and for the years ended December 31, 2022, 2021 and 2020:

	2022	2021	2020
For the years ended December 31:			
Earnings per share (see Note 27)	<b>₱0.85</b>	₱0.80	₱1.07
Share in net earnings of associates (see Note 10)	<b>925,354,304</b>	867,849,896	1,213,454,900
Return on equity (total comprehensive income divided by average total equity)	<b>13.06%</b>	11.99%	15.80%
Return on assets (total comprehensive income divided by average total assets)	<b>11.80%</b>	10.99%	14.52%
Cash flows:			
Net cash flows from operating activities	<b>369,629,036</b>	300,434,967	629,238,373
Net cash flows from investing activities	<b>930,799,167</b>	1,065,237,033	1,335,891,638
Net cash flows used in financing activities	<b>(321,100,929)</b>	(2,327,504,748)	(1,247,833,991)
As of December 31:			
Cash and cash equivalents (see Note 6)	<b>₱4,031,421,593</b>	₱2,984,110,635	₱3,944,306,886
Current ratio (total current assets including noncurrent assets held for sale divided by total current liabilities including liabilities directly associated with noncurrent assets held for sale)	<b>6.52</b>	7.21	9.71
Debt ratio (total liabilities divided by total assets)	<b>0.10</b>	0.09	0.08
Debt-to-equity ratio (total liabilities divided by total equity)	<b>0.11</b>	0.10	0.08
Solvency ratio (total comprehensive income before depreciation and amortization divided by total liabilities)	<b>1.16</b>	1.38	1.96



## 27. Earnings Per Share

The following presents information necessary to calculate earnings per share attributable to equity holders of the Parent Company:

	2022	2021	2020
Net income attributable to equity holders of the Parent	<b>₱1,272,356,481</b>	₱1,190,653,672	₱1,603,436,958
Weighted average number of common shares issued and outstanding	<b>1,496,551,803</b>	1,496,551,803	1,496,551,803
Basic/Diluted earnings per share	<b>₱0.85</b>	₱0.80	₱1.07

Computation of weighted average number of common shares issued and outstanding follows:

Number of shares issued	1,569,491,900
Less weighted average number of treasury shares	72,940,097
	<b>1,496,551,803</b>

There are no potentially dilutive common shares issued as of December 31, 2022, 2021 and 2020.

## 28. Financial Risk Management Objectives and Policies

The Group's principal financial instruments comprise of cash and cash equivalents and trade and other payables. The Group has various other financial assets and liabilities such as trade and other receivables, trade and other payables, PSALM deferred adjustments included under "Other noncurrent assets" and customers' deposits which arise directly from its operations.

The main risks arising from the Group's financial instruments are liquidity risk and credit risk.

The Group's senior management oversees the management of these risks. The Group's senior management ensures that the Group's financial risk-taking activities are governed by appropriate policies and procedures and that financial risks are identified, measured and managed in accordance with the Group's policies and risk appetite.

The BOD reviews and approves policies for managing each of these risks and they are summarized below.

### Interest Rate Risk

Interest rate risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates. The Group's exposure to risk of changes in market interest rates relates primarily to the Group's long-term debt obligations with floating interest rates. The Group's policy is to manage its interest cost using the variable-rate debts. As of December 31, 2022 and 2021, the Group does not have a financial liability that is exposed to interest rate risk.



## Liquidity Risk

Liquidity risk is the potential of not meeting obligations as they come due because of an inability to liquidate assets or obtain adequate funding. The Group's objective is to maintain a balance between continuity of funding and flexibility. The Group maintains sufficient cash and cash equivalents to finance its operations. Any excess cash is invested in short-term money market placements. These placements are maintained to meet maturing obligations and pay dividend declarations.

The tables below summarize the maturity profile of the Group's financial assets used to manage liquidity risk and financial liabilities at December 31 based on contractual undiscounted payments:

		2022				
	Total	Current	1 to 30 Days	31 to 60 Days	61 to 90 Days	Over 90 Days
<b>Financial Assets</b>						
At amortized cost:						
Cash and cash equivalents	₱4,031,421,593	₱4,031,421,593	₱–	₱–	₱–	₱–
Trade and other receivables						
NPC	–	–	–	–	–	–
Receivable from customers	593,891,475	369,709,365	46,790,364	24,642,283	13,110,124	139,639,339
Dividends receivable	–	–	–	–	–	–
Current portion of PSALM deferred adjustments	36,798,477	36,798,477	–	–	–	–
Due from related parties	2,689,294	249,598	16,787	15,000	131,842	2,276,067
Others	62,455,812	17,809,500	16,412,138	14,244,441	5,734,827	8,254,906
	695,835,058	424,566,940	63,219,289	38,901,724	18,976,793	150,170,312
PSALM deferred adjustments (included in "Other noncurrent assets")	35,571,861	–	–	–	–	35,571,861
	4,762,828,512	4,455,988,533	63,219,289	38,901,724	18,976,793	185,742,173
At FVOCI:						
Investment in proprietary club shares	13,000,000	–	–	–	–	13,000,000
	4,775,828,512	4,455,988,533	63,219,289	38,901,724	18,976,793	198,742,173
<b>Financial Liabilities</b>						
Trade and other payables						
Trade	520,165,764	478,726,389	5,812,963	3,567,007	1,558,500	30,500,905
Nontrade	46,975,567	4,754,292	3,141,306	3,066,540	3,066,554	32,946,875
Accrued expenses	49,082,493	38,740,025	121,898	301,058	211,743	9,707,769
Dividends payable	–	–	–	–	–	–
Due to related parties	502,642	–	–	–	–	502,642
	616,726,466	522,220,706	9,076,167	6,934,605	4,836,797	73,658,191
Customers' deposits	191,579,049	–	–	–	–	191,579,049
Lease liabilities	13,215,403	–	–	–	–	13,215,403
Other noncurrent liability	35,571,861	–	–	–	–	35,571,861
	857,092,779	522,220,706	9,076,167	6,934,605	4,836,797	314,024,504
<b>Net Financial Assets (Liabilities)</b>	<b>₱3,918,735,733</b>	<b>₱3,933,767,827</b>	<b>₱54,143,122</b>	<b>₱31,967,119</b>	<b>₱14,139,996</b>	<b>(₱115,282,331)</b>

		2021				
	Total	Current	1 to 30 Days	31 to 60 Days	61 to 90 Days	Over 90 Days
<b>Financial Assets</b>						
At amortized cost:						
Cash and cash equivalents	₱2,984,110,635	₱2,984,110,635	₱–	₱–	₱–	₱–
Trade and other receivables						
NPC	1,015,262	–	–	–	–	1,015,262
Receivable from customers	307,274,236	156,633,651	44,133,687	13,797,096	10,952,451	81,757,351
Dividends receivable	79,999,911	79,999,911	–	–	–	–
Current portion of PSALM deferred adjustments	36,798,477	36,798,477	–	–	–	–
Due from related parties	2,190,509	79,314	15,000	18,450	72,762	2,004,983
Others	62,549,226	32,934,724	4,661,276	3,431,009	2,119,080	19,403,137
	489,827,621	306,446,077	48,809,963	17,246,555	13,144,293	104,180,733
PSALM deferred adjustments (included in "Other noncurrent assets")	72,370,338	–	–	–	–	72,370,338
	3,546,308,594	3,290,556,712	48,809,963	17,246,555	13,144,293	176,551,071
At FVOCI:						
Investment in proprietary club shares	8,000,000	–	–	–	–	8,000,000
	3,554,308,594	3,290,556,712	48,809,963	17,246,555	13,144,293	184,551,071

(Forward)



	2021					
	Total	Current	1 to 30 Days	31 to 60 Days	61 to 90 Days	Over 90 Days
<b>Financial Liabilities</b>						
Trade and other payables						
Trade	₱329,057,824	₱308,846,970	₱7,172,718	₱5,308,674	₱1,980,569	₱5,748,893
Nontrade	48,837,121	40,412,010	66,544	52,037	—	8,306,530
Accrued expenses	24,945,253	17,357,746	59,338	59,338	356,029	7,112,802
Dividends payable	4,342,484	4,342,484	—	—	—	—
Due to related parties	1,012,353	194,600	—	—	—	817,753
	408,195,035	371,153,810	7,298,600	5,420,049	2,336,598	21,985,978
Customers' deposits	186,776,397	—	—	—	—	186,776,397
Lease liabilities	2,662,317	—	—	—	—	2,662,317
Other noncurrent liability	72,370,338	—	—	—	—	72,370,338
	670,004,087	371,153,810	7,298,600	5,420,049	2,336,598	283,795,030
<b>Net Financial Assets (Liabilities)</b>	<b>₱ 2,884,304,507</b>	<b>₱2,919,402,902</b>	<b>₱41,511,363</b>	<b>₱11,826,506</b>	<b>₱10,807,695</b>	<b>(₱99,243,959)</b>

### Credit Risk

Credit risk refers to the risk that a counterparty will default on its contractual obligations resulting to a financial loss.

The Group trades only with recognized, creditworthy third parties. It is the Group's policy that all customers who wish to trade on credit terms are subject to credit procedures. In addition, receivable balances are monitored on an ongoing basis with the result that exposure to impairment loss is not significant.

With respect to credit risk arising from the financial assets of the Group, which comprise cash and cash equivalents, trade and other receivables and PSALM deferred adjustments included in "Other noncurrent assets", the Group's exposure to credit risk arises from default of the counterparty. The Group's credit risk from cash and cash equivalents is mitigated by Philippine Deposit Insurance Corporation's (PDIC) insurance coverage on the cash in bank. While the Group does not hold collateral as security, its credit risk from trade and other receivables is mitigated by the customers' deposits which are collected to guarantee any uncollected bills from the customers upon termination of the service contract.

The Group's maximum exposure equals to the carrying amount of the aforementioned instruments, excluding cash on hand, and is offset by the PDIC insurance coverage and customers' deposits. The offset relates to balances where there is a legally enforceable right of offset in the event of counterparty default and where, as a result, there is a net exposure for credit risk management purposes. However, as there is no intention to settle these balances on a net basis under normal circumstances, they do not qualify for net presentation for accounting purposes.

	2022		
	Maximum exposure	Offset	Exposure to credit risk
At amortized cost:			
Cash and cash equivalents (excluding cash on hand)	₱4,030,740,465	(₱9,507,428)	₱4,021,233,037
Trade and other receivables	695,835,058	(60,342,329)	635,492,729
PSALM deferred adjustments (included in "Other noncurrent assets")	35,571,861	—	35,571,861
	₱4,762,147,384	(₱9,849,757)	₱4,692,297,627
	2021		
	Maximum exposure	Offset	Exposure to credit risk
At amortized cost:			
Cash and cash equivalents (excluding cash on hand)	₱2,983,125,816	(₱9,020,940)	₱2,974,104,876
Trade and other receivables	489,827,621	(115,381,160)	374,446,461
PSALM deferred adjustments (included in "Other noncurrent assets")	72,370,338	—	72,370,338
	₱3,545,323,775	(₱124,402,100)	₱3,420,921,675



As of December 31, 2022 and 2021, the Group's significant concentration of credit risk pertains to its trade and other receivables and PSALM deferred adjustments amounting to ₱731.4 million and ₱562.2 million, respectively, and impaired financial assets, determined based on probability of collection, are adequately covered with allowance.

The following are the details of the Group's assessment of credit quality and the related ECLs as at December 31, 2022 and 2021:

#### General Approach

- *Cash and cash equivalents* - As of December 31, 2022 and 2021, the ECL relating to the cash and cash equivalents of the Group is minimal as these are deposited in reputable banks which have good bank standing, and is considered to have low credit risk.
- *Due from NPC/PSALM and other receivables* - As of December 31, 2022 and 2021, there were no individually impaired accounts. No ECL is recognized for these receivables since there were no history of default payments. This assessment is undertaken each financial year through examining the financial position of the parties and the markets in which the parties operate.

#### Simplified Approach

- *Trade and other receivables* - The Group applied the simplified approach using a 'provision matrix'. As of December 31, 2022 and 2021, the allowance for impairment losses as a result of performing collective and specific impairment test amounted to ₱45.7 million and ₱48.3 million. Management evaluated that the Parent Company's trade receivables are of high grade and of good credit quality.

2022					
	Stage 1 12-month ECL	Stage 2 Lifetime ECL	Stage 3 Lifetime ECL	Lifetime ECL Simplified Approach	Total
Gross carrying amount	₱—	₱—	₱48,283,304	₱693,207,201	₱741,490,505
Less allowance*	—	—	(48,283,304)	2,627,857	(45,655,447)
Carrying amount	₱—	₱—	₱—	₱695,835,058	₱695,835,058

\* Lifetime ECL using the simplified approach includes provision of allowance for the year and reversal of allowance amounting to ₱2.0 and ₱4.7 million, respectively.

2021					
	Stage 1 12-month ECL	Stage 2 Lifetime ECL	Stage 3 Lifetime ECL	Lifetime ECL Simplified Approach	Total
Gross carrying amount	₱—	₱—	₱39,789,858	₱498,321,064	₱538,110,922
Less allowance	—	—	(39,789,858)	(8,493,443)	(48,283,301)
Carrying amount	₱—	₱—	₱—	₱489,827,621	₱489,827,621

The Group grades its financial assets as follows:

- *Cash and Cash Equivalents*: These are assessed as high grade since these are deposited in reputable banks which have good bank standing, thus credit risk is minimal.



- *Receivable/Due from NPC/PSALM, NGCP and Distribution Utilities:* These are assessed as high grade since these receivables arose from the contract provisions of the ROMM Agreement, Operation and Maintenance Service Contracts (OMSC), Ancillary Services Procurement Agreements (ASPA), Power Supply Contracts (PSCs), and/or collectible from government institution.
- *Receivable from Customers of BLCI:* Receivables from commercial customers are classified as high grade; receivables from residential customers as standard; and receivables from the government, hospitals and radio stations as substandard. Classification is based on the collection history with these customers.
- *Due from Related Parties:* These are assessed as standard, although recoverability of these receivables is certain, as these are given secondary priority as to settlement by the related parties compared to third party obligations.
- *Other Receivables:* Grading of financial assets is determined individually based on the Group's collection experience with the counterparty.

#### Fair Value of Financial Assets and Financial Liabilities

Fair value is defined as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. Fair values are obtained from quoted market prices, discounted cash flow models and option pricing models, as appropriate.

The following methods and assumptions are used to estimate the fair value of each class of financial instruments:

- *Cash and Cash Equivalents, Trade and Other Receivables and Trade and Other Payable.* The carrying amounts of cash and cash equivalents, trade and other receivables and trade and other payables approximate their value due to the relatively short-term maturity of these financial instruments.
- *Investment in Proprietary Club Shares.* Market values have been used to determine the fair value of traded proprietary club shares.
- *Noncurrent Receivable (included in "Other Noncurrent Assets") and Other Noncurrent Liability.* The fair values of the noncurrent receivable and noncurrent liability are based on the net present value of cash flows using the prevailing market rate of interest. As of December 31, 2022 and 2021, the carrying values of the noncurrent receivable and noncurrent liability approximate their fair values.
- *Customers' Deposits.* The fair value of customers' deposits approximates the carrying value as (1) bill deposits earn interest at the prevailing market interest rate in accordance with regulatory guidelines and (2) the timing and related amounts of future cash flows relating to material deposits cannot be reasonably and reliably estimated for purposes of establishing their fair values using an alternative valuation technique.

As of December 31, 2022 and 2021, the Group considers its investment in proprietary club shares measured and carried at fair values of ₱13.0 million and of ₱8.0 million under Level 1 classification, respectively (see Notes 3 and 12). The Group also considers its noncurrent receivable amounting to ₱35.6 million and ₱72.4 million as of December 31, 2022 and 2021 respectively; noncurrent liability





amounting to ₱35.6 million and ₱72.4 million as of December 31, 2022 and 2021, respectively; and customers' deposits amounting to ₱191.6 million and ₱186.8 million as of December 31, 2022 and 2021, respectively, under the Level 3 classification.

During the reporting period ended December 31, 2022, there were no transfers between Level 1 and Level 2 fair value measurements, and no transfers into and out of Level 3 fair value measurements.

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## 29. Other Matters

### Electricity Power Industry Reform Act (EPIRA) of 2001

On June 8, 2001, the EPIRA was signed into law and took effect on June 26, 2001. The law provides, among others, for the privatization of the assets of NPC, the creation of PSALM to accept transfers of all assets and assume all outstanding obligations of NPC, and the restructuring of the electric power industry sector as a whole. The law also provides for the mandate and framework to introduce competition in the electricity market and penalize anti-competitive behaviour. The IRR of the EPIRA was approved by the Joint Congressional Power Commission on February 27, 2002.

The EPIRA and its covering IRR provide for significant changes in the power industry including the following: (i) Competition in the retail supply of electricity; (ii) Open access to the transmission and distribution systems; (iii) Establishment of a Wholesale Electricity Spot Market (WESM); (iv) Unbundling of the generation, transmission and distribution rates; and (v) Removal of existing cross-subsidies provided by industrial and commercial users to residential customers.

An important milestone in the Philippine power industry was reached when the WESM began commercial operations on June 23, 2006. In the Visayas region, WESM started operations on December 26, 2010. The establishment of the WESM is one of the preconditions to retail competition and open access required by the EPIRA.

SIPC, after complying with the requirements set under WESM rules, has been participating in the WESM since the start of commercial operation of the WESM in the Visayas Grid on December 26, 2010 up to the present. The Parent Company participated in the WESM starting in the last quarter of 2014.

### Land Lease Agreements (LLAs)

The Parent Company and SIPC entered into LLAs with PSALM (as Lessor) in furtherance of and as an ancillary contract to the respective Asset Purchase Agreements (APA) with PSALM, governing the sale of assets as follows:

- *Panay and Bohol Diesel Power Plants.* The purchase of the Panay and Bohol Diesel Power Plants was covered by LLA between the Parent Company and PSALM which provides, among others, that the control and possession of the facilities will be turned over to the Parent Company upon completion of the conditions precedent to closing. Subsequently, with the written consent of PSALM, the Parent Company assigned its rights and obligations under the APA and LLA to SIPC. Following the completion of the conditions precedent and the completion of the respective Certificates of Closing of the Parent Company, SIPC and PSALM, the control and possession of the purchased assets were turned over and transferred to SIPC on March 25, 2009 (the "Closing Date").



The term of the LLA is 25 years from Closing Date, which may be renewed or extended for another period of 25 years or the remaining corporate life of PSALM, whichever is shorter, upon the mutual written agreement of the parties. The rentals which were paid in full on Closing Date (March 25, 2009) amounted to ₱10.6 million.

- *LBGTs.* On January 29, 2010, the Parent Company executed the LLA with a term of 10 years from Closing Date, which may be renewed or extended for another period of 10 years or the remaining corporate life of PSALM, whichever is shorter, upon the mutual written agreement of the parties. The rentals which were paid in full on Closing Date amounted to ₱1.2 million.
- *153.1 MW Naga Power Plant (consisting of CTPP 1, CTPP 2 and CDPP 1).* On September 25, 2014, the Parent Company executed the LLA with a term of 25 years from Closing Date, which may be renewed or extended for another period of 25 years or the remaining corporate life of PSALM, whichever is shorter, upon the mutual written agreement of the parties. The rentals which were paid in full in 2014 amounted to ₱712.5 million including withholding tax borne by the Parent Company.

Under the LLAs, the Parent Company and SIPC shall use and occupy the leased premises primarily for the operation, management, expansion and maintenance of the power plants, and shall not assign or transfer any of their right under the LLA or sublease all or any part of the leased premises without the prior consent of PSALM. The Parent Company and SIPC, at their own expense, shall be solely responsible for obtaining all the necessary authorizations, licenses and permits for any alterations, additions, facilities, improvements and installations introduced on the leased premises. Within a period of 180 days from the termination of the LLAs or expiration of the lease terms, the Parent Company and SIPC are obliged to perform activities to facilitate clean-up, return and surrender of the leased premises (see Notes 3 and 4).

The LLAs also cover an option to purchase optioned assets within the leased premises that may be offered by the Lessor. The purchase price (on a per square meter basis) shall be equivalent to the highest of the following valuations and/or amounts: (i) the assessment of the Provincial Assessor; (ii) the assessment of the Municipal or City Assessor; and (iii) the zonal valuation of the Bureau of Internal Revenue. The unused rentals corresponding to the area of the optioned assets over which the option was exercised shall be deducted from the purchase price.

In 2017, SIPC exercised its option to purchase the optioned assets covering all the lots underlying the Bohol Diesel Power Plant with a total area of 27,527 square meters. The aggregate of the purchase price amounting to ₱35.6 million is shown as part of “Property, plant and equipment” account in the consolidated statements of financial position (see Note 11).

- *Berthing Area and Subtransmission Steel Post.* On June 23, 2022, the Parent Company entered into a 5-year lease agreement for a parcel of land with Philippine Ports Authority designated as berthing and subtransmission steel post area in the Port of Tapal, Bohol.

#### PSALM’s Cost Recovery Adjustments

*Deferred Accounting Adjustments (DAA).* The ERC issued an Order dated June 20, 2017-authorizing PSALM to implement the methodology for the recovery/refund of the approved DAA pertaining to GRAM and ICERA, which was granted by ERC in a Decision dated March 26, 2012.



Upon Private Electric Power Operators Association's (PEPOA) motion, the ERC, in an Order dated October 19, 2017, deferred the implementation of the approved DAA pending clarification by the ERC of the queries raised in the motion for clarification.

The ERC subsequently clarified that the GRAM and ICERA DAA are deferred adjustments, which were incurred by PSALM/NPC in supplying energy during the corresponding period; thus, it should be recovered/refunded by PSALM/NPC to its customers. Hence, the Distribution Utilities (DUs) are not just mere collectors of the said DAA but these are charges that they should pay to NPC/PSALM and charged to their customers as part of their generation charge. In the same Order, the ERC directed the DUs to resume the implementation of the GRAM and ICERA starting the January 2018 billing period.

*Automatic Cost Recovery Mechanism (ACRM).* On June 20, 2017, the ERC issued its Decision, authorizing PSALM to recover/refund the True-up Adjustments of Fuel and Purchased Power Costs and Foreign Exchange-Related Costs effective its next billing period.

In an Order dated October 19, 2017, the implementation of the ACRM was deferred to the January 2018 billing period pending the evaluation of the clarifications raised in PEPOA's letter and motion and, subsequently, the ERC issued an Order directing PSALM and the DUs to abide with the clarifications issued by the ERC.

The current portion of the Group's PSALM deferred adjustments amounting to ₱36.8 million as of December 31, 2022 and 2021, respectively, is recorded under "Trade and other receivables" and the noncurrent portion amounting to ₱35.6 million and ₱72.4 million as of December 31, 2022 and 2021, respectively, are presented as part of "Other noncurrent assets", in the consolidated statements of financial position (see Notes 7 and 12). The current and noncurrent portions of the corresponding amounts due to PSALM was presented as part of "Nontrade" under "Trade and other payables" and "Other noncurrent liability" in the consolidated statement of financial position as of December 31, 2022 and 2021.

#### Acquisition and Turnover of the 153.1 MW Naga Power Plant Complex (NPPC)

Prior to the expiration of the OMSC on September 25, 2014, the Parent Company purchased the NPPC after exercising its "right-to-top" (RTT) the winning bid, which right was pursuant to the LLA with PSALM that was executed when the LBGTs were acquired by the Parent Company in 2010. Pursuant to the APA executed by the Parent Company and PSALM covering the purchase of the assets consisting of the thermal and diesel power plants (CTPP 1 and CTPP 2, and CDPP 1), the Parent Company paid PSALM a total of ₱463.3 million. The Parent Company and PSALM also entered into an LLA, as an ancillary contract to the APA, covering the land where the purchased assets are located, and paid in full the total lease rentals amounting to ₱712.5 million. Following the issuance of Notice of Award on July 28, 2014 and after completing all the conditions for Closing, PSALM turned over the NPPC to the Parent Company on September 25, 2014, coinciding with the termination of the OMSC.

More than one year after PSALM awarded the NPPC to the Parent Company, the Supreme Court (SC) declared the APA and the LLA for the sale of the NPPC to be null and void per decision promulgated on September 28, 2015.

On December 1, 2015, the Parent Company filed its Motion for Reconsideration of the SC Decision dated September 28, 2015. In said Motion for Reconsideration, the Parent Company stressed that, as the owner of the LBGT and the lease on the land on which the LBGT stands, it has an interest in the whole of the Complex and not just within the leased premises. This is due to the fact that the Parent Company's payment for the LBGT necessarily includes payment for the RTT, the LBGT and the land



subject of the LBGT-LLA which forms part of the Complex, and the Parent Company shares in the use, upkeep and maintenance of the Co-Use Facilities within the Complex, thus, showing that the Parent Company's interest extends to the whole of the Complex.

On December 9, 2015, the SC resolved to deny the Motion for Reconsideration. Thus, a Motion For Leave to File and Admit the Attached Urgent Motion for Second Reconsideration and/or Referral to the En Banc was filed by the Parent Company on February 2, 2016. However, on April 6, 2016, the SC issued a Resolution where it resolved among others to deny the said Motion For Leave and noted without action, the attached Urgent Motion for Second Reconsideration and /or Referral to En Banc, in view of the denial of the Motion for Leave. Accordingly, an amount equivalent to ₱1,143.2 million (i.e., amount paid by the Parent Company to PSALM in 2014, net of withholding tax) was recognized as other noncurrent receivable as of December 31, 2016 and 2015. On October 5, 2016, the SC granted the manifestation/motion of Therma Power Visayas, Inc. (TPVI) dated March 16, 2016 praying for the reinstatement of the notice of award in favor of TPVI dated April 30, 2014. The Parent Company then filed an Urgent Motion For Reconsideration with Alternative Motion to Refer to the En Banc, on November 2, 2016. In a Resolution dated November 28, 2016, the SC denied the same. Another Urgent Motion For Reconsideration was filed by the Parent Company on December 9, 2016. This was followed up by the filing on January 19, 2017 of a Supplemental Motion/Petition for Referral to the En Banc which argued that there was a violation of SPC's substantive right to due process in reinstating the Notice of Award in favor of TPVI and a violation of procedural due process in lifting the Entry of Judgment of September 28, 2015.

On February 21, 2017, the Parent Company received the Entry of Judgment through its legal counsel certifying that the September 28, 2015 Decision and October 5, 2016 Resolution have become final and executory on November 28, 2016 and were recorded in the Books of Entries of Judgments.

On April 26, 2017, the SC issued a final resolution denying both the Motion for Reconsideration and the Supplemental Motion/Petition for Referral to the En Banc filed on December 9, 2016 and January 19, 2017, respectively. In its final resolution, the SC confirmed that the September 28, 2015 Decision and the October 5, 2016 Resolution became final on November 28, 2016.

After receipt of the Notice of the Second Entry of Judgment in February 2017, the Parent Company was anticipating a speedy turnover of the NPPC. However, serious negotiations never transpired as of December 31, 2017 through no fault of the Parent Company.

Considering that the NPPC has been in the possession of the Parent Company even after November 28, 2016, it has to operate the plant as the best way to preserve it pending the eventual turn-over to PSALM and the return of the purchase price, as well as the reimbursement of necessary and useful expenses made on the NPPC. The incidental income and expenses derived from operating and preserving the NPPC after November 28, 2016 are recognized as part of "Others - net" in the consolidated statements of comprehensive income (see Note 8).

On July 9, 2018, PSALM and the Parent Company finally entered into a Memorandum of Agreement (MOA) containing the terms and conditions for the return of the NPPC to PSALM, return of the SPC Bid to the Parent Company, and the settlement of all claims between the parties.

In accordance with the MOA, PSALM and the Parent Company executed the Joint Certificate of Turnover on July 13, 2018. Thus, the Parent Company turned over the NPPC and paid the entire payable to PSALM through cash amounting to ₱75.7 million, net of withholding tax, for fuel and coal consumed and through replacement of fuel while PSALM returned the SPC Bid to the Parent Company amounting to ₱1,143.2 million.



### Donation of ODPP to the Technical Education and Skills Development Authority (TESDA)

On December 9, 2021, the Board of Directors of SIPC approved the donation of ODPP to TESDA, a government agency tasked to manage and supervise technical education and skills development in the Philippines. This is in relation to SIPC's intention to promote education and welfare among the people in Olango Island and nearby areas. The donation, approximately worth ₱4.1 million of equipment, materials and related facilities, excludes land and fixed structures and improvements.

The Deed of Donation was executed on February 14, 2022.

### Purchase of Power Barge 102 and 103

On September 15, 2021, SIPC entered into an Asset Purchase Agreement (APA) with AC Energy Corporation (ACEN) (Seller) for the purchase of PB 102 and 103 to obtain new and used engine spare parts and replacement equipment for the group's existing operating plant and power barge. Power Barge (PB) 102 and 103, are both 4x8MW oil-fired diesel barges located in Barangay Obrero, Iloilo City and Barangay Poblacion, Lapu-Lapu City, respectively, and are not in commercial operation. Completion of the transaction is subject to the satisfaction of the agreed conditions precedent, including applicable regulatory approvals. Under the APA, SIPC has the right to assign its rights to purchase PB 102 and 103 to SPC, its parent company. In a Board Resolution dated September 15, 2021, SIPC assigned its rights under the APA to SPC, with such assignment accepted by SPC on a Board Resolution dated the same day.

On February 22, 2022, the Deed of Absolute Sale for the purchase of PB 102 was executed between SPC and ACEN for a consideration amounting to ₱39.2 million, inclusive of VAT. On April 18, 2022, the Deed of Absolute Sale for the purchase of PB103 was executed between SPC and ACEN for the same consideration as PB102.

## **30. Lease Agreements**

The Group has entered into various leases for rooms, office spaces, parking lots, sub transmission line steel post space, and parcels of land which include those with other landowners and those with respect to its LLA with PSALM (see Note 29). Leases of parcels of land generally have lease terms between 1–25 years. Lease terms for the other leased assets generally vary between five months to 4 years. Total rent expense charged to operations amounted to ₱6.6 million, ₱4.6 million and ₱4.0 million in 2022, 2021 and 2020, respectively (see Notes 19 and 20). Some of the lease contracts have expired in 2021 and 2020, and nil in 2022.

Set out below are the carrying amounts of the Company's right-of-use assets, presented as part of property, plant and equipment, and lease liabilities and the movements during the years ended December 31, 2022 and 2021:

	2022			
	Right-of-use Assets			Lease Liabilities
	Land	Office Space	Total	
At January 1	₱4,615,478	₱–	₱4,615,478	₱2,662,317
Additions	12,252,170	–	12,252,170	12,252,170
Depreciation expense	(1,570,489)	–	(1,570,489)	–
Interest expense	–	–	–	373,979
Payments	–	–	–	(3,900,774)
At December 31	₱15,297,159	₱–	₱15,297,159	₱11,387,692



2021				
	Right-of-use Assets			Lease Liabilities
	Land	Office Space	Total	
At January 1	₱6,718,448	₱2,405,921	₱9,124,369	₱6,172,755
Depreciation expense	(1,027,024)	(2,405,921)	(3,432,945)	—
Interest expense	—	—	—	112,059
Payments	—	—	—	(1,877,498)
Pre-termination	(1,075,946)	—	(1,075,946)	(1,744,999)
At December 31	₱4,615,478	₱—	₱4,615,478	₱2,662,317

Set out below are the amounts recognized in the consolidated statements of comprehensive income for the years ended December 31:

	2022	2021
Depreciation expense of right-of-use assets	<b>₱1,570,489</b>	₱3,432,945
Interest expense on lease liabilities	<b>373,979</b>	112,059
Rent expense - short-term leases (see Notes 19 and 20)	<b>6,627,758</b>	4,586,277
	<b>₱8,572,226</b>	₱8,131,281

Shown below is the maturity analysis as of December 31, 2022 and 2021 of the undiscounted lease payments:

	2022	2021
One year	<b>₱2,490,088</b>	₱2,622,317
More than 1 years to 2 years	<b>2,739,096</b>	—
More than 2 years to 3 years	<b>3,013,006</b>	—
More than 3 years to 4 years	<b>3,314,307</b>	—
More than 4 years to 5 years	<b>1,658,910</b>	—
	<b>₱13,215,407</b>	₱2,622,317

### 31. Notes to the Consolidated Statements of Cash Flows

Changes in liabilities arising from financing activities are as follows:

2022						
	At January 1	Dividend Declaration	Dividend Attributable to NCI	Others	Cash Flows	At December 31
Dividends payable (see Note 18)	₱4,342,484	₱299,310,361	₱18,263,772	₱—	(₱317,574,134)	₱4,342,483
Lease liabilities* (see Note 30)	2,662,317	—	—	12,252,170	(3,526,795)	11,387,692
	<b>₱7,004,801</b>	<b>₱299,310,361</b>	<b>₱18,263,772</b>	<b>₱12,252,170</b>	<b>(₱321,100,929)</b>	<b>₱15,730,175</b>

\* Others include the net effect of interest accrual for lease liabilities and payment for the same amount but classified as part of operating activities (see Note 30). Others also include additional lease liabilities recognized during the year.

2021						
	At January 1	Dividend Declaration	Dividend Attributable to NCI	Others	Cash Flows	At December 31
Dividends payable (see Note 18)	₱—	₱2,319,655,293	₱10,426,500	₱—	(₱2,325,739,309)	₱4,342,484
Lease liabilities* (see Note 30)	6,172,755	—	—	(1,744,999)	(1,765,439)	2,662,317
	<b>₱6,172,755</b>	<b>₱2,319,655,293</b>	<b>₱10,426,500</b>	<b>(₱1,744,999)</b>	<b>(₱2,327,504,748)</b>	<b>₱7,004,801</b>

\* Others include the net effect of interest accrual for lease liabilities and payment for the same amount but classified as part of operating activities (see Note 30). Others also include the pre-termination of a lease contract during the year.



2020						
	At January 1	Dividend Declaration	Dividend Attributable to NCI	Others	Cash Flows	At December 31
Dividends payable (see Note 18)	P=	P1,197,241,441	P46,278,024	P=	(P1,243,519,465)	P=
Lease liabilities* (see Note 30)	10,487,281	—	—	—	(4,314,526)	6,172,755
	P10,487,281	P1,197,241,441	P46,278,024	P=	(P1,247,833,991)	P6,172,755

\* Others include the net effect of interest accual for lease liabilities and payment for the same amount but classified as part of operating activities (see Note 30).

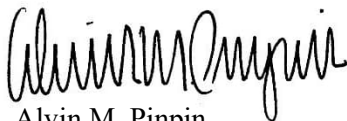


## **INDEPENDENT AUDITOR'S REPORT ON SUPPLEMENTARY SCHEDULES**

The Board of Directors and the Stockholders  
SPC Power Corporation  
7<sup>th</sup> Floor, BDO Towers Paseo  
Paseo de Roxas  
Makati City

We have audited in accordance with Philippine Standards on Auditing, the consolidated financial statements of SPC Power Corporation and Subsidiaries as at December 31, 2022 and 2021, and for each of the three years in the period ended December 31, 2022, included in this Form 17-A, and have issued our report thereon dated March 30, 2023. Our audits were made for the purpose of forming an opinion on the basic consolidated financial statements taken as a whole. The schedules listed in the Index to the Consolidated Financial Statements and Supplementary Schedules are the responsibility of the Company's management. These schedules are presented for purposes of complying with the Revised Securities Regulation Code Rule 68, and are not part of the basic consolidated financial statements. These schedules have been subjected to the auditing procedures applied in the audit of the basic consolidated financial statements and, in our opinion, fairly state, in all material respects, the information required to be set forth therein in relation to the basic financial statements taken as a whole.

SYCIP GORRES VELAYO & CO.



Alvin M. Pinpin

Partner

CPA Certificate No. 94303

Tax Identification No. 198-819-157

BOA/PRC Reg. No. 0001, August 25, 2021, valid until April 15, 2024

SEC Partner Accreditation No. 94303-SEC (Group A)

Valid to cover audit of 2020 to 2024 financial statements of SEC covered institutions

SEC Firm Accreditation No. 0001-SEC (Group A)

Valid to cover audit of 2021 to 2025 financial statements of SEC covered institutions

BIR Accreditation No. 08-001998-070-2020, December 3, 2020, valid until December 2, 2023

PTR No. 9564678, January 3, 2023, Makati City

March 30, 2023





**SPC POWER CORPORATION AND SUBSIDIARIES**

**SCHEDULE A - FINANCIAL ASSETS**

**CASH, RECEIVABLES, FINANCIAL ASSETS AND OTHER SHORT-TERM INVESTMENTS**

**DECEMBER 31, 2022**

Name of Issuing Entity and Description of Each Issue	Number of Shares or Principal Amount of Bonds and Notes	Amount Shown in the Statement of Financial Position/Notes	Value Based on Market Quotations at End of Reporting Period	Income Received and Accrued
At amortized cost:				
Cash and cash equivalents	–	₱4,031,421,593	₱4,031,421,593	₱27,837,299
Trade and other receivables:				
Power Sector Assets and Liabilities Management Corporation (PSALM)	–	–	–	–
Receivable from customers	–	593,891,475	593,891,475	–
Current portion of PSALM deferred adjustments	–	36,798,477	36,798,477	–
Due from related parties	–	2,689,294	2,689,294	–
Dividend receivable	–	–	–	–
Others	–	62,455,812	62,455,812	–
		695,835,058	695,835,058	–
PSALM deferred adjustments (included in “Other noncurrent assets”)	–	35,571,861	35,571,861	–
		4,762,828,512	4,762,828,512	27,837,299
Financial assets at fair value through other comprehensive income:				
Investment in proprietary club shares	1	13,000,000	13,000,000	
Total financial assets	–	₱4,775,828,512	₱4,775,828,512	₱27,837,299

*See Note 28 of the Consolidated Financial Statements.*

**SPC POWER CORPORATION AND SUBSIDIARIES**

**SCHEDULE B - AMOUNTS RECEIVABLE FROM DIRECTORS, OFFICERS, EMPLOYEES, RELATED PARTIES,  
AND PRINCIPAL STOCKHOLDERS (OTHER THAN RELATED PARTIES)**

**DECEMBER 31, 2022**

Name and Designation of Debtor	Balance at Beginning of Period	Additions	Collections	Write Offs	Balance at End of Period		Total
					Current	Noncurrent	
– Not applicable –							

**SPC POWER CORPORATION AND SUBSIDIARIES**

**SCHEDULE C - AMOUNTS RECEIVABLE FROM RELATED PARTIES WHICH ARE ELIMINATED  
DURING THE CONSOLIDATION OF FINANCIAL STATEMENTS  
DECEMBER 31, 2022**

Name and Designation of Debtor	Balance at Beginning of Period	Additions	Collections	Write Offs	Balance at End of Period		
					Current	Noncurrent	Total
SPC Electric Company, Inc.	₱15,922	₱77,951	(₱81,004)	₱—	₱12,869	₱—	₱12,869
Bohol Light Company, Inc.	223,607	316,170	(51,272)	—	488,505	—	488,505
SPC Island Power Corporation	138,849	903,532	(713,858)	—	328,523	—	328,523
SPC Malaya Power Corporation	1,676,183	19,588	(26,183)	—	1,669,588	—	1,669,588
SPC Light Company, Inc.	16,112	15,705	(19,528)	—	12,289	—	12,289
Cebu Naga Power Plant Corporation	176,962	40,189	—	—	217,151	—	217,151
	₱2,247,635	₱1,373,135	(₱891,845)	₱—	₱2,728,925	₱—	₱2,728,925

**SPC POWER CORPORATION AND SUBSIDIARIES**

**SCHEDULE D - LONG-TERM DEBT**

**DECEMBER 31, 2022**

Title of Issue and Type of Obligation	Amount Authorized by Indenture	Current Portion of Long-term Debt	Long-term Debt
– Not applicable –			

**SPC POWER CORPORATION AND SUBSIDIARIES**

**SCHEDULE E - INDEBTEDNESS TO RELATED PARTIES (LONG-TERM LOANS FROM RELATED COMPANIES)**  
**DECEMBER 31, 2022**

Name of Related Party	Balance at Beginning of Period	Balance at End of Period
– Not applicable –		

**SPC POWER CORPORATION AND SUBSIDIARIES**

**SCHEDULE F - GUARANTEES OF SECURITIES OF OTHER ISSUERS**

**DECEMBER 31, 2022**

Name of Issuing Entity of Securities Guaranteed by the Company for which this Statement is Filed	Title of Issue of Each Class of Securities Guaranteed	Total Amount Guaranteed and Outstanding	Amount Owned by Person for which Statement is Filed	Nature of Guarantee
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– Not applicable –

**SPC POWER CORPORATION AND SUBSIDIARIES**

**SCHEDULE G - CAPITAL STOCK**

**DECEMBER 31, 2022**

Title of Issue	Number of Shares Authorized	Number of Shares Issued and Outstanding as Shown under Related Consolidated Statement of Financial Position Caption	Number of Shares Reserved for Options, Warrants, Conversion and Other Rights	Affiliates	Directors and Officers	Others
Capital stock	2,000,000,000	1,496,551,803	—	21,850,269	1,275,830,707	198,870,827

*See Note 18 of the Consolidated Financial Statements.*

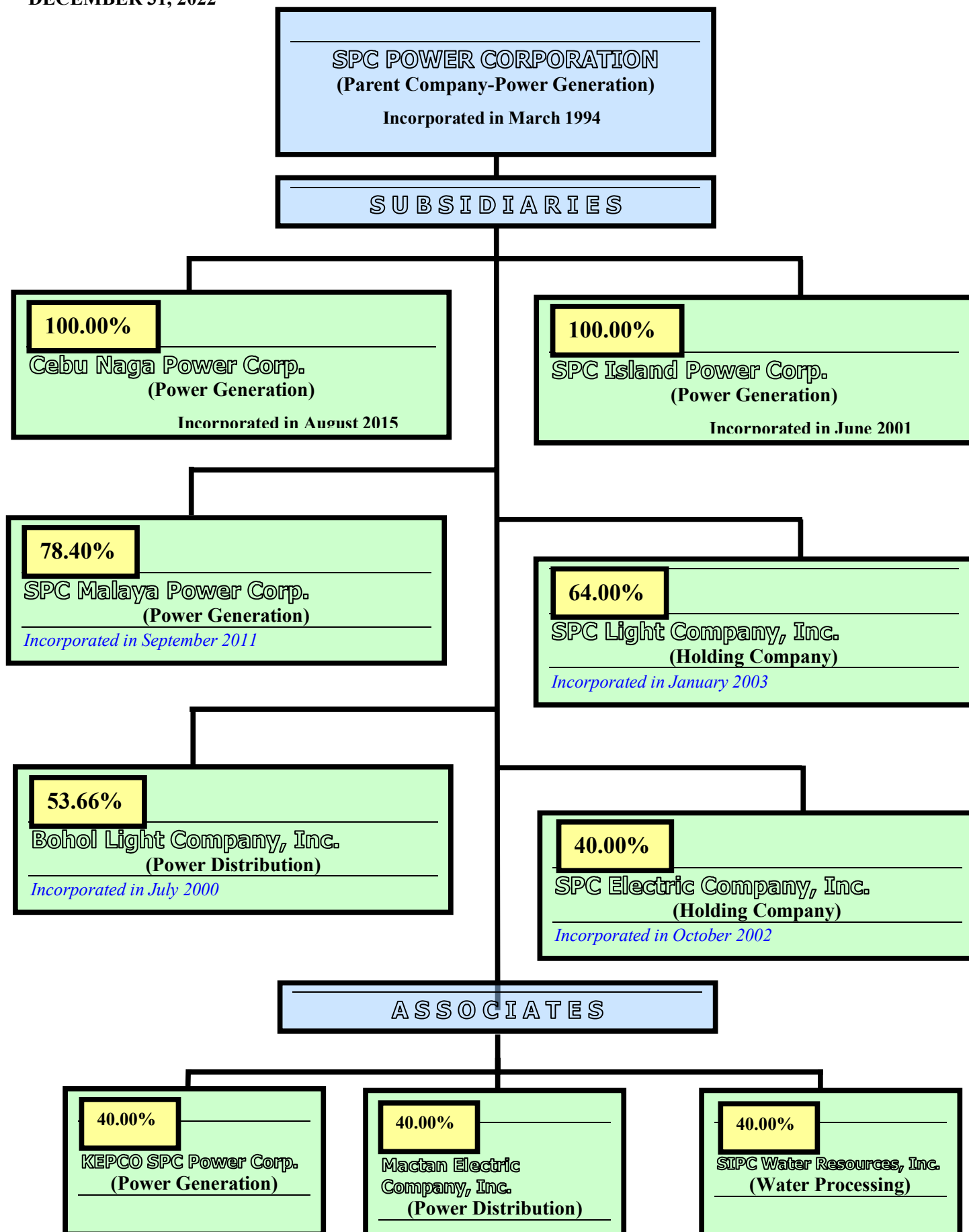
**SPC POWER CORPORATION**  
**RECONCILIATION OF RETAINED EARNINGS AVAILABLE FOR**  
**DIVIDEND DECLARATION**  
**FOR THE YEAR ENDED DECEMBER 31, 2022**

Items	Amount
<b>Unappropriated Retained Earnings, Beginning</b>	₱3,044,861,443
<b>Adjustments</b>	
Deferred income tax assets that reduced the amount of provision for income tax	—
<b>Unappropriated Retained Earnings, as Adjusted, Beginning</b>	3,044,861,443
<b>Net Income Based on the Face of Audited Financial Statements</b>	1,196,413,793
<b>Less: Non-actual/Unrealized Income Net of Tax</b>	
Equity in net income of associate/joint venture	—
Unrealized foreign exchange loss - net (except those attributable to Cash and Cash Equivalents)	—
Unrealized actuarial gain	—
Fair value adjustment (M2M gains)	—
Fair value adjustment of Investment Property resulting to gain	—
Adjustment due to deviation from PFRS/GAAP-gain	—
Other unrealized gains or adjustments to the retained earnings as a result of certain transactions accounted for under the PFRS	—
Deferred income tax assets that increased the amount of provision for income tax	—
<b>Add: Non-actual Losses</b>	
Depreciation on revaluation increment (after tax)	—
Adjustment due to deviation from PFRS/GAAP - loss	—
Loss on fair value adjustment of investment property (after tax)	—
Unrealized actuarial loss	—
Interest expense - lease liabilities	373,979
Interest expense - asset retirement obligation	—
<b>Net Income Actual/Realized</b>	1,196,787,772
<b>Add (Less)</b>	
Dividend declarations during the period	(299,310,361)
Appropriations of Retained Earnings during the period	—
Reversals of appropriations	—
Effects of prior period adjustments	—
Treasury shares	(131,008,174)
<b>TOTAL RETAINED EARNINGS, END AVAILABLE FOR DIVIDEND DECLARATION</b>	₱3,811,330,680



## SPC POWER CORPORATION AND SUBSIDIARIES

### MAP OF THE RELATIONSHIPS OF THE COMPANIES WITHIN THE GROUP DECEMBER 31, 2022

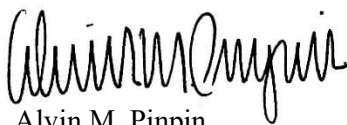


## **INDEPENDENT AUDITOR'S REPORT ON COMPONENTS OF FINANCIAL SOUNDNESS INDICATORS**

The Board of Directors and the Stockholders  
SPC Power Corporation  
7<sup>th</sup> Floor, BDO Towers Paseo  
Paseo de Roxas  
Makati City

We have audited in accordance with Philippine Standards on Auditing, the consolidated financial statements of SPC Power Corporation and Subsidiaries (the Group) as at December 31, 2022 and 2021, and for each of the three years in the period ended December 31, 2022, and have issued our report thereon dated March 30, 2023. Our audits were made for the purpose of forming an opinion on the basic financial statements taken as a whole. The Supplementary Schedule of Financial Soundness Indicators, including their definitions, formulae, calculation, and their appropriateness or usefulness to the intended users, are the responsibility of the Group's management. These financial soundness indicators are not measures of operating performance defined by Philippine Financial Reporting Standards (PFRSs) and may not be comparable to similarly titled measures presented by other companies. This schedule is presented for the purpose of complying with the Revised Securities Regulation Code Rule 68 issued by the Securities and Exchange Commission, and is not a required part of the basic consolidated financial statements prepared in accordance with PFRSs. The components of these financial soundness indicators have been traced to the Group's consolidated financial statements as at December 31, 2022 and 2021 and for each of the three years in the period ended December 31, 2022 and no material exceptions were noted.

SYCIP GORRES VELAYO & CO.



Alvin M. Pinpin

Partner

CPA Certificate No. 94303

Tax Identification No. 198-819-157

BOA/PRC Reg. No. 0001, August 25, 2021, valid until April 15, 2024

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Valid to cover audit of 2020 to 2024 financial statements of SEC covered institutions

SEC Firm Accreditation No. 0001-SEC (Group A)

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BIR Accreditation No. 08-001998-070-2020, December 3, 2020, valid until December 2, 2023

PTR No. 9564678, January 3, 2023, Makati City

March 30, 2023



## SPC POWER CORPORATION

### FINANCIAL SOUNDNESS INDICATORS

AS OF AND FOR THE YEAR ENDED DECEMBER 31, 2022

Ratio	Formulae	2022	2021
Current Ratio	Total Current Assets divided by Total Current Liabilities  <div> <div>Total Current Assets</div> <div>Divide by: Total Current Liabilities</div> <div>Current Ratio</div> <div> <div>₱5,295,735,699</div> <div>812,820,283</div> <div>6.52</div> </div> </div>	6.52	7.21
Acid Test Ratio	Quick Assets ( <i>Total Current Assets less Inventories and Prepayments and Other Current Assets</i> ) divided by Total Current Liabilities  <div> <div>Total Current Assets</div> <div>Less: Inventories</div> <div>Prepayments and Other Current Assets</div> <div>Quick Assets</div> <div>Divide by: Total Current Liabilities</div> <div>Acid Test Ratio</div> <div> <div>₱5,295,735,699</div> <div>467,547,381</div> <div>100,931,667</div> <div>4,727,256,651</div> <div>812,820,283</div> <div>5.82</div> </div> </div>	5.82	6.36
Solvency Ratio	Total Comprehensive Income before Depreciation and Amortization divided by Total Liabilities  <div> <div>Total Comprehensive Income</div> <div>Add: Depreciation and Amortization</div> <div>Divide by: Total Liabilities</div> <div>Solvency Ratio</div> <div> <div>₱1,294,701,106</div> <div>84,260,245</div> <div>1,378,961,351</div> <div>1,208,217,380</div> <div>1.14</div> </div> </div>	1.14	1.38
Debt-to-Equity Ratio	Total Liabilities divided by Total Equity  <div> <div>Total Liabilities</div> <div>Divide by: Total Equity</div> <div>Debt-to-Equity Ratio</div> <div> <div>₱1,208,217,380</div> <div>10,399,485,916</div> <div>0.12</div> </div> </div>	0.12	0.10
Asset-to-Equity Ratio	Total Assets divided by Equity Attributable to Parent  <div> <div>Total Assets</div> <div>Divide by: Equity Attributable to Parent</div> <div>Asset-to-Equity Ratio</div> <div> <div>₱11,607,703,296</div> <div>10,267,003,434</div> <div>1.13</div> </div> </div>	1.13	1.11

Ratio	Formulae	2022	2021
Interest Rate Coverage Ratio	Earnings before Income Tax, Depreciation and Amortization ( <i>Net Income plus Provision for Income Tax, Interest Expense, Depreciation and Amortization less Interest Income</i> ) divided by Interest Expense	289.64	298.88
	Net Income ₱1,286,782,330		
	Add: Provision for Income Tax 108,107,131		
	Interest Expense 5,028,156		
	1,399,917,617		
	Less: Interest Income 27,837,299		
	EBIT 1,372,080,318		
	Add: Depreciation and Amortization 84,260,245		
	EBITDA 1,456,340,563		
	Divide by: Interest Expense 5,028,156		
Interest Expense Coverage Ratio 289.64			
Return on Equity	Total Comprehensive Income divided by Average Total Equity ( <i>Total Equity PY + Total Equity CY divided by 2</i> )	13.06%	11.99%
	Total Comprehensive Income ₱1,294,701,106		
	Total Equity CY 10,399,485,916		
	Total Equity PY 9,422,358,935		
	Average Total Equity 9,910,922,426		
	Return on Equity 13.06%		
	Return on Assets		
Total Comprehensive Income ₱1,294,701,106			
Total Assets CY 11,607,703,296			
Total Assets PY 10,352,850,460			
Average Total Assets 10,980,276,878			
Return on Assets 11.79%			
Net Profit Margin	Net Income Attributable to Parent divided by Revenue	33.05%	48.22%
	Net Income Attributable to Parent ₱1,272,356,481		
	Divide by: Revenue 3,849,971,823		
	Net Income Margin 33.05%		



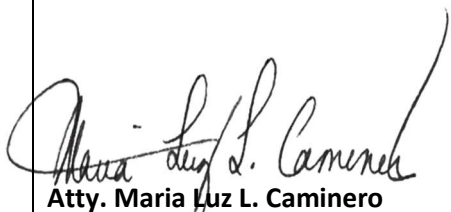
# SPC POWER CORPORATION

2022 Sustainability Report

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# Contextual Information

Company Details	
Name of Organization	SPC POWER CORPORATION
Location of Headquarters	7 <sup>TH</sup> Floor BDO Towers Paseo Paseo De Roxas, Makati City
Location of Operations	PDPP Complex, Dingle, Iloilo Tagbilaran City, Bohol Ubay, Bohol;
Report Boundary: Legal entities (e.g. subsidiaries) included in this report*	Includes the following subsidiaries: SPC Island Power Corporation Bohol Light Company, Inc. SPC Light Company, Inc. SPC Electric Company, Inc. SPC Malaya Power Corp.
Business Model, including Primary Activities, Brands, Products, and Services	Power generation and distribution
Reporting Period	For the year ended December 31, 2022
Highest Ranking Person responsible for this report	 <b>Atty. Maria Luz L. Caminero</b> Senior Vice President, Legal and Regulatory Affairs

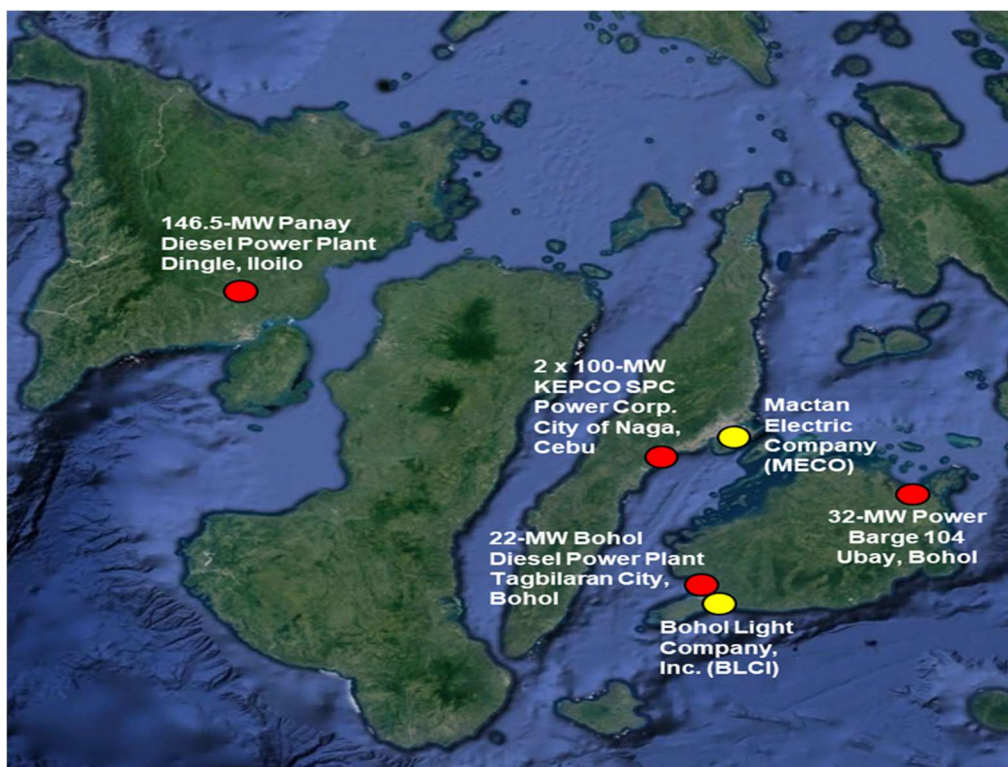
# About Us

SPC Power Corporation (SPC), was incorporated in the Republic of the Philippines and registered with the Philippine Securities and Exchange Commission (SEC) on March 11, 1994.

SPC is an active industry player in the Visayas Region for almost twenty-nine (29) years, currently owns and operates the 32-MW Power Barge 104 (PB 104) in Ubay, Bohol; 146.5-MW Panay Diesel Power Plant (PDPP) in Dingle, Iloilo; and the 22-MW Bohol Diesel Power Plant (BDPP) in Tagbilaran City, Bohol, thru its wholly-owned subsidiary, SPC Island Power Corporation, also including the 2 x 100-MW KEPCO SPC Power Corporation (KSPC) in Colon, City of Naga, Cebu which is an affiliate of SPC.

SPC also invested in the power distribution sector, thru Mactan Electric Company (MECO) whose franchise covers Lapu-lapu City and the Municipality of Cordova in the Province of Cebu; and Bohol Light Company, Inc. (BLCI) whose franchise covers Tagbilaran City, Bohol.

The registered office address of the Parent Company is 7th Floor, BDO Towers Paseo, Paseo De Roxas, Makati City.





# Mission, Vision and Values

## Our Mission

To provide quality and reliable power supply to our customers from a mix of conventional and renewable sources and ensure a fair and reasonable price that will allow an appropriate balance between availability of supply and equitable return to our shareholders.

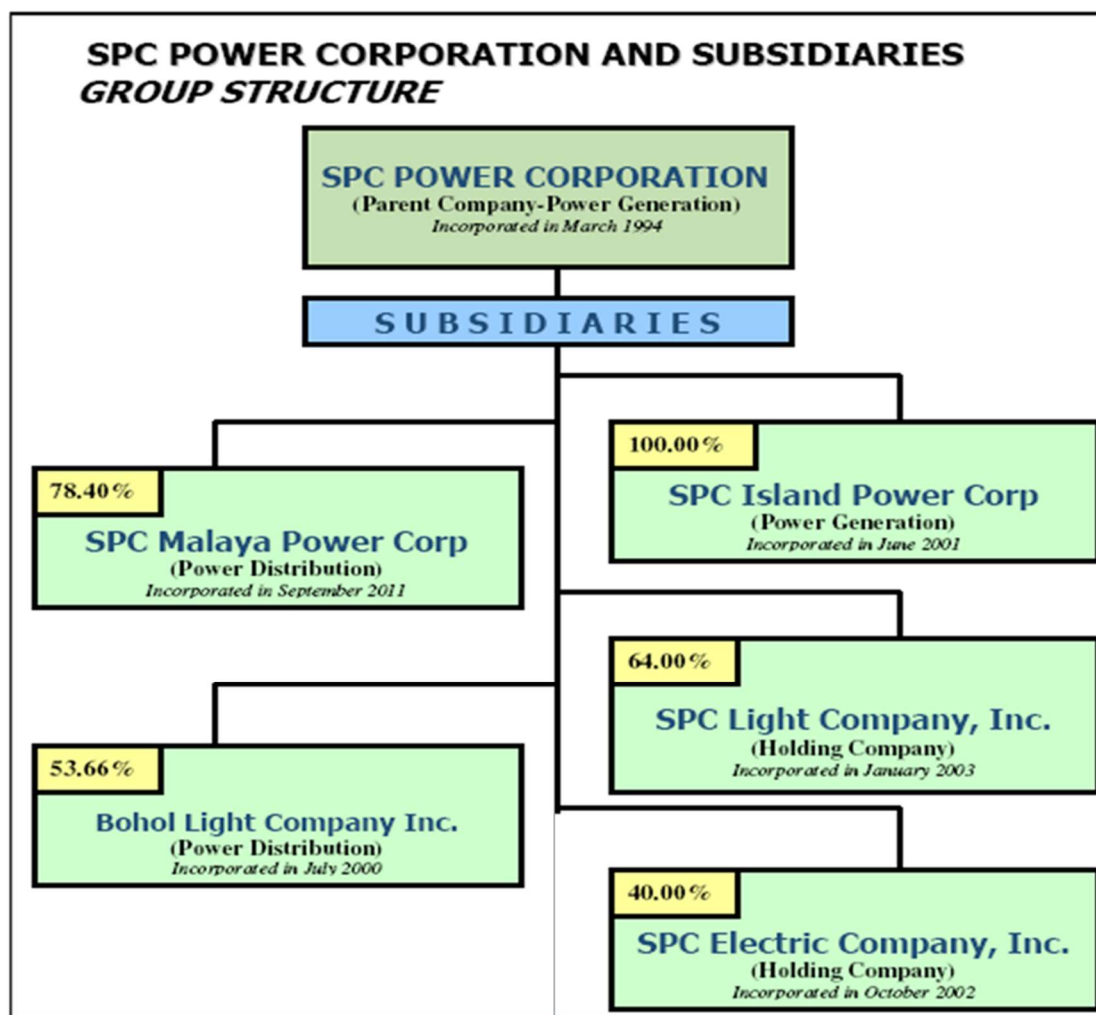
## Our Vision

To be a long-term partner in the growth and development of our nation, by providing an imperative for nation-building and a better quality of life for our citizens - electricity.

## Our Values

<b>S</b>	<b>S-TEADFAST.</b> We are dutifully firm and unwavering in our resolve to always meet our customers' demand.
<b>P</b>	<b>P-ERSISTENT.</b> We are determined to reach our company's goals despite challenges or obstacles.
<b>C</b>	<b>C-ARING.</b> Caring for and protecting our environment is a prerequisite for the success of our business.
<b>P</b>	<b>P-HILANTROPHY.</b> Giving back to the community is our way of life. We are sensitive to the needs of the communities we serve and belong to
<b>O</b>	<b>O-BJECTIVITY.</b> We trust our personnel's judgement to be free of bias and outside influence in carrying out tasks.
<b>W</b>	<b>W-ELL BALANCED.</b> We aim to provide our personnel with a healthy work-life balance atmosphere that increase their productivity and boost happiness in the workplace.
<b>E</b>	<b>E-EXCELLENCE.</b> Day in and day out, we strive to be the best in everything we do.
<b>R</b>	<b>R-ESPONSIBILITY.</b> We trust and rely on our personnel to make decisions on their own, based on limits of authority and principles of personal accountability.

## SPC Power Corporation and Subsidiaries





## About this Report

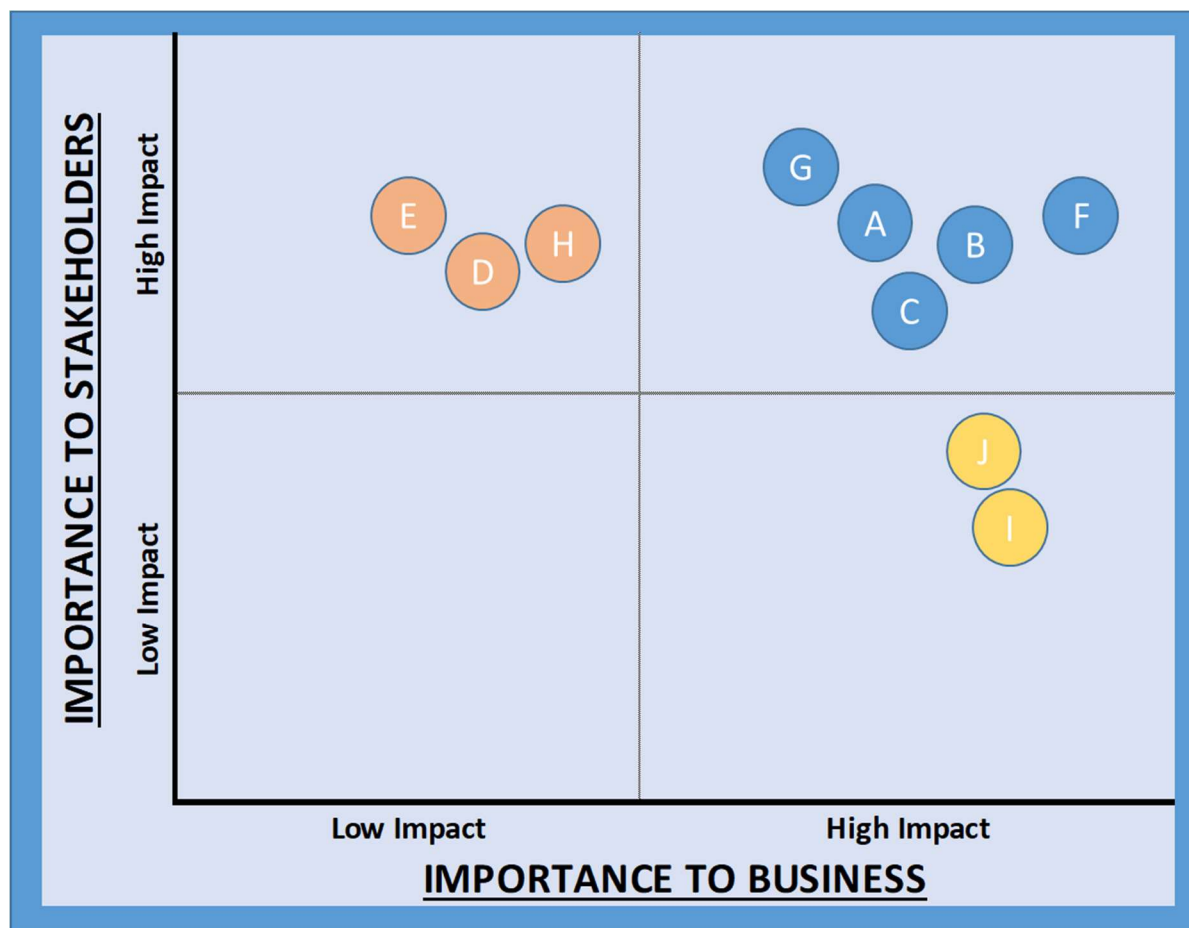
This report covers the Parent Company and its subsidiaries, collectively referred to as the Group. This covers the fiscal year 2022 for the entire Group, including all locations in Makati, Cebu, Bohol and Iloilo. Any locations closed during the period were not included in this report.

# Our Materiality Process

The Group has undertaken a process to understand, assess and prioritize the issues considered material to the business with respect to economic, environment, social and governance (EESGs). The Group considers an issue as material when it influences the decisions, actions and performance of the Group and/or its stakeholders. Interviews with Management were undertaken to assess the EESGs issues, and identified the following:

- A. Employee Welfare
- B. Customer satisfaction
- C. Safe work environment
- D. Integrity from among its officers and employees
- E. Renewable energy
- F. Compliance on energy regulations
- G. Ethical operations
- H. Data privacy and data security
- I. Digitalization
- J. Conservation and efficient use of resources

Based on the assessment undertaken, the following are considered material to the Group's business and its relevant stakeholders:



# Economic Value

	2022	2021
Economic value generated	₱3,849,971,823	₱2,469,384,265
Economic value distributed		
Operating costs	3,290,172,921	1,952,491,814
Employee wages and benefits	187,522,436	176,903,542
Payment to suppliers of goods and services	3,234,592,366	2,054,319,847
Payments to providers of capital	317,574,134	2,325,739,309
Payments to government	119,531,561	93,259,940
Corporate Social Responsibility	2,069,438	2,017,035

	2022	2021
	<i>(In PHP Millions)</i>	
TOTAL ASSETS	₱11,587.1	₱10,352.2
TOTAL LIABILITIES	1,187.6	929.9
TOTAL STOCKHOLDERS' EQUITY	10,399.5	9,422.3

FINANCIAL RATIOS		
CURRENT RATIO	6.52 : 1	7.21 : 1
DEBT-TO-EQUITY RATIO	0.11 : 1	0.10 : 1

<b>What is the impact and where does it occur? What is the organization's involvement in the impact?</b>	<b>Which stakeholders are affected?</b>	<b>Management Approach</b>
<i>Economic value generated &amp; distributed has positive impact in our major areas of operations in the provinces of Iloilo and Bohol; and investors in the organization.</i>	<i>The following stakeholders are affected: employees, community, suppliers and contractors, government, stockholders and lenders.</i>	<i>Paying taxes properly and timely; faithful compliance to labor laws; fairness in dealing with suppliers and contractors; ensuring reasonable rate of return to shareholders; commitment to corporate social responsibility.</i>
<b>What are the Risk/s Identified?</b>	<b>Which stakeholders are affected?</b>	<b>Management Approach</b>
<i>Financial risks (increase in competition); Natural calamities/disasters; Legal risks (change in law); Regulatory risks</i>	<i>The following stakeholders are affected: employees, community, suppliers and contractors, government, stockholders and lenders.</i>	<i>Diversification; Ensure Insurance coverage; Contract management.</i>
<b>What are the Opportunity/ies Identified?</b>	<b>Which stakeholders are affected?</b>	<b>Management Approach</b>
<i>Business expansion.</i>	<i>The following stakeholders are affected: employees, community, suppliers and contractors, government, stockholders and lenders.</i>	<i>Invest in research and development.</i>

## Climate-related risks and opportunities<sup>1</sup>

Governance	Strategy	Risk Management	Metrics and Targets
<i>The management committee considers climate-related issues when reviewing and guiding strategy, major plans of action, risk management policies, annual budgets, and business plans, monitoring implementation and performance, and overseeing major capital expenditures and acquisitions/new investments.</i>	<i>The organization's business strategy already considered investing in climate-friendly technologies in its power generation business.</i>	<i>The organization identifies, assesses climate-related risks by being aware of established laws and regulations; assessing the organization's compliance; and take necessary measures for compliance.</i>	<i>The metrics and targets used to assess and manage relevant climate-related risks and opportunities by the organization are aligned with the requirements of the relevant regulatory agencies.</i>

<sup>1</sup> Adopted from the Recommendations of the Task Force on Climate-Related Financial Disclosures. The TCFD Recommendations apply to non-financial companies and financial-sector organizations, including banks, insurance companies, asset managers and asset owners.