COVER SHEET

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SEC Registration Number

SEMIRARA MINING AND POWER CORPORATION

(Company's Full Name)

2nd Floor DMCI PLAZA
2281 DON CHINO ROCES AVENUE
MAKATI CITY

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

John R. Sadullo	888-3055
(Contact Person)	(Company Telephone Number)

1 2 3 1	1 7 - A	Month Day
(Fiscal Year)	(Form Type)	(Annual Meeting[1])

(Secondary License Type, If Applicable)

CFD

Dept. Requiring this Doc.

Amended Articles Number/Section

Total Amount of Borrowings

Total No. of Stockholders

Domestic

Foreign

To be accomplished by SEC Personnel concerned

File Number

LCU

Document ID

Cashier

STAMPS

Remarks: Please use BLACK ink for scanning purposes.

[1] First Monday of May of each year.

SEMIRARA MINING AND POWER CORPORATION

SEMIRARA MINING AND POWER CORPORATION

SEC FORM 17-A

ANNUAL REPORT PURSUANT TO SECTION 17
OF THE SECURITIES REGULATION CODE AND SECTION 141
OF THE CORPORATION CODE OF THE PHILIPPINES

1. For the fiscal year ended: **December 31, 2019**

2. SEC Identification No.: **91447**   3. BIR Tax ID No.: **000-190-324-000**

4. Exact Name of issuer as specified in its charter: **Semirara Mining and Power Corporation**

5. **Philippines**
   Province, Country or other jurisdiction of Incorporation or organization

6. ______________ (SEC Use Only)
   Industry Classification Code:

7. **2nd Floor, DMCI Plaza, 2281 Don Chino Roces Avenue, Makati City 1231**
   Address of principal office Postal Code

8. **(02) 888-3055 / (02) 888-3955 (Fax)**
   Issuer's telephone number, including area code

9. ………………………………………………………………………………………
   Former name, Address and fiscal year, if changed since last report

10. Securities registered pursuant to Secs. 8 & 12 of SRC, or Secs. 4 & 8 of RSA

Title of Each Class	Number of Shares Stock Outstanding and Amount of (Long-term) Debt Outstanding
Common	**4,250,547,620 / Php13,067,601,460**

11. Are any or all of these securities listed on a Stock Exchange

Yes (✓)   No ( )

If yes, state the name of such stock exchange and the classes of securities listed therein:
Philippine Stock Exchange - Common Shares

12. Check whether the issuer:

(a) Has filed all reports required to be filed by Sec. 17 of the SRC and SRC Rule17 thereunder or Sec. 11 of the RSA and RSA Rule 11 (a)-1 thereunder and Sections 26 and 141 of the Corporation Code of the Philippines during the preceding twelve (12) months (or for such shorter period that the registrant was required to file such reports);

Yes (✓)   No ( )

(b) Has been subject to such filing requirements for the past ninety (90) days.

Yes (✓)   No ( )

(c) State the aggregate market value of the voting stock held by non-affiliates of the Registrant.[1]

Name	No. Of Shares Held	% of Total	Aggregate Market Value (PHP)
PCD Nominee Corp. (Foreign)	215,484,147	5.07	2,758,197,081.60
Others	1,085,225,299	25.53	13,890,883,827.20
TOTAL	1,300,709,446	30.60	16,649,080,908.80

[1] Computed on the basis of closing price at P12.80/share as of March 13, 2020 as quoted by the Philippine Stock Exchange.

SEMIRARA MINING AND POWER CORPORATION
SEC FORM 17-A

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NON-FINANCIAL DISCLOSURE REQUIREMENTS

PART I- BUSINESS AND GENERAL INFORMATION

A. DESCRIPTION OF BUSINESS

(1) Business Development

(a) Form and year of organization. - The Company was incorporated on February 26, 1980 to explore, develop, and mine the coal resources in Semirara Island. To date, the Company has six (6) wholly-owned (100%) subsidiaries:

(i) SEM-Calaca Power Corporation (SCPC) was incorporated on November 19, 2009 to engage in the business of power generation;

(ii) SEM-Cal Industrial Park Developers Inc. (SIPDI) was incorporated on April 27, 2011 to engage the development of economic zone in accordance with Republic Act No. 7916, as amended, otherwise known as the Special Economic Zone Act of 1995;

(iii) Southwest Luzon Power Generation Corporation (SLPGC) was incorporated on August 31, 2011 to engage in the business of power generation;

(iv) Semirara Claystone Inc. (SCI) was incorporated on November 29, 2012 to engage in the business of manufacturing of cement, cement products, and pottery, among others;

(v) Semirara Energy Utilities Inc. (SEUI) was incorporated on February 18, 2013 to perform qualified third-party functions as an alternative electric service provider authorized to serve remote and unviable areas; and

(vi) Southeast Luzon Power Generation Corporation (SELPGC) was incorporated on September 9, 2013 to engage in the business of power generation.

(b) Any bankruptcy, receivership or similar proceedings. - None.

(c) Any material reclassification, merger, consolidation, or purchase or sale of a significant amount of assets not in the ordinary course of business. - None.

(2) Business of Issuer

(a) Description of Registrant

(i) Principal product or services and their markets. - The Company generates its revenues through the production and sale of sub-bituminous coal. The coal handling services at the National Power Corporation's Calaca Power Plants, located in Batangas was terminated after the Company's wholly-owned subsidiary, SCPC acquired ownership over the Calaca Power Plants in December 2, 2009. Over the years the Company diversified its coal market. For the year 2017, volume sold to export market accounted for 49% of the total coal sales, the power generation sector 41%, cement and other industries at 10%. Year on year, market share varies depending on the demand from each of the major market sector. The total power off-take in 2017 showed a net increase of 25% from 2016 due to higher off-take by its own power generating units at Calaca, Batangas. The Company's wholly-owned power subsidiary, SCPC supplies power under various bilateral contracts and its excess power generated are sold to Whole Sale Electricity Sport Market (WESM) or the spot market. Total contracted energy in 2017 is at 440.5MW, of which 420MW is for Meralco. Sem-Calaca Industrial Park Development, Inc. intends to develop certain areas within the premises of the Calaca Power Plant into an economic zone to cater certain industries that will benefit due to its proximity to Calaca Power Plants but to date, it still remains under study. The new wholly-owned subsidiary, Semirara Claystone, Inc. was created to primarily engage in the business of manufacturing of cement, cement products, and pottery, among others, it is still under pre-operating stage since it has not yet started production of commercial quantity. SLPGC is currently operating the 2x150 MW Coal Fired Thermal Power Plant, using Circulating Fluidized Bed Technology, located adjacent to the Calaca Power Plants. Total contracted energy in 2017 is at 142.5MW, of which 100MW is for Meralco Finally, SRPGC plans to own, develop and operate a 2x350 MW power plant to be located adjacent to SLPGC's current location.

(ii) Percentage of sales or revenues and net income contributed by foreign sales for each of the last three years. – For years 2017, 2016 and 2015, the coal segment, foreign sales accounted for 51%, 59% and 36% of gross coal sales revenues, respectively and around 37%, 41%, and 41% in net income after tax, respectively. For the power revenue, 100% is local sales.

(iii) Distribution methods of the products or services. – In general Marketing policy is to sell directly to ultimate consumers for local sales on FOB basis. Export sales are distributed through coal traders, also on FOB basis.

(iv) Status of any publicly-announced new product or services. - Not applicable.

(v) Competition. - Competition is insignificant in so far as domestic coal mine is concerned. In 2018, The Company's production accounted for 99.18% or 12.9 million MTs of the country's domestic coal production. In 2019, the Company produced 15.2 million MTs for the year. The Company remains to be the dominant player or biggest coal mining company in the Philippines. The nominal balance is shared by small-scale mines in Cebu, Batan Island, Albay, Surigao, Zamboanga and other areas. Nonetheless, domestic coal demand is still anchored heavily on imported coal. The Company only supplies 18% of the total domestic consumption of 20.16 million MTs. The competitiveness of domestic coal producers is challenged by the more superior quality of imported coal as well as the government's policy on liberalization. This is however compensated by the Department of Energy's policy to promote indigenous energy resources and lower freight costs of local coal vis-à-vis imports. The Company remains to be competitive while it continues to exert efforts to improve the quality of its coal and keep production costs low. Common Effective Preferential Tariff rates (CEPT) on coal among ASEAN member nations is 0%, outside ASEAN, the tariff rate is at 5%.

To be competitive, local coal industry must be priced competitively against imported coals, currently from, Indonesia, China & Australia. Pricing of domestic coal is based on import parity inclusive of taxes and duties (at the current rate of taxes and duties). With the inherent quality of Semirara coal, it is estimated that it can be utilized by approximately 50% of the total Philippine market. The promptness of delivery and quality of coal is required. The power companies are mostly located in Luzon and a few in the Visayas and Mindanao.

(vi) Sources and availability of raw materials and the name of Principal suppliers; any major existing supply contracts. - The Company has a Coal Operating Contract (COC) with Department of Energy (DOE) in 1977 (amended 1981) for the exploration, development, mining and utilization of coal over Semirara Island, Antique pursuant to Presidential Decree No. 972. On May 13, 2008, the DOE approved the term extension of the Company's COC from July 13, 2012 to July 14, 2027. Semirara Island has an estimated coal reserve of around 170 million MTs. On November 12, 2009, DOE and the Company amended the Coal Operating Contract. Said amendment changed the coordinates of the contract area to include an area of 3,000 and 4,200 hectares, more or less situated in Caluya Island and Sibay Island, Antique. On August 3, 2018, the DOE and the Company executed the 2018 Amendment to COC No. 5 amending the coal contract area in order to optimize the development and production of coal resources in Semirara Island. Under said amendment, the Company relinquished coal blocks 294, 375, 377 and 16, and replaced with coal blocks 214, 215, 254 and 257 all located in Semirara Island. It also relinquished the areas in Caluya and Sibay, Antique.

In 2013, two new concessions were awarded to the Company located in Bulalacao, Oriental Mindoro and in Maitum and Kaimba, Province of Sarangani. However, in 2019 the Company voluntarily relinquished its rights over the concession in Maitum and Kaimba, Sarangani.

Currently, the Company has an existing coal supply contracts with its own power subsidiaries, SCPC and SLPGC, as well as other power plants and cement manufacturers.

(vii) Dependence upon a single customer. – The Company is no longer dependent upon a single customer. It successfully diversified its market base. In 2017, export and local sales registered at 49% and 51% in terms of volume and value respectively. While in 2016, export and local sales registered at 59% and 41% in terms of volume and value, respectively. Power segment was at 47% in 2017 from 45% in 2016. Total sales to power plants registered at 41% from 33%

in 2016. The balance was shared among other power plants, cement plants, other industries, and export markets.

Historically, approximately 98% of the Company's revenue streams were from then NPC Calaca Plants. NPC's consumption of Semirara Coal has steadily increased since the Company worked on improving the quality of its coal. Note that the Company started washing 25% of its production in mid-1999. Resultantly, its market has widened, to include other power plants, the cement industry and other small industrial plants and in 2007, Semirara coal was tested by the export market. In 2007, NPC's share in volume and value of the Company's sales went down to 38% and 45%, respectively, from 63% to 68% in 2006. In 2008, NPC share in volume and value further dropped to 24% to 40% due to steady increase in total volume sold resulting from increase in domestic sales to other power plants and industries and export sales as well. In 2007, sale to domestic customers (outside NPC) accounted for 39% and 37%, respectively, in terms of volume and value, and rose to 46% in volume and decreased by 27% in value in 2008. Likewise, in 2007, export sales' share in volume and value registered at 22% and 18%, respectively, and went up to 30% and 22% in 2008. In 2009, NPC Calaca Power plants' share in volume remained at 24%, while in terms of value it slid to 39%. Market share of domestic customers, other than NPC registered at 25% for both volume and value. Notably, the share of export market went up to 51% and 37% in volume and value respectively in 2009. In December 2009, the 2x300 MW power plants of NPC at Calaca, Batangas were turned-over to the Company after successful privatization of PSALM of said power plants.

Meanwhile, in the power segment, total contracted energy is 583 MW, bulk of which or 520 MW is contracted to Meralco.

(viii) Transactions with and/or dependence on related parties. - Please refer to Note 17 (Related Party Transactions) of Notes to Parent Company Financial Statements and Note 19 (Related Party Transactions) of Notes to Consolidated Financial Statements.

The company has no other transaction with other parties (outside the definition of "related parties") whom the company or its related parties have 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. Related Party Transaction does not include financial assistance to affiliates or related entities not wholly-owned subsidiaries.

(ix) Patents, trademarks, copyrights, licenses, franchises, Concessions and royalty agreements held. - Under its Coal Operating Contract, the Company is required to pay royalties to the Department of Energy (DOE) – at minimum of 3% based on FOB sales or at 30% of net proceeds (gross revenue less all expenses, excluding royalty and corporate tax) and compensation for entry and use of private lands under the provisions of PD 972, as amended by PD 1174, to land owners–₱0.50/MT for untitled land and ₱1.00/MT for titled land.

(x) Need for any government approval of principal products or services. - The Company has secured permits and licenses from the government as follows: a) Coal Operating Contract with the DOE effective until 2012;[2] b) DENR Environmental Compliance Certificate (ECC) No. 9805-009-302A; c) DENR Environmental Compliance Certificate ECC-CO-1601-0005 for its Molave Coal Project; d) Business Permit issued by Caluya, Antique and Makati City; e) Aerodrome Registration Permit No. AGA-R-009-2018A issued by CAAP-yearly renewable; f) Certificate of Registration of Port Facilities No. 149 until December 31, 2019;[3] and g) DENR Special Land Use Permit No. 6-1-SLUP-OLP002-03152017 until March 15, 2017.[4]

(xi) Effect of existing or probable governmental regulations on the business. – SMPC continue to operate and has not been suspended and neither has it been issued any suspension order nor is there any ongoing mining audit or re-audit, as based on the DENR Environmental Audit on August 25, 2016, SMPC was cleared and compliant with its Environmental Compliance Certificate (ECC). SMPC's operation is under the jurisdiction of the DOE and the latter has issued in August 26, 2016 the results of its own technical audit confirming SMPC's operations

[2] Extended on May 13, 2008 for 15 years or until July 14, 2027.

[3] Renewal of permit is pending with the Philippine Ports Authority.

[4] Renewal of permit and/or conversion to Forest Lease Agreement (FLAG) is pending with DENR.

does not discharge toxic materials to the mangroves, sulfur content of coal is below 1%, no seaweed farm affected and dumping of overburden materials do not affect nearby communities.

The DENR order on the closure of several mines has no adverse effect whatsoever on the Corporation's business operations and financial condition. In February 2017, the DENR-EMB Region VI issued a special order on the creation of composite team to conduct monitoring, inspection and investigation on SMPC's compliance to its ECC, ambient air and water monitoring of Semirara Island, investigation of alleged reclamation of SMPC and livelihood and community status in the island. It was, however, clarified that the inspection is not an audit but only information gathering and validation of its audit results in 2016.

Based on the results of its data gathering activity in Semirara Island, DENR-EMB Region VI declared SMPC to be very much compliant with the ECC conditionalities as shown by the mining audit conducted in 2016 by the Multi-Partite Monitoring Report. The DENR-EMB noted that:

1. SMPC substantially provided basic services and livelihood assistance to local communities. Reforestation and rehabilitation program are on the top priority of SMPC.
2. Sixty percent (60%) is vegetated or covered with naturally growing and planted trees.
3. On the alleged reclamation, the results showed that there is a considerable increase of land area on the northern tip of the island and extending seaward from the mining pits of Unong, Panian, Molave and Narra, as a result of backfilling and within the coal operating area of SMPC.
4. SMPC has established a Research Center for giant clams and abalone near the Semirara Marine Sanctuary to support the water quality monitoring. Giant clams that thrives in the area is an indicator of good water quality.

(xii) Estimate of amount spent on research and development Activities (2 fiscal years). - None.

(xiii) Costs and effects of compliance with environmental laws. - The Company has programs being implemented to comply with the conditions of ECC, which includes the Regular Monitoring by the Multi-partite Monitoring Team (MMT), Marine Assessment Studies/Surveys, and Social & Environmental Development Programs such as expanded mangrove areas, initiated and supported livelihood projects, implemented reforestation programs on the island and cultivated marine sanctuary, i.e., giant clams and abalones. The Company has spent ₱1.22 Billion for these activities from 1999-2017. The Company has established an Environmental Monitoring Fund for MMT, which has an initial amount of ₱600,000.00 determined by the work and financial plan of the Monitoring Team. Also, an Environmental Guarantee Fund was established with a cash component of 1.5 Million. This enables the continued mining operations of the Company.

(xiv) Total number of employees. - The number of work force of the Company is 4,227 and 4,813 for the years 2019 and 2018, respectively, inclusive of employees based at the Company's head office in Makati. Out of the 4,227 work force for 2019, 3,229 are employed by the Company while the rest are employed by the Company's contractors, one of which is DMC Construction Equipment Resources, Inc., an affiliate of Dacon Corporation. The Company does not anticipate hiring additional employees for the ensuing year except when due to contingencies resulting in separation, resignation, and termination of services of existing employees. The breakdown of the Company's employees according to type, are as follows:

Executive	14
Managers	34
Supervisors	208
Rank and File	2,973
Total	**3,229**

On the other hand, in 2019 total number of SCPC workforce is 661, 594 of which are indirectly employed inclusive of the O&M contractor employees at SCPC's Calaca Power Plant. In 2018 its workforce was 638. SLPGC's workforce total 255, of which 170 are employees while the

Company's other subsidiaries, namely: SIPDI, SCI, SEUI, and SELPGC are non-operational, hence, no employees were hired.

The CBA was signed between the Company and Semirara Mining Corporation Labor Union (SMCLU) last December 14, 2006, which will last five (5) years after effectivity. There was a notice of strike which, however, did not materialize due to settlement resulting in the signing of the new CBA. After the expiration of the CBA on August 31, 2011, no new CBA was executed by SMCLU and the Company. Meanwhile, the terms of the CBA continued to be implemented. There are no existing labor unions in the Company's subsidiaries.

(xv) Major Risks. - Major business risks are operational, regulatory, and financial risks. For Financial Risk Management Objectives and Policies, please see details in Note 30 to the Audited Consolidated Financial Statements. The operational and regulatory risks are being mitigated by the company's compliance to its IMS Policy which is ISO certified. Its Integrated Management System (IMS) covers the following: Quality Management System (ISO 9001:2008), Environmental Management System (ISO 14001:2004) and Occupational, Health and Safety System (OHSAS 18001:2007). The Company is ISO certified since 2008. Recently, SMPC has successfully transitioned and passed conformance to the 2015 versions of ISO 9001 and ISO 14001 on quality and environmental management systems, respectively. The new versions require an embedded risk-based approached and take into account the engagement of various key stakeholders. SMPC remained to be certified to these ISO and OHSAS standards on 2019 surveillance audit results.

Meanwhile, its power subsidiary mitigates its business risks by employing equipment redundancy to manage the risk of prolonged unplanned shutdowns and by securing business interruption insurance for its power plants.

B. DESCRIPTION OF PROPERTY

(1) **Property. -** The mine site located in Semirara Island, Caluya, Antique, is part of the coal mining reservation under Proclamation No. 649 issued by then President Manuel L. Quezon on November 20, 1940. Certain areas in the mine site are leased with rental payments of PhP5.843 million for 2019. The infrastructures and road network, office administration buildings, and power plants, are some of the improvements made by the Company on the leased area, as well as the following:

a. Building/Offices	Units		Units
Administration Building	1	Motorpool MWS	1
Analab Building	1	MS1 Building	1
Civil Works Office & Warehouse	1	MS2 Building	1
Coal Power Plant 2 x 7.5MW	1	MS3 Building	1
Coal Power Plant 1 x 15MW	1	MS4 Building	1
Coal Silo	4	MS5 Building	1
Core House	1	MS7 Building	1
Refo Office	1	Oxygen/Acetylene Building	2
Genset Shed at CPP	1	Molave Pit Office	1
IMS Office & Library	1	Molave Pitshop	1
Lime Plant	1	Narra Pit Office	1
Magazine Building	3	Product Office	1
Main Workshop	1	RMO Office	1
Warehouse	1	Sandblasting & Painting	3
Coal Shed at Product	1	Shipping Mayflower Office	1
HRD Building	1	Shipping Shipyard Office	1
Diesel Power Plant	1	Tire Shop at MWS	1

b. Housing			
Altar Boys Quarter	1	Molave Housing (Laborer's Unit)	1,022
Group Staff House	2	Pinatubo Housing	51
Individual Staff House	3	Molave Phase 1 Extension	69
Kalamansig Housing	103	Waffle Crete Building	2
Laborer's Clusters 1-8	78	IS Extension	59
Bunlao Phase 5 & 6 Housing	200	Tabunan Staff House	3
Lebak Housing	154	Phase 7 Housing	153

c. Others

Commuter Terminal	1	Messhall at Waffle Crete	1
Covered Tennis Court	1	Mix Commercial Building	3
Gantry at mayflower	1	Multi-Purpose Gym	3
Gantry at MWS	1	Multi-Purpose Hall	4
Grotto	1	Evacuation/Covered Court	5
Hangar	4	ONB ATM Machine Building	1
Material Recovery Facility	1	Oval at Pinagpala Area	1
Messhall 1	1	Indoor Swimming Pool at Pinagpala	1
Messhall at Cluster 5	1	Pall Water Filtration Plant	1
Messhall at Cluster 7	1	Pottery Building	1
Semirara Plaza	1	Aviary	1
5k Slipway	1	Semirara Airstrip	1
SMC Infirmary	1	Wind Breaker	1
Tabunan hatchery & Laboratory	1	K2 Overpass Bridge	1
Desalination Plant	1		

All properties with the net book values are active assets. These are all located in Semirara Island, Caluya, Antique (mine site). All properties are free of any liens and encumbrances. The Company also invested in mining and other equipment worth PhP2.904 billion, PhP4.218 billion, and PhP3.852 billion, for 2019, 2018 and 2017, respectively.

On the other hand, its power subsidiary, SCPC owns the following equipment, structures, buildings and improvements located over parcels of land subject of a lease contract for 25 years from the Power Sector Assets Liabilities and Management Corporation (PSALM) at Calaca, Batangas with rental payments of PhP150.57 million to cover the entire duration of the lease:

1. 2x300 MW units of the Calaca Power Plant with its major components and accessories
2. Staff Housing Units
3. Guest House
4. Pier
5. Conveyor Unloading System
6. Coal Stockyard
7. Administrative Building
8. Motorpool

On July 4, 2011, SCPC exercised its option to buy several parcels of land with an aggregate area of 29.3 hectares, subject of the lease from PSALM all located within the premises of the Calaca Power Plants. SCPC assigned its option to buy over an additional 8.2-hectare lot to the Company which option was exercised on July 4, 2011. Said 8.2 hectares was later sold by the Company to SLPGC on August 28, 2013.

(2) **Mining and Oil Companies. -** The mining claims are located in Semirara Island, Caluya, Antique covering an area of 3,832 hectares. On March 10, 1999, the Company was granted an Exploration Permit for a period of two years and renewable for a like period for a maximum of 6 years. The Exploration Permit is for limestone, silica and other quarry minerals. On June 28, 2004, the Mines & Geoscience Bureau issued a renewal of the permit. The Company during the term of the Exploration Permit undertook geological mapping, rock sampling and analysis and beneficiation testing. The preliminary exploration conducted by the Company indicates a considerate resource of limestone, silica and clay with potential commercial value. As of December 31, 2016, the Company's application to convert its Exploration Permit to Mineral Production Sharing Agreement (MPSA) remains pending with the Mines & Geosciences Bureau.

Meanwhile, on March 17, 2015 based on the Technical Report Economic Assessment and Coal Reserve Estimation of the Bobog Coal Deposit, Semirara Island, Antique, Philippines, prepared by Engr. Rufino B. Bomasang, a Competent Person on Coal with Registration No. EM 00587-004/10 who consented to the filing of his report, which we quoted as follows: *"Based on our mine and pit design after modelling all the seams within the proposed pit, we estimate total mineable reserves of 71 million DMT, based on a cut-off thickness of 0.5 meters and a cut-off heating value of 7000 BTU per pound. These mineable reserves consist of 18 seams ranging in thickness from 0.5 to 22.8 meters. They have an average heating value of 9560 BTU per pound.*

Based on the October 2013 report of G B Baquiran and E J Crisologo, the reserves to have an average ash content of 10.0%, average sulfur content of 0.9% and average moisture content of 12.1% on an airdried basis.

The average stripping ratio after pre-stripping is 6.40 cubic meters of waste rock per metric ton of coal. On the other hand, the expanded pit has an estimated stripping ratio of 7.63. With an estimated overall mining and washing recovery of 90%, based on past experience at Panian, this translates to recoverable coal reserves of 64 million DMT. An upside of up to around 5.74 million DMT can be further produced at the west wall from coal lying underneath existing mine support infrastructure, which could be removed towards the last two years of the Bobog operation."

C. LEGAL PROCEEDINGS

The following are the existing legal cases of the Company:

1. **The HGL Case**. Sometime in January 2004, the Corporation received a complaint filed by HGL Development Corporation ("HGL"). The facts are as follows:

   On August 28, 1984, HGL entered into a Forest Land Grazing Lease Agreement (FLGLA No. 184) with the DENR covering a 367-hectare land located at the Barrios of Bobog and Pontod, Semirara, Antique. In its Order dated December 6, 2000, DENR cancelled FLGLA No. 184 explaining that the subject area is within the coverage of Proclamation No. 649, which set apart the island of Semirara in the Province of Antique as coal mining reservations.

   HGL filed a letter requesting a reconsideration of the Order but the request was denied in the DENR's letter-Order dated December 9, 2002.

   <u>The Caloocan Case</u>
   On November 17, 2003, HGL filed a complaint (Civil Case No. C-20675) against the DENR for specific performance and damages in Branch 121, Regional Trial Court of Caloocan City (RTC-Caloocan). HGL prayed that DENR should perform its obligations under FLGLA No. 184 and pay HGL for moral and exemplary damages and attorneys' fees.

   On March 2, 2004, SMPC filed a Motion for Intervention because the Order canceling FLGLA No. 184 sought to be reconsidered by HGL covers property located in the island of Semirara, Antique, which motion was granted by RTC-Caloocan. Subsequently, SMPC filed a Motion to Dismiss for lack of cause of action/jurisdiction and forum shopping. SMPC's prayer for dismissal and its subsequent Motion for Reconsideration having been both denied, SMPC filed its Petition for Review (G.R. No. 92238) with the Court of Appeals (CA) on November 28, 2005 on the premise that RTC-Caloocan has no jurisdiction over the case.

   On January 16, 2007, the CA reversed RTC–Caloocan's decision and finding grave abuse of discretion on the part of the presiding judge for failing to dismiss the case for lack of jurisdiction. The CA ruled that the DENR Order canceling HGL's FLGLA No. 184 had long been final and executory on account of its failure to appeal said Order to the Office of the President. Eventually, HGL's Motion for Reconsideration was denied and the CA accordingly dismissed the case.

   Due to CA's denial of HGL's Motion for Reconsideration, a Petition for Certiorari (SC G.R. No. 177844, 2nd Division) was filed by HGL before the Supreme Court (SC) on November 14, 2007, which was denied for HGL's failure to sufficiently show any reversible error on the assailed CA decision and further denies HGL's motion for leave and first and second motions of time to file a reply to SMPC's comments on the petition. HGL's Motion for Reconsideration was denied with finality on July 2, 2008.

   Meanwhile, in a case docketed as SC G.R. No. 180401, 1st Division (*DENR vs. HGL*), DENR's Petition for Certiorari was denied by the SC on February 4, 2008. DENR then filed a Motion for Reconsideration on March 25, 2009, but again denied by the SC with finality.

   Citing as basis the dismissal of the Culasi Case (SMPC vs. HGL) on the ground of forum shopping, SMPC filed a Motion to Dismiss with RTC-Caloocan (Civil Case No. C-20675). However, RTC-Caloocan denied the motion on December 24, 2008 and cited SC decision on G.R. No. 180401 (DENR vs. HGL) to sustain its decision to retain jurisdiction over the case. With the denial of its Motion for Reconsideration on June 24, 2009, the SMPC filed a Petition for Certiorari with the CA on September 14, 2009 (CA-G.R. SP No. 110460). On October 3, 2013 the CA dismissed SMPC's petition to which a Motion for Reconsideration was filed on November 22, 2013, which was likewise denied by the CA.

On May 29, 2014, SMPC filed its Petition for Review on Certiorari under Rule 45 with the Supreme Court (SC G.R. No. 212018). After directives given by the SC in June 2017, SMPC filed its Reply to HGL's Comment to the Petition. The case remains pending to date.

The Culasi Case

HGL also filed a separate case (Civil Case No. C-146) against SMPC on November 17, 2003 in Branch 13 of the Regional Trial Court of Culasi, Antique (RTC-Culasi) for the recovery of their alleged possession of a 367-hectare land located at the Barrios of Bobog and Pontod, Semirara, Antique. HGL prayed for (i) the issuance of a preliminary mandatory injunction in order to secure immediate possession of the property pending litigation, and (ii) actual, moral and exemplary damages and attorney's fees in the total amount of P10 million. SMPC received the summons on January 15, 2004.

On February 6, 2004, SMPC filed its Answer and prayed for the outright dismissal of the case for being baseless and unfounded as the Order canceling FLGLA No. 184 had long been final and executory and can no longer be disturbed. SMPC claims exemplary and moral damages and attorneys' fees.

On September 16, 2004, the RTC-Culasi granted HGL's prayer for preliminary mandatory injunction, which order was affirmed by the CA-Cebu (CA-G.R. CEB-SP No. 00035). SMPC elevated the case to the SC (SC G.R. No. 166854) by way of Certiorari with prayer for Temporary Restraining Order (TRO) and/or Injunction to be issued against HGL, the CA-Cebu and RTC-Culasi. The SC initially granted the TRO on March 2, 2005, but on December 06, 2006, the SC promulgated its decision, which denied SMPC's Petition for Certiorari and lifted the TRO. On January 18, 2007, SMPC filed its Motion for Reconsideration and later on January 25, 2007 due to the ruling by the CA in the Caloocan case filed a Supplemental Motion for Reconsideration. On February 14, 2007, the SC denied with finality SMPC's Motion for Reconsideration and its supplement to the aforesaid motion for lack of merit.

Meanwhile, on July 16, 2007, the RTC-Culasi dismissed the main case, as the two (2) cases filed by HGL was a deliberate violation of the rule on forum shopping. RTC-Culasi further stated in its decision that in both cases, HGL's cause of action rests on the validity of its FLGLA No. 184. HGL filed a Motion for Reconsideration, but on November 20, 2007, RTC-Culasi ruled against HGL. No appeal was taken by HGL.

Thereafter, on February 6, 2008, HGL filed before the SC a Petition for Indirect Contempt (SC G.R. No. 181353). HGL alleged, among others, that the dismissal of the Culasi case constitutes indirect contempt as HGL was not able to implement the SC's decision dated December 6, 2006 (affirming the earlier order of RTC-Culasi granting HGL's prayer for preliminary mandatory injunction) and resolution dated February 14, 2007, as RTC-Culasi dismissed the main case or the Culasi case on the ground of forum shopping. SMPC filed its Comments/Opposition to the Petition. Subsequently, the SC required the parties to submit their respective Memoranda.

In its Decision dated June 6, 2016, the SC stated that "[t]he Petition for Indirect Contempt is completely baseless" since SMPC was repetitively raising the issue of forum shopping through various motions and petitions and at different stages of Civil Case No. C-146, was tenacious, at worst, but not contumacious (pg.29), as Judge Penuela merely made an error of judgment when he dismissed the case based on forum shopping. Further, HGL further breached the principle of judicial hierarchy in directly filing its Petition for Certiorari before the SC (pg.31).

The Decision of RTC-Culasi in dismissing the case (Civil Case No. C-146) on the ground of forum shopping was a valid decision albeit erroneous. HGL instead of filing an appeal under Rule 41 to the Court of Appeals sought the remedy of a Petition for Indirect Contempt and in the alternative Certiorari under Rule 65. HGL likewise filed this petition two days beyond the allowed reglementary period under the Rules of Court.

Despite the defects of the Petition filed by HGL, the Court partly granted the same in the interest of substantive justice and equity. Thus, in consideration of the extraordinary circumstances and the interest of substantive justice and equity, the SC partially grants the Petition, which reinstates the case (Civil

Case No. C-146) and remands it to RTC-Antique for the specific purpose of hearing and determining the damages to be awarded to HGL for the non-enforcement of the Writ of Preliminary Mandatory Injunction dated October 6, 2004. The hearing for the specific purpose of determining the damages to be awarded is ongoing. The case remains pending to date.

2. **Tax Refund/Credit Case**. SMPC filed several cases against the Commissioner of Internal Revenue before the Court of Tax Appeals (CTA) for tax credit/refund due to erroneously withheld and remitted VAT on coal sales by National Power Corporation (NPC) in the total amount of ₱190,500,981.23.

   2.1 CTA Case No. 7717 (For ₱11,847,055.07). – On October 15, 2009, the CTA granted SMPC's petition in the amount of ₱11,847,055.07 for VAT withheld for the month of December 2005. The CTA on August 10, 2010 issued a Writ of Execution on its decision dated October 15, 2009 and was served to BIR on August 13, 2010. On September 9, 2015, BIR issued the Tax Credit Certificate (TCC) to SMPC. The BIR is now in process of SMPC's cash conversion application for Php11,847,055.07.

   2.2. *Commissioner of Internal Revenue vs. Semirara Mining Corporation, G.R. No. 202534 (CTA EB No. 752 [For ₱15,292,054.91]).* – On January 4, 2011, the CTA *(CTA Case No. 7867)* granted SMPC's petition for VAT withheld in the amount of ₱15,292,054.91 for the month of January 2007. CIR's Motion for Reconsideration on March 18, 2011 and later appeal to CTA *En Banc (CTA EB No. 752) were* dismissed for lack of merit. Thereafter, the CIR petition for review on certiorari with the Supreme Court *(G.R. No. 202534)* and its subsequent motion for reconsideration were denied in a Decision dated December 5, 2018 and on June 3, 2019, respectively. The SC in denying with finality the motion ordered the immediate issuance of an entry of judgment in an order dated August 7, 2019. On September 27, 2019, SMPC filed a motion for execution with the CTA. There being no comment/opposition from the CIR, the CTA on February 12, 2020 issued the writ of execution. SMPC is currently completing the documentary requirements for its application with the BIR for the issuance of tax credit certificate.

   2.3. *Commissioner of Internal Revenue vs. Semirara Mining Corporation, G.R. No. 203621 (CTA EB No. 772 [For ₱86,108,626.19]).* – On February 10, 2011, the CTA granted SMPC's petitions in the amount of ₱86,108,626.10 for VAT withheld for the period, January 1, 2006 to June 30, 2006. On February 22, 2011, as CIR's Motion for Reconsideration was denied. It elevated the case to CTA *En Banc (CTA EB No. 772),* but was denied by the CTA En Banc on June 22, 2012. The CIR filed its Motion for Reconsideration but was again denied by CTA on September 17, 2012. The CIR filed with the Supreme Court (SC) a Petition for Review on November 5, 2012, but was denied in a minute resolution dated January 30, 2013. On October 10, 2013 an Entry of Judgment was issued. On January 21, 2014, the CTA issued a Wit of Execution which was served to the BIR on April 27, 2015. On November 13, 2018, SMPC received from BIR its TCC for the amount of Php86,108,626.19. SMPC submitted the documentary requirements for its cash conversion application with the BIR last December 19, 2018.

   2.4. *Commissioner of Internal Revenue vs. Semirara Mining [and Power] Corporation, G.R. No. 202922 (CTA EB No. 793 [For ₱77,253,245.39]).* - On March 28, 2011, the CTA granted SMPC's petition in the amount of ₱77,253,245.39 for the period of July 1, 2006 to December 31, 2006. On April 12, 2011, the CIR's Motion for Reconsideration was denied on June 3, 2011. It elevated the case to the CTA *En Banc (CTA EB No. 793),* but its petition was also denied on April 23, 2012 for lack of merit. The CIR's filed a Motion for Reconsideration on the denial was denied on May 29, 2012. The CIR filed a Petition for Review with the Supreme Court *(G.R. No. 202922).* On June 19, 2017, the SC denied CIR's petition for review and affirmed the CTA *En Banc's* Decision dated April 23, 2012 and its Resolution dated July 26, 2012. On January 10, 2018, the SC denied CIR's motion for reconsideration with finality and ordered an entry of judgment be issued immediately. The CTA issued a Writ of Execution on March 18, 2019. On August 22, 2019, SMPC filed its application with BIR for the issuance of tax credit certificate. Pending issuance of TCC.

3. **Forcible Entry Case.** – The complaint docketed as *Gabinete, et. al. vs. SMPC, et. al., Civil Case No. 210-C, MCTC-Pandan, Antique* hinges from the alleged entry of SMPC to a portion of plaintiffs' properties located in Barangay Alegria, Caluya, Antique. The occupation of SMPC was based on the authority of the new owner of the property. Plaintiffs' prayed that the Court order defendants to vacate the properties and pay damages and attorney fees. On March 11, 2014 SMPC submitted its affidavits and position paper as required by the Court. The case is submitted for resolution/decision of the Court.

4. **Annulment of Deeds of Sale Case. –** The complaint docketed as *Gabinete, et. al., vs. SMPC, et. al., Civil Case No. C-260, RTC-Culasi, Antique, Branch 13* seeks the annulment of the deeds of sale which plaintiff executed with the defendant, George G. San Pedro covering parcels of land located in Brgy. Alegria, Caluya, Antique due to alleged unsound mind of the plaintiff at the time of execution. Gabinete filed an amended complaint, which was admitted by RTC on April 27, 2015. On account of the inclusion of Manual Gabinete, Vicente Gabinete and the Municipal Assessor of Caluya as additional defendants, and the filing of Answer by Vicente Gabinete, the RTC in a Constancia dated August 15, 2018 reset the Preliminary Conference on September 2, 2018. A motion to drop SMPC as defendant to the case was granted by the RTC per its Order dated December 12, 2019. The RTC set the Judicial Dispute Resolution on February 10, 2020.

5. **Damages.** – The case docketed as *Bauer Foundations Philippines, Inc., Plaintiff, vs. Semirara Mining Corporation and/or Victor A. Consunji and/or Jaime B. Garcia, Defendants, Civil Case No. R-QZN-14-04802CV, Regional Trial Court-Quezon City, Branch 100.* Plaintiff Bauer Foundations Philippines, Inc. (Bauer) alleged that SMPC, in bad faith, prevented it from drilling and grouting the remaining 35 holes of the agreed 122 holes in violation of the parties' agreement. The agreement generally covered the construction of numerous drilled shafts of 1.2-meter-diameter with a depth of 150 meters to be filled with grout and/or concrete for the fault line areas at coal mining area of the SMPC in Semirara Island, Caluya, Antique. In view of such alleged breached, Bauer is asking the court that the SMPC be adjudged to pay the amount of PhP7 million for actual damages representing unpaid value of the 35 undrilled holes, PhP500,000.00 exemplary damages, PhP100,000.00 litigation expenses, and costs of suit. Contrary, however, to the allegations of Bauer, it is Bauer which failed to perform and deliver based on the timeline as agreed. Answer was filed on July 14, 2014. On February 27, 2017, the Court rendered its Decision dismissing the complaint, as Bauer was not able to prove its case by preponderance of evidence. Its motion for reconsideration was likewise denied per Order dated July 10, 2017. Bauer's Notice of Appeal was given due course by the RTC per Order dated September 22, 2017. On November 9, 2017 the CA (CA-G.R. CV No. 109769) required the parties to submit their Briefs. In a resolution dated January 30, 2019, the CA submitted the instant appeal by Bauer for resolution.

6. **Declaratory Relief with Injunction Case. –** This is a case filed by SMPC against the *BIR, Bureau of Customs & Department of Finance under Civil Case No. 13-1171, RTC Makati Br. 146*. On May 21, 2013 SMPC was granted a Certificate of Qualification for Tax Exemption under PD 972 by the DOE for its 36,000,000 liters of diesoline. SMPC made 1st partial shipment of 6,16,367 liters. BIR assessed VAT and excise tax on said shipment in the amount of P27 million which was paid under protest. As a result SMPC filed a petition for Declaratory Relief with the RTC on October 3, 2013 seeking to enjoin BIR, BOC from implementing BIR RR No. 2-2012 by imposing advance payment of VAT on SMPC importation of diesel fuel for its own use and consumption. BIR rationalizes its issuance of RR No. 2-2012 for the purpose of curtailing smuggling. While under said regulations payment of VAT is subject to right of refund by SMPC (effectively 0% rated) being exempted from VAT under its COC and PD 972, SMPC contested the application of said regulation as it effectively diminishes its exemption granted by law and impairs the rights under its COC pursuant to the non-impairment clause of the Constitution.

   On October 30, 2013, SMPC secured a 20-day TRO and on November 21, 2013 the RTC issued a preliminary injunction against the BIR, BOC and DOF in so far as the implementation of said regulation specifically against SMPC. Defendants moved for reconsideration, but were denied by the RTC on February 4, 2014. On February 10, 2014, the RTC resolved to grant the SMPC's petition for declaratory relief and declared that in view of the tax exemption provided under PD 972 and the COC, Revenue Regulation No. 2-2012 issued by the respondents was held inapplicable to the SMPC's direct importation of petroleum products.

   As a result, the DOF and BOC filed a petition for review on certiorari under Rule 45 of the Rules of Court (ROC) with the SC (G.R. No. 211188) on April 8, 2014 while the BIR on May 13, 2014 filed with the CA (CA-G.R. No. 135364) a petition for review under Rule 65 of ROC with prayer for TRO and/or writ of preliminary injunction. Meanwhile, SMPC filed a petition on September 2, 2015 with the CTA (CTA Case No. 9133) in view of the denial by the BIR of its claim for tax refund in the amount of PhP27,341,714.00 as VAT paid under protest.

   SC G.R. No. 211188
   This case is an offshoot of the RTC-Makati City (Br. 146) Order dated February 4, 2014 and its Resolution dated February 13, 2014, which granted SMPC's petition for declaratory relief. Thus, the DOF and BOC filed a Petition for Review on Certiorari under Rule 45 of the Rules of Court with

the Supreme Court on April 08, 2014 assailing the RTC's Resolution dated February 13, 2014. On October 28, 2016, SMPC filed its Memorandum. The petition is pending resolution by the SC.

CA G.R. SP No. 135364
This case is likewise an offshoot of the RTC-Makati City (Br. 146) Order dated February 4, 2014 and its Resolution dated February 13, 2014, which granted SMPC's petition for declaratory relief. Thus, the BIR filed a Petition for Certiorari under Rule 65 with prayer for TRO and/or Writ of Preliminary Injunction with the Court of Appeals on May 13, 2014. In a Resolution dated July 23, 2014, the CA ruled that the petition as "deemed abandoned" for having been filed out of time. The BIR filed an MR, which was denied in a Resolution dated January 26, 2015. The BIR filed a petition for review under Rule 45 with the SC *(SC-G.R. No. 217712)*. SMPC has submitted its comment to the petition.

CTA Case No. 9133
This is case is a petition for review filed on September 2, 2015 by SMPC on the denial of its claim by the BIR for tax refund involving the amount of Php27,341,714.00 as VAT paid under protest for the first shipment of its diesoline importation. With the filing of BIR's comments on October 19, 2016 to SMPC's formal offer of evidence filed on October 11, 2016. On July 27, 2018, the CTA promulgated its decision granting SMPC's petition and ordering the CIR to refund the amount of Php27,341,714.00. On August 17, 2018, the CIR moved for reconsideration on the July 27, 2018 decision, which the CTA denied in its Resolution dated January 15, 2019 for lack of merit. The CIR filed a petition for review with the CTA *En Banc*. The petition is now submitted for resolution.

Except for the foregoing cases, the Company or its subsidiaries is not a party to any pending material legal proceedings. It is not involved in any pending legal proceedings with respect to any of its properties. Apart from the foregoing, therefore, it is not involved in any claims or lawsuits involving damages, which may materially affect it or its subsidiaries.

PART II – SECURITIES OF THE REGISTRANT

A. MARKET PRICE OF AND DIVIDENDS ON REGISTRANT'S COMMON EQUITY AND RELATED STOCKHOLDER MATTERS

(1) **Market Information**

(a) **Principal market where the registrant's common equity is traded. -** The Company is listed in the Philippine Stock Exchange (PSE). There has been no substantial trading since 1983 or 17 years. However, in 2004 DMCI Holdings, Inc. (DHI) increased its shareholdings from 74.36% to 94.51%. The National Development Company (NDC) shares were decreased from 21.27% to 4.55% shares and the others from 4.3% to 0.94% shares. None of them sold their shares hence, no substantial trading occurred. These changes in the percentage of holdings resulted from the equity restructuring of the Company's authorized capital stock and the subscription of DHI of 19,120,581 additional shares in 2004.

In February 2005, new additional shares of 46,875,000 were sold to the public by the Company in its international offer. Also in the same public offering, DHI as selling shareholder sold 58,171,000 reducing its shareholdings from 94.51% to 60%.

On April 8, 2010, the Company sold through PSE its treasury shares equivalent to 19,302,200 at ₱67.00 per share. In June 2010, by way of Stock Rights Offering, the Company offered for subscription 59,375,000 common shares to eligible existing stockholders at the ratio of 1:5 shares as of record date, July 1, 2010.

SMPC embarked on buying back its shares approved by the Board on August 15, 2016. The buy-back program was undertaken to enhance shareholder's value and to provide stockholders an opportunity to liquidate their investments. On December 7, 2017, the Board further approved the buy-back program of its shares worth Php2 billion based on trading price at the open market through the trading facilities of the PSE beginning December 8, 2017. To date, its treasury shares stands at 14,061,670.

The market capitalization of the Company as of end-2018, based on the closing price of ₱23.05 is approximately ₱97.98 billion. As of March 15, 2019, the Company's capitalization stood at ₱91.81 billion based on the ₱21.60/share closing price.

(b) The Company's security was traded at the PSE at a price of ₱0.40/share on December 23, 2002. There was no trading of the Company's securities in 2003 and 2004. The highs and lows (in Pesos) of trading during the past three (3) years are as follows:

	High	Low	Close
2020			
Jan-Mar[5]	22.50	11.42	12.80
2019			
Jan-Mar	25.30	19.80	21.95
Apr-Jun	24.50	21.30	23.15
Jul-Sep	24.80	21.55	22.80
Oct-Dec	23.90	19.00	22.00
2018			
Jan-Mar	39.10	29.60	30.30
Apr-Jun	32.85	27.50	30.30
Jul-Sep*	33.05	26.60	26.70
Oct-Dec*	29.50	22.50	23.05
2017			
Jan-Mar	154.40	129.30	147.60
Apr-Jun	165.00	147.60	160.50
Jul-Sep	50.00	39.95	46.70
Oct-Dec	46.70	34.70	36.80

**adjusted due to stock dividend declaration effective September 12, 2017.*

(2) **Holders.** – As of March 13, 2020, the Company has 731 shareholders, with 4,250,547,620 common shares outstanding, as a result of the buy-back program approved by the Board in 2016 and 2017, respectively. The buyback program was undertaken to enhance shareholder's value and to provide stockholders an opportunity to liquidate their investments. To date, the Corporation's treasury shares stood at 14,061,670.

Title of Class	Name	Number of Shares Held	% of Total
Common	DMCI Holdings, Inc.	2,407,770,396	56.65
Common	PCD Nominee Corp. (Filipino)	774,318,915	18.22
Common	Dacon Corporation	542,067,778	12.75
Common	PCD Nominee Corp. (Foreign)	215,484,147	05.07
Common	Others	310,906,348	07.31

Names of Top Twenty (20) Stockholders as of March 13, 2020 (Common Stockholders):

No.	Name of Stockholders	No. of Shares	Percentage
1.	DMCI Holdings, Inc.	2,407,770,396	56.65
2.	PCD Nominee Corp. (Filipino)	774,318,915	18.22
3.	Dacon Corporation	532,993,408	12.54
4.	PCD Nominee Corp. (Foreign)	215,484,147	5.07
5.	Privatization Management Office	145,609,296	3.43
6.	DFC Holdings, Inc.	82,364,916	1.94
7.	Freda Holdings, Inc.	18,574,925	0.44
8.	Regina Capital Development Corp.	10,300,000	0.24
9.	Fernwood Investments, Inc.	9,861,464	0.23
10.	Dacon Corporation	9,074,370	0.21
11.	Berit Holdings Corporation	6,887,231	0.16
12.	Double Spring Investments Corporation	6,761,316	0.16
13.	Regina Capital Development Corp.	3,100,000	0.07

[5] As of March 13, 2020.

14.	Augusta Holdings, Inc.	3,041,700	0.07
15.	Fernwood Investments Inc.	3,012,260	0.07
16.	F. Yap Securities Inc.	2,854,500	0.07
17.	Checklink Holdings, Inc.	1,714,140	0.04
18.	Artregard Holdings, Inc.	1,700,140	0.04
19.	Daveprime Holdings, Inc.	1,700,140	0.04
20.	Jaime B. Garcia	1,463,408	0.03

(i) The table sets forth the record or beneficial owners of more than 5% of the outstanding common shares of the Corporation, which are entitled to vote and the amount of such record or beneficial ownership as of March 13, 2020:

Title of Class	Names	No. of Shares	% of Total
Common	DMCI Holdings, Inc.	2,407,770,396	56.65
Common	PCD Nominee Corp. (Filipino)	774,318,915	18.22
Common	Dacon Corporation	542,067,778	12.75
Common	PCD Nominee Corp. (Foreign)	215,484,147	05.07

(ii) each director and nominee

Office	Names
Chairman & CEO	Isidro A. Consunji
Independent Director	Rogelio M. Murga
Independent Director	Honorio O. Reyes-Lao
Independent Director	Antonio Jose U. Periquet, Jr.
Director	Jorge A. Consunji
Director	Cesar A. Buenaventura
Director	Herbert M. Consunji
Director, President, COO & CIO[6]	Maria Cristina C. Gotianun
Director	Ma. Edwina C. Laperal
Director	Josefa Consuelo C. Reyes
Director	Luz Consuelo A. Consunji

(iii) all directors and officers as a group, and the registrant's present commitments to such persons with respect to the issuance of any class of its common equity.

Title of class	Name of beneficial owner	Amount and nature of beneficial ownership			Citizenship	%
		Direct	Indirect[7]	Total		
Common	Isidro A. Consunji	24,144	4,679,672	4,703,816	Filipino	0.11
Common	Cesar A. Buenaventura	72,120	-	72,120	Filipino	0.00
Common	Jorge A. Consunji	500,144	2,354,956	2,855,100	Filipino	0.07
Common	Herbert M. Consunji	134,120	-	134,120	Filipino	0.00
Common	Honorio O. Reyes-Lao	1,236,040	562,480	1,798,520	Filipino	0.04
Common	Rogelio M. Murga	40,040	-	40,040	Filipino	0.00
Common	Antonio Jose U. Periquet, Jr.	100	4,333,000	4,333,100	Filipino	0.10
Common	Maria Cristina C. Gotianun	1,428	12,083,789	12,085,217	Filipino	0.28

[6] Chief Information Officer.
[7] Shares are either held by members of the family sharing the same household or by a corporation of which the reporting person is a controlling shareholder.

Common	Ma. Edwina C. Laperal	4,188	8,811,084	8,815,272	Filipino	0.21
Common	Josefa Consuelo C. Reyes	412,400	1,913,600	2,326,000	Filipino	0.05
Common	Luz Consuelo A. Consunji	45,040	-	45,040	Filipino	0.00
Common	Junalina S. Tabor	-	-	-	Filipino	0.00
Common	Jaime B. Garcia	1,943,768	-	1,943,768	Filipino	0.05
Common	Nena D. Arenas	16,000	-	16,000	Filipino	0.00
Common	John R. Sadullo	-	-	-	Filipino	0.00
Common	Antonio R. Delos Santos	110,000	-	110,000	Filipino	0.00
Common	Jose Anthony T. Villanueva	3,000	55,560	58,560	Filipino	0.00
Common	Andreo O. Estrellado	-	-	-	Filipino	0.00
Common	Ruben P. Lozada	475,200	-	475,200	Filipino	0.01
Common	Carla Cristina T. Levina	-	-	-	Filipino	0.00
Common	Karmine Andrea B. San Juan	120	-	120	Filipino	0.00
Common	Jojo L. Tandoc	400	-	400	Filipino	0.00
Aggregate Ownership of all directors and officers as a group		**5,018,252**	**34,794,141**	**39,812,393**		**0.94**

(3) **Dividends. -** On April 4, 2005 the Board approved the Company's Dividend Policy, which adopted a minimum of 20% of Net Profit After Tax starting from the period ending December 31, 2005; provided, however, that the Board of Directors shall have the option to declare more than 20% if there is excess cash and less than 20% if no sufficient cash is available. Below are dividends declared for the past two (2) years:

Year	Board Approval	Nature	Dividend/Share (PHP)	Total Amount of Dividend (PHP)	Record Date	Payment Date
2018	2-22-2018	Cash	1.25	5,320,161,775.00	3-8-2018	3-22-2018
2018	11-7-2018	Cash	1.00	4,250,547,620.00	11-21-2018	12-14-2018
2019	3-18-2019	Cash	1.25	5,313,184,525.00	4-2-2019	4-26-2019

(4) **Recent Sales of Unregistered Securities. -** No unregistered securities were sold in 2019, 2018 and 2017.

PART III - FINANCIAL INFORMATION

A. MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS *(YEARS 2016-2019)*

Full Years 2018-2019

MANAGEMENT DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

PRODUCTION – COMPARATIVE REPORT FOR 2019 AND 2018

COAL

Mining operations took advantage of the increased capacity and favorable weather condition. As a result, materials moved increased by 13% year-on-year to 185.5 million bank cubic meter (BCM) from 164.3 million BCM against last year. Quarter-on-quarter, materials moved decreased by 15% to 40.3 from 47.4 million BCM because of the suspension of mining operations which lasted for almost a month in Q42019.

With the ratio of 11.9 in the 4th quarter coal production significantly decreased by 22% to 3.2 million tons from 4.1 million tons quarter on quarter. Year-on-year, coal production increased by 17% with an aggregate strip ratio of 11.5

The table below shows the coal segment's comparative production data for 2019 and 2018.

	Q1	Q2	Q3	Q4	2019	Q1	Q2	Q3	Q4	2018	VARIANCE
Materials Moved	53.7	53.3	38.2	40.3	185.5	40.5	41.9	34.6	47.4	164.3	13%
Coal Production	4.1	4.4	3.5	3.2	15.2	4.1	3.1	1.7	4.1	12.9	17%
Strip Ratio	12.5	11.3	10.2	11.9	11.5	9.1	12.8	20.0	11.0	12.0	-4%

POWER

SEM-CALACA POWER GENERATION CORPORATION (SCPC)

The graph below illustrates SCPC's comparative performance data for 2019 and 2018.

COMPARATIVE PLANT PERFORMANCE DATA

AO '19 VS AO '18

	Q1 '19	Q2 '19	Q3 '19	Q4 '19	2019	Q1 '18	Q2 '18	Q3 '18	Q4 '18	2018	% Inc (Dec)
Gross Generation, Gwh											
Unit 1	22	-	45	390	456	447	481	452	432	1,813	*-75%*
Unit 2	181	393	383	106	1,062	-	383	524	562	1,469	*-28%*
Total Plant	**203**	**393**	**428**	**495**	**1,519**	**447**	**864**	**976**	**995**	**3,281**	***-54%***
% Availability											
Unit 1	5%	0%	12%	77%	24%	83%	96%	100%	100%	95%	*-75%*
Unit 2	35%	89%	87%	24%	59%	0%	66%	86%	90%	61%	*-2%*
Total Plant	**20%**	**45%**	**50%**	**51%**	**41%**	**41%**	**81%**	**93%**	**95%**	**78%**	***-47%***
Capacity Factor											
Unit 1	3%	0%	7%	59%	17%	69%	73%	68%	66%	69%	*-75%*
Unit 2	28%	59%	58%	16%	40%	0%	58%	79%	86%	56%	*-28%*
Total Plant	**16%**	**30%**	**32%**	**38%**	**29%**	**34%**	**65%**	**74%**	**76%**	**62%**	***-54%***

Unit 1

Gross Generation	
Q4 2019 vs Q4 2018	The unit has begun its operation at the start of Q4 2019. It ran at an average load of 230MW during the quarter compared to 198MW in the same period last year win which the unit ran at 100% during the quarter.
FY 2019 vs FY 2018	The unit is down the whole of H1 2019 and began its commissioning in the later part of Q3 2019. The Unit started shutdown on December 30, 2018. The shutdown is in relation to the Life Extension Project (LEP) of SCPC. Last year, the Unit ran at an average capacity of 219MW while start for last quarter of 2019 the average capacity is 230MW
Availability	
Q4 2019 vs Q4 2018	The unit has begun its operation at the start of Q4 2019. The same period last year, the unit ran at 100% during the last quarter.
FY 2019 vs FY 2018	The unit is down the whole of H1 2019 and was extended up to end of Q3. The Life Extension Project was originally scheduled for a 6 months maintenance shutdown which started December 30, 2018 but was extended to alllow additional maintenance works to ensure power unit availability. Last year, the unit ran continuously from start of the year, except for a 15-day outage in March due to boiler slagging and a 4-day outage in June due to repair of boiler tube leaks.

Unit 2

Gross Generation	
Q4 2019 vs Q4 2018	The unit has begun its Life Extension Project (LEP) activities in Oct. 2019. It ran at an average load of 200MW due to condenser issues before it was shutdown for LEP. Last year, the unit ran at an average load of 288MW during the quarter.
FY 2019 vs FY 2018	The Unit was down for a total of 79 days during the three quarters of 2019 due to repair of tube leaks and other maintenance activities. It is in Q4 when it started its Life Extension Project activities. Last year, the Unit was down the whole of Q1 2018 for scheduled maintenance and came back in operation only in the second week of April last year. Average load for 2019 and 2018 is 204MW and 276MW, respectively.
Availability	
Q4 2019 vs Q4 2018	The unit operated at a total of 527 hours this Q4 versus 1,955 hours Q4 last year.
FY 2019 vs FY 2018	The unit operated at a total of 5,197 hours this year versus 5,314 hours last year. Last year, the unit underwent an extended shutdown for scheduled maintenance which lasted until the first week of April 2018.

SOUTHWEST LUZON POWER GENERATION CORPORATION (SLPGC)

The graph below illustrates SLPGC's comparative production data for 2019 and 2018.

COMPARATIVE PLANT PERFORMANCE DATA
AO '19 VS AO '18

	2019					2018					Variance
	Q1	Q2	Q3	Q4	2019	Q1	Q2	Q3	Q4	2018	% Inc (Dec)
Gross Generation, Gwh											
Unit 1	203	329	326	268	1,126	121	-	12	274	406	*177%*
Unit 2	100	261	294	288	944	74	247	319	321	962	*-2%*
Total Plant	**303**	**590**	**621**	**557**	**2,070**	**195**	**247**	**331**	**595**	**1,368**	***51%***
% Availability											
Unit 1	68%	100%	100%	86%	88%	51%	0%	6%	92%	37%	*139%*
Unit 2	41%	84%	91%	89%	77%	45%	79%	99%	100%	81%	*-5%*
Total Plant	**55%**	**92%**	**95%**	**87%**	**83%**	**48%**	**40%**	**53%**	**96%**	**59%**	***40%***
Capacity Factor											
Unit 1	63%	99%	99%	82%	86%	37%	0%	4%	84%	31%	*177%*
Unit 2	31%	79%	89%	88%	72%	23%	75%	96%	98%	73%	*-2%*
Total Plant	**47%**	**89%**	**94%**	**85%**	**79%**	**30%**	**37%**	**50%**	**91%**	**52%**	***51%***

Unit 1

Gross Generation	
Q4 2019 vs Q4 2018	Slightly lower vs Q4'18 due to the return to production of U1's repaired rotor in 2018
FY 2019 vs FY 2018	Higher vs LY - higher availability and capacity
Availability	

Q4 2019 vs Q4 2018	Slightly lower availability vs Q4 '18 due to more outage for Unit 1
FY 2019 YTD vs FY 2018	Higher availability vs LT due to lower forced outage

Unit 2

Gross Generation	
Q4 2019 vs Q4 2018	Slightly lower vs Q4 '18 due to lower availability
FY 2019 vs FY 2018	Slightly lower vs Q4 '18 due to lower availability
Availability	
Q4 2019 vs Q4 2018	Slightly lower availability vs LY due to more outages
FY 2019 vs FY 2018	Slightly lower availability vs LY due to more outages

MARKETING – COMPARATIVE REPORT FOR THE NINE MONTHS OF 2019 AND 2018

COAL

The table below shows the coal comparative sales volume data for 2019 and 2018.

														VOLUME (In 000 MT)
Customer	Q1	Q2	Q3	Q4	2019	%	Q1	Q2	Q3	Q4	2018	%	Diff	%Inc/ (Dec)
Power Plants	1,124	946	691	1,056	3,816	24%	1,348	1,404	1,026	1,276	5,053	44%	(1,237)	-24%
Cement	253	203	178	218	852	5%	258	236	230	191	915	8%	(63)	-7%
Others Plants	142	175	133	114	565	4%	178	210	127	120	635	5%	(70)	-11%
Local	1,520	1,324	1,002	1,387	5,232		1,783	1,849	1,383	1,587	6,603		(1,371)	-21%
Export	2,034	2,982	3,209	2,154	10,379	66%	1,634	1,608	48	1,669	4,960	43%	5,419	109%
TOTAL (M MT)	3,554	4,306	4,211	3,541	15,611	100%	3,418	3,458	1,432	3,256	11,563	100%	4,049	35%

Power Plants	
Q4 2019 vs Q4 2018	Power plant customers including owned plants are undergoing maintenance repairs during the current quarter
FY 2019 vs FY 2018	Power plant customers including owned plants are undergoing maintenance repairs during the current quarter
Cement Plants	
Q4 2019 vs Q4 2018	Higher offtake of existing cement customers
FY 2019 vs FY2018	Lower offtake of existing cement customers
Other Industrial Plants	
Q4 2019 vs Q4 2018	Lower offtake of industrial plants
FY 2019 vs FY 2018	Lower offtake of industrial plants

Export	
Q4 2019 vs Q4 2018	Higher volume produced for export grade coal
FY 2019 vs FY 2018	Higher volume produced for export grade coal
Average Selling Price (ASP)	
Q4 2019 vs Q4 2018	Lower NewCastle Index

FY 2019 vs FY 2018	Lower NewCastle Index

POWER

SCPC

The table below shows the comparative marketing data of SCPC for 2019 and 2018 (In GWh, except ASP).

COMPARATIVE SALES VOLUME DATA (in GWh)											
CUSTOMER	Q1 '19	Q2 '19	Q3 '19	Q4 '19	2019	Q1 '18	Q2 '18	Q3 '18	Q4 '18	2018	% Inc (Dec)
GWh											
Bilateral Contracts	346	532	428	318	1,624	408	865	909	874	3,056	-47%
Spot Sales	16	4	53	150	224	3	79	95	109	286	-22%
GRAND TOTAL	**362**	**536**	**481**	**468**	**1,848**	**410**	**945**	**1,005**	**983**	**3,342**	**-45%**
ASP in Php											
Bilateral Contracts	4.33	3.76	3.43	3.32	3.71	5.08	3.79	4.15	4.19	4.18	-11%
Spot Sales	7.18	7.39	1.86	4.74	4.29	12.24	3.89	3.17	2.97	3.37	27%
Average ASP	**4.46**	**3.79**	**3.26**	**3.78**	**3.78**	**5.13**	**3.80**	**4.05**	**4.05**	**4.11**	**-8%**

Bilateral Contracts	
Q4 2019 vs Q4 2018	Bilateral contract capacity in Q4 2019 is 170MW while 420MW in Q4 2018.
FY 2019 vs FY 2018	Decrease due to lower contracted capacity (from 440.45MW in 2018 to 250.45MW in H1 2019 and 170.45MW in H2 2019). ASP decreased due to decreasing New Castle Index.
Spot Sales	
Q4 2019 vs Q4 2018	Higher spot sales in Q4 2019 due to lower BCQ requirements during Q4.
FY 2019 vs FY 2018	Lower spot sales in 2019 due to one unit running at a derated capacity of 200MW

Other Information:

- Of the total energy sold, 75.37% was sourced from own generation, while 24.63% was purchased from the spot market. SCPC procured power from the spot market during hour intervals where power units were down, or when the plants were running at a de-rated capacity, in order to be able to supply committed capacity to some of its customers.

SLPGC

The table below shows the comparative marketing data of SLPGC for 2019 and 2018 (In GWh, except ASP).

COMPARATIVE SALES VOLUME DATA (in GWh)											
CUSTOMER	2019					2018					Variance
	Q1	Q2	Q3	Q4	2019	Q1	Q2	Q3	Q4	2018	% Inc (Dec)
GWh											
Bilateral Contracts	90	252	88	9	439	125	231	74	131	561	-22%
Spot Sales	187	327	412	489	1,415	40	56	223	399	718	97%
GRAND TOTAL	**277**	**579**	**500**	**498**	**1,854**	**165**	**287**	**297**	**530**	**1,279**	**45%**
ASP in Php											
Bilateral Contracts	3.54	3.58	3.65	4.47	3.60	6.87	5.42	3.83	3.50	5.09	-29%
Spot Sales	4.38	6.15	3.06	4.92	4.59	2.88	3.61	3.21	2.88	3.04	51%
Average ASP	**4.10**	**5.03**	**3.17**	**4.91**	**4.36**	**5.90**	**5.07**	**3.36**	**3.03**	**3.94**	**11%**

Sales Volume

Bilateral Contracts	
Q4 2019 vs Q4 2018	Lower BCQ for Q4 due to no new BCQ contract for SLPGC
FY 2019 vs FY 2018	Lower vs LY due to the expiration of Mpower and VECO contracts
Spot sales	
Q4 2019 vs Q4 2018	Higher spot sales due to higher excess energy sold to WESM brought about by expired BCQ
FY 2019 vs FY 2018	Higher spot sales due to higher excess energy sold to WESM brought about by expired BCQ

- Of the total energy sold, 98.23% was sourced from own generation, while 1.77% was purchased from the spot market. SLPGC procured power from the spot market during hour intervals where power units were down, or when the plants were running at a de-rated capacity, in order to be able to supply committed capacity to some of its customers.

III. FINANCE

A. Sales and Profitability

Revenues *(In million PhP)*

Before Eliminations

	Q4 2019	Q4 2018	Variance	Remarks	FY 2019	FY 2018	Variance	Remarks
Coal	6,536	7,944	-18%	Increase in sales volume by 194% partially offset by 32% decrease in ASP	32,282	30,696	5%	45% increase in volume sold slightly offset 22% decrease in ASP
SCPC	1,768	3,981	-56%	Decrease in sales volume 52% and 20% decrease in ASP due to lower NewCastle price index	6,985	13,744	-49%	Decrease in sales volume 42% and by 9% decrease in ASP due to lower NewCastle price index
SLPGC	2,444	1,603	52%	Increase in sales volume by 20% attributed to both plants running at near optimum capacity slightly offset by 6% decrease in ASP. Most of the revenue came from Spot	8,081	5,034	61%	Increase in sales volume 81% offset by 9% decrease in ASP due to expiration of contracts with higher prices.
Others	101	-	100%	Revenue from electricity trading	101		100%	Revenue from electricity trading
Total	10,748	13,528	-21%		47,348	49,474	-4%	

After Eliminations

	Q4 2019	Q4 2018	Variance	Remarks	FY 2019	FY 2018	Variance	Remarks
Coal	5,806	5,512	5%	Increase in sales volume by 194% partially offset by 32% decrease in ASP	29,085	23,186	25%	45% increase in volume sold slightly offset 22% decrease in ASP
SCPC	1,768	3,981	-56%	Decrease in sales volume 52% and 20% decrease in ASP due to lower NewCastle price index	6,985	13,744	-49%	Decrease in sales volume 42% and by 9% decrease in ASP due to lower NewCastle price index
SLPGC	2,444	1,603	52%	Increase in sales volume by 20% attributed to both plants running at near optimum capacity slightly offset by 6% decrease in ASP. Most of the revenue came from Spot	8,081	5,034	61%	Increase in sales volume 81% offset by 9% decrease in ASP due to expiration of contracts with higher prices.
Others	101	-	100%	Revenue from electricity trading	101		100%	Revenue from electricity trading
Total	10,119	11,096	-9%		44,252	41,964	5%	

SEMIRARA MINING & POWER CORPORATION

Cost of Sales *(In million PhP)*

Before Eliminations

	Q4 2019	Q4 2018	Variance	Remarks	FY 2019	FY 2018	Variance	Remarks
Coal	4,737	4,541	4%	Increased due to higher volume sold by 194%, higher parts and fuel costs offset by better strip ratio	19,761	15,756	25%	Increased due to higher volume sold by 45%, higher costs of production offset by better strip ratio
SCPC	1,016	2,716	-63%	Higher replacement power costs offset by lower fuel prices. Moreover lesser volume sold.	6,129	9,307	-34%	Higher replacement power costs offset by lower fuel prices. Moreover lesser volume sold.
SLPGC	1,047	1,038	1%	Higher volume sold	4,015	3,160	27%	Higher volume sold
Others	100	-	100%	Costs of electricity traded	100		100%	Costs of electricity traded
Total	6,799	8,295	-18%		29,904	28,223	6%	

After Eliminations

	Q4 2019	Q4 2018	Variance	Remarks	FY 2019	FY 2018	Variance	Remarks
Coal	4,160	3,399	22%	Increased due to higher volume sold by 194%, higher costs of production offset by better strip ratio	17,784	12,262	45%	Increased due to higher volume sold by 45%, higher costs of production offset by better strip ratio
SCPC	955	1,710	-44%	Higher replacement power costs offset by lower fuel prices. Moreover lesser volume sold.	5,429	6,035	-10%	Higher replacement power costs offset by lower fuel prices. Moreover lesser volume sold.
SLPGC	794	995	-20%	Higher volume sold	3,335	2,543	31%	Higher volume sold
Others	100	-	100%	Costs of electricity traded	100		100%	Costs of electricity traded
Total	6,008	6,104	-2%		26,647	20,840	28%	

Consolidated Gross Profit *(In million PhP)*

	Q4 2019	Q4 2018	Variance	Remarks	FY 2019	FY 2018	Variance	Remarks
Coal	1,647	2,113	-22%	Higher sales volume by 194% offset by the 32% lower ASP; Lower cost due to better strip ratio offset by higher spare parts and fuel costs	11,302	10,924	3%	Higher sales volume by 45% offset by the 22% lower ASP; Higher spare parts and fuel costs offset by better strip ratio
SCPC	812	2,270	-64%	Considerable decline in sales volume and the increase in replacement power and lower ASP. Replacement power cost is higher than selling price.	1,555	7,709	-80%	Considerable decline in sales volume and the increase in replacement power and lower ASP. Replacement power cost is higher than selling price.
SLPGC	1,650	608	171%	Increase (20%) in sales volume due to higher generation slightly offset by increase in fuel cost	4,746	2,491	90%	Considerable increase (81%) in sales volume due to higher generation slightly offset by increase in fuel cost
Others	2	-	100%	GP on electricity trading operations	2	-	100%	GP on electricity trading operations
Total	4,109	4,991	-18%		17,603	21,124	-17%	
GP %	41%	45%	-10%		40%	50%	-21%	

Consolidated OPEX *(In million PhP)*

	Q4 2019	Q4 2018	Variance	Remarks	FY 2019	FY 2018	Variance	Remarks
Coal	1,229	666	85%	Higher government royalty due to better profitability	4,622	4,328	7%	Lower government royalty due to decline in profitability
SCPC	416	732	-43%	Accelerated depreciation is only for unit 2 amounting to PhP165 million while prior year accelerated depreciation covers unit 1 and 2 amounting to 315 million.	1,780	2,659	-33%	Accelerated depreciation is only for unit 2 amounting to PhP495 million while prior year accelerated depreciation covers unit 1 and 2 amounting to 945 million.
SLPGC	307	261	18%	Increase mainly due to increased insurance premium for the plant and depreciation	947	767	23%	Increase mainly due to increased insurance premium for the plant and depreciation
Others	6	(6)	100%	Pre-operating expenses of subsidiaries	16	20	100%	Pre-operating expenses of subsidiaries
Total	1,958	1,653	18%		7,365	7,774	-5%	

Consolidated Finance Income *(In million PhP)*

	Q4 2019	Q4 2018	Variance	Remarks	FY 2019	FY 2018	Variance	Remarks
Coal	10	3	191%	Lower temporary cash placements	24	63	-62%	Lower temporary cash placements
SCPC	21	9	142%	higher cash placements	203	23	794%	Mainly pertains to the interest income on receivable from PSALM
SLPGC	21	13	57%	Minimal temporary cash placements	55	42	30%	Minimal temporary cash placements
Others	1	-	100%	Interest income on cash placements	1	-	100%	Interest income on cash placements
Total	53	25	110%		283	128	121%	

Consolidated Finance Charges ***(In million PhP)***

	Q4 2019	Q4 2018	Variance	Remarks	FY 2019	FY 2018	Variance	Remarks
Coal	96	178	-46%	Higher debt level; higher borrowing rates	535	425	26%	Higher debt level; higher borrowing rates
SCPC	122	69	77%	Higher debt level; higher borrowing rates	393	189	108%	Higher debt level; higher borrowing rates
SLPGC	84	85	-1%	Increase in interest rates on LTD and additional short term borrowing	389	329	18%	Increase in interest rates on LTD and additional short term borrowing
Others	0	-	100%	Minimal bank charges	0	-	100%	Minimal bank charges
Total	302	332	-9%		1,317	943	40%	

Consolidated Foreign Exchange Gain / (Loss) ***(In million PhP)***

	Q4 2019	Q4 2018	Variance	Remarks	FY 2019	FY 2018	Variance	Remarks
Coal	(59)	129	-146%	Unrealized and realized Fx gain due to PhP depreciation; end of the quarter FX-PhP51.83:USD1, quarter-end 2018 FX-PhP54.02:USD1	(7)	(366)	-98%	Unrealized and realized Fx gain due to PhP depreciation; year-end 2018 FX-PhP52.58:USD1, Q3 2019 end FX-PhP51.83:USD1
SCPC	2	59	-97%	Realized loss on its foreign currency denominated transactions	(1)	(18)	-92%	Realized loss on its foreign currency denominated transactions
SLPGC	(2)	(4)	-100%	Realized loss on its foreign currency denominated transactions	(0)	(5)	-100%	Realized loss on its foreign currency denominated transactions
Total	(60)	185	-132%		(9)	(388)	-98%	

Consolidated Other Income ***(In million PhP)***

	Q4 2019	Q4 2018	Variance	Remarks	FY 2019	FY 2018	Variance	Remarks
Coal	(119)	28	-526%	Loss on disposal of unserviceable assets	(8)	37	-122%	Loss on disposal of unservieable asset offset by recoveries of insurance claims
SCPC	(9)	112	-108%	Lower fly ash sold during the quarter	82	203	-59%	Lower fly ash sold plus insurance proceeds during the year
SLPGC	(296)	332	-189%	Actual insurance recoveries of PhP 632M	109	368	-70%	Actual insurance payment o PhP 632M offset by realized loss on financial contract PhP286
Others	3	-	100%	Miscellaneous income from non-operating subsidiaries	3	-	100%	SCRes electricity spot sales
Total	(421)	472	-189%		186	608	-69%	

Consolidated NIBT ***(In million PhP)***

	Q4 2019	Q4 2018	Variance	Remarks	FY 2019	FY 2018	Variance	Remarks
Coal	155	1,430	-89%	Stronger performance offset by lower ASP due to declining Global prices	6,154	5,905	4%	Stronger performance offset by lower ASP due to declining Global prices
SCPC	289	1,649	-83%	Weaker plant performance due to Unit 1 shutdown for the LEP, commissioning started in the later part of Q3. Unit 2 unplanned shutdown due to tubeleaks. Replacement power has higher cost than selling price.	(333)	5,069	-107%	Weaker plant performance due to Unit 1 shutdown for the LEP, commissioning started in the later part of Q3. Unit 2 unplanned shutdown due to tubeleaks. Replacement power has higher cost than selling price.
SLPGC	982	604	63%	Much improved performance of both plants for the quarter pushed the profitability increased by collection of insurance payment for U3	3,573	1,801	98%	Much improved performance of both plants for the year pushed the profitability increased by collection of insurance payment for U3
Others	(0)	5	100%	Pre-operating expenses of Southeast Luzon and Claystone Inc	(10)	(21)	100%	Pre-operating expenses of Southeast Luzon and Claystone Inc
Total	1,426	3,689	-61%		9,384	12,755	-26%	

Consolidated Income Tax Provision *(In million PhP)*

	Q4 2019	Q4 2018	Variance	Remarks	FY 2019	FY 2018	Variance	Remarks
Coal	(62)	9	-797%	Final tax on interest income from placements; With Income Tax Holiday on BOI-registered activity	(59)	20	-397%	Lower final tax on interest income from placements; With Income Tax Holiday on BOI-registered activity
SCPC	100	213	-53%	Lower profitability resulted to lower income taxes	(278)	562	-150%	Lower profitability resulted to lower income taxes
SLPGC	(45)	106	-142%	Higher final tax on flyash sales; SLPGC has Income Tax Holiday as a BOI-registered	41	148	-72%	Final tax on interest income from placements and flyash sales; SLPGC has Income Tax Holiday
Others	1	-	100%	Minimal income tax on pre-operating income	1	-	100%	Minimal income tax on pre-operating income
Total	(7)	327	-102%		(296)	729	-141%	

NIAT (In million PhP)

Before Eliminations (Core Income)

	Q4 2019	Q4 2018	Variance	Remarks	FY 2019	FY 2018	Variance	Remarks
Coal	369	2,761	-87%	Higher production and volume sold but significantly lower ASP; higher costs of sales due to higher volume sold; higher cost of fuel and spares offset by better strip ratio	7,432	9,951	-25%	Higher production and volume sold but significantly lower ASP; higher costs of sales due to higher volume sold; higher cost of fuel and spares offset by better strip ratio
SCPC	129	432	-70%	Negative profitability resulted to negative income taxes	(754)	1,236	-161%	Negative profitability resulted to negative income taxes
SLPGC	773	454	70%	Much improved performance of both plants for the quarter pushed the profitability buoyed by recognition of income from insurance collection	2,851	1,036	175%	Much improved performance of both plants for the year pushed the profitability buoyed by recognition of income from insurance collection
Others	(1)	(174)	-100%	Pre-operating expenses of Semirara Claystone Inc partially offet by minimal income on Scres electricity trading	(11)	(200)	-100%	Pre-operating expenses of Semirara Claystone Inc partially offet by minimal income on Scres electricity trading

After Eliminations (Consolidated)

	Q4 2019	Q4 2018	Variance	Remarks	FY 2019	FY 2018	Variance	Remarks
Coal	216	1,421	-85%	Higher production and volume sold but significantly lower ASP; higher costs of sales due to higher volume sold; higher cost of fuel and spares offset by better strip ratio	6,213	5,885	6%	Higher production and volume sold but significantly lower ASP; higher costs of sales due to higher volume sold; higher cost of fuel and spares offset by better strip ratio
SCPC	189	1,437	-87%	Weaker plants' performance, higher replacement power and recognition of accelerated depreciation in 2019	(55)	4,508	-101%	Weaker plants' performance, higher replacement power and recognition of accelerated depreciation in 2019
SLPGC	1,027	498	106%	Much improved performance of both plants for the quarter pushed the profitability	3,532	1,653	114%	Much improved performance of both plants for the quarter pushed the profitability
Others	(1)	5	-100%	Pre-operating expenses of Southeast Luzon and Claystone Inc	(11)	(21)	-100%	Pre-operating expenses of Semirara Claystone Inc
Total	**1,431**	**3,361**	**-57%**		**9,679**	**12,025**	**-20%**	

B. <u>Solvency and Liquidity</u>

The company's earnings before interest, taxes depreciation and amortization (EBITDA) reached PhP17.34 billion 14% lower than last year. After changes in working capital, cash provided by operation netted to PhP24.14 billion. With the consolidated loan availments amounted of PHP47.49 billion, representing Coal and SLPGC bridge financing and SCPC's loan to fund CAPEX for the Life Extension Program. Combined with beginning Cash of PHP1.90 billion, total consolidated Cash available during the period stood at PHP73.43 billion.

Of the available cash, PHP12.38 billion was used to fund major CAPEX, mine development and other investments. The Company also paid cash dividend and serviced debts amounting to PhP5.30 billion and PHP49.42 billion respectively. Ending cash closed at PHP6.47 billion, a 238% increase from the beginning cash.

Coal, SCPC, and SLPGC recorded ending cash of PHP3.24 billion, PHP269.48 million, and PHP2.86 billion, respectively. Other pre-operating business closed with a total cash balance of PHP88.57 million.

Consolidated Current ratio slightly improved to 1.54x from 1.26x at the start of the year.

C. Financial Condition

ASSETS

Cash

	12/31/2019	12/31/2018	Variance	Remarks
Coal	3,244	864	276%	Higher cash generated from operations
SCPC	269	304	-11%	Timing of cash proceeds from short term borrowings for operations
SLPGC	2,855	674	324%	Higher cash generated from operations due to better plant performance
Others	89	61	45%	Cash generation from electricity trading operations
Total	**6,457**	**1,903**	**239%**	

Consolidated Receivables

	12/31/2019	12/31/2018	Variance	Remarks
Coal	945	2,445	-61%	Mainly due to the timing of collection of receivables vis-à-vis increase in cash
SCPC	1,365	3,913	-65%	Due to collection at the end of month. Bilateral contract and generation are also lower resulting to lower receivables.
SLPGC	1,309	940	39%	Lower sales in September 2019 by 46%
Others	22	3	641%	SCRes receivable on electricity sold
Total	**3,642**	**7,301**	**-50%**	

Consolidated Inventories

	12/31/2019	12/31/2018	Variance	Remarks
Coal	6,385	7,799	-18%	Increase mainly due to lower cost of coal inventory of 2.7 million tons valued at PhP2.10 billion; higher cost of materials, spare parts, major equipment components of PhP 4.20 billion and fuel and lubricants of PhP1.20 billion
SCPC	2,322	3,349	-31%	Mainly comprised of spare parts inventory for corrective, preventive and predictive maintenance program and for on going Life extension project (LEP) amounting to PhP3.9 billion; coal inventory costs PhP298.7 million.
SLPGC	1,513	1,215	24%	Increase mainly due Coal at PhP 676.9 million and insurance spares; comprised of spare parts inventory for corrective, preventive and predictive maintenance program amounting to PhP407.8 million; Diesel at PhP99.3 million, other supplies at PhP506.2 million, Limestone at PhP99.0
Total	**10,220**	**12,363**	**-17%**	

Consolidated Other Current Assets

	12/31/2019	12/31/2018	Variance	Remarks
Coal	863	1,443	-40%	Mainly comprised of prepaid income taxes and advances to contractors and suppliers of spare parts and equipment amounting to Php449.50 million and Php413.50 million, respectively
SCPC	172	1,405	-88%	Mainly comprised of prepaid, rentals, insurance and other expense
SLPGC	246	1,272	-81%	Mainly comprised of input tax and prepaid rent and insurance
Total	**1,285**	**4,121**	**-69%**	

Consolidated Total Current Assets

	12/31/2019	12/31/2018	Variance	Remarks
Coal	11,436	12,551	-8%	Please refer to above explanation
SCPC	4,129	8,972	-36%	
SLPGC	5,923	4,101	11%	
Others	115	64	96%	
Total	**21,603**	**25,688**	**-11%**	

SEMIRARA MINING & POWER CORPORATION

Consolidated PPE

	12/31/2019	12/31/2018	Variance	Remarks
Coal	10,725	11,898	-10%	PhP2.0 billion capex offset by the depreciation of PhP3.20 billion
SCPC	21,060	14,908	41%	Capex of PhP4.5 billion for the LEP, offset by depreciation of PhP1.4 billion
SLPGC	15,828	16,699	-5%	Additional Capex of PhP400 million, offset by depreciation of PhP994 million
Others	17	14	19%	Miscellaneous asset of pre-operating subsidiaries
Total	**47,631**	**43,520**	**9%**	

Investment in JV

	12/31/2019	12/31/2018	Variance	Remarks
Coal	45	51	-12%	Additional contribution to the Joint Venture
Total	**45**	**51**	**-12%**	

Consolidated Other Non-Current Assets

	12/31/2019	12/31/2018	Variance	Remarks
Coal	321	602	-47%	Comprised of VAT receivable from BIR, Software cost and right of use assets; The decrease pertain to the applied advance payment made to equipment orders
SCPC	1,461	568	157%	Mainly consists of prepaid leases, right of use assets; The input tax was applied/offset against output tax.
SLPGC	254	184	38%	Unrealized input VAT PhP 58 million and FV of Financial asset PhP 241 million
Others	5	-	100%	Deposit for distribution wheeling service
Total	**2,042**	**1,355**	**51%**	

Consolidated Deferred Tax Assets

	12/31/2019	12/31/2018	Variance	Remarks
Coal	197	67	195%	Mainly related to remeasurement losses on Pension Plan
SCPC	679	368	84%	Mainly related to provision for doubtful account and deferred revenue
SLPGC	13	(0)	100%	Mainly related to provision for doubtful account
Total	**888**	**435**	**104%**	

Consolidated Total Assets

	12/31/2019	12/31/2018	Variance	Remarks
Coal	22,725	25,169	-10%	Please refer to above explanation
SCPC	27,329	24,816	10%	
SLPGC	22,018	20,985	5%	
Others	137	79	74%	
Total	**72,209**	**71,049**	**2%**	

LIABILITIES

Accounts and Other Payables

	12/31/2019	12/31/2018	Variance	Remarks
Coal	5,073	7,130	-29%	Slight increase merely in the timing of payment of payables
SCPC	2,358	2,066	14%	Slight decrease merely in the timing of payment of payables
SLPGC	1,012	745	36%	Slight increase merely in the timing of payment of payables
Others	8	5	55%	Pertain to SCRES electricity customer deposit
Total	**8,452**	**9,946**	**-15%**	

Short-term Loans

	12/31/2019	12/31/2018	Variance	Remarks
Coal	-	2,250	-100%	Availment of bridge financing
SCPC	2,070	3,622	-43%	Availment of bridge financing for LEP and other operational needs.
Total	**2,070**	**5,872**	**100%**	

Current Portion of Long-term Debt

	12/31/2019	12/31/2018	Variance	Remarks
Coal	2,425	2,850	-15%	Payment of maturing LTD during the year
SCPC	385	-	0%	Comprised of maturing LTD within a year
SLPGC	649	1,704	-62%	Comprised of maturing LTD within a year
Total	**3,459**	**4,554**	**-24%**	

Current Portion of Lease Liability

	12/31/2019	12/31/2018	Variance	Remarks
Coal	11	-	100%	Lease liabilty due within a year
SCPC	4	-	100%	Lease liabilty due within a year
Total	**14**	**-**	**100%**	

Total Current Liabilities

	12/31/2019	12/31/2018	Variance	Remarks
Coal	7,509	12,230	-39%	
SCPC	4,817	5,688	-15%	
SLPGC	1,661	2,449	-32%	Please refer to above explanation
Others	8	5	55%	
Total	**13,995**	**20,372**	**-31%**	

Long-Term Debt - Net of Current Portion

	12/31/2019	12/31/2018	Variance	Remarks
Coal	2,475	2,806	-12%	Loans maturing within a year reclassified to current portion
SCPC	7,271	2,988	143%	Loan availment for the Life Extension Project
SLPGC	3,322	4,249	-22%	Payment of quarterly amortization
Total	**13,068**	**10,043**	**30%**	Decrease due to debt repayments

Pension Liability

	12/31/2019	12/31/2018	Variance	Remarks
Coal	272	156	75%	Accrual of pension obligation
SCPC	9	22	-58%	Accrual of pension obligation
SLPGC	14	39	-64%	Accrual of pension obligation
Total	**295**	**216**	**36%**	

Provision for Site Rehabilitation

	12/31/2019	12/31/2018	Variance	Remarks
Coal	500	402	24%	Additional provision for plant decommissioning
SCPC	18	16	9%	Additional provision for plant decommissioning
SLPGC	5	5	8%	Minimal additional provision for plant decommissioning
Total	**523**	**423**	**23%**	

Deferred Tax Liabilities

	12/31/2019	12/31/2018	Variance	Remarks
SLPGC	-	62	-100%	Deferred Tax Liabilities arising from unrealized income from financial contract
Total	**-**	**62**	**-100%**	

Other Long-Term Liabilities

	12/31/2019	12/31/2018	Variance	Remarks
Coal	62		100%	Lease liabilities non-current portion
SCPC	31		100%	Lease liabilities non-current portion
Total	**93**	**-**	**100%**	

Total Non-Current Liabilities

	12/31/2019	12/31/2018	Variance	Remarks
Coal	3,309	3,364	-2%	
SCPC	58	38	53%	
SLPGC	7,290	3,093	136%	Please refer to above explanation
Others	3,322	4,249	-22%	
Total	**13,979**	**10,744**	**30%**	

Total Liabilities

	12/31/2019	12/31/2018	Variance	Remarks
Coal	10,818	15,595	-31%	
SCPC	4,875	5,726	-15%	
SLPGC	8,951	5,542	62%	Please refer to above explanation
Others	3,330	4,254	-22%	
Total	**27,974**	**31,116**	**-10%**	

EQUITY

Capital Stock

	12/31/2019	12/31/2018	Variance	Remarks
Coal (Parent)	4,265	4,265	0%	No movement

Additional Paid-in Capital

	12/31/2019	12/31/2018	Variance	Remarks
Coal (Parent)	6,676	6,676	0%	No movement

Treasury Shares

	12/31/2019	12/31/2018	Variance	Remarks
Coal (Parent)	740	740	0%	Purchase of 3.46 million SCC shares in 2016, 2.7 million shares in 2017 and 7.8 million shares in H1 2018

Remeasurement Gain / (Losses) on Pension Plan

	12/31/2019	12/31/2018	Variance	Remarks
Coal	(96)	(38)	152%	Actuarial valuation adjustment on pension plan
SCPC	4	4	16%	No Movement
SLPGC	(6)	(2)	314%	Actuarial valuation adjustment on pension plan
Total	**(98)**	**(36)**	**173%**	

Retained Earnings / (Losses)

	12/31/2019	12/31/2018	Variance	Remarks
Coal	18,749	13,936	35%	Better profitability partially offset by the cash dividend paid
SCPC	6,765	10,091	-33%	Income for the period offset by payment of cash dividend
SLPGC	8,827	5,938	49%	Income for the period offset by payment of cash dividend
Others	(208)	(197)	6%	Expenses of pre-operating subsidiaries
Total	**34,133**	**29,768**	**15%**	

IV. PERFORMANCE INDICATORS:

1. **Net Income After Tax** – Consolidated net income after tax down by 20% as coal ASP went down by 22% and power generation down dropped by 22% YOY.
2. **Dividend Payout** – Strong profitability and high liquidity the Company declared regular cash dividend of PhP1.25 per share on 18 March 2019 paid on 26 April 2019.
3. **Debt-to-Equity Ratio** –DE slightly improved to 0.63x from 0.78x at the start of the year despite cash dividend declaration.
4. **Net Profit Margin** – Net profit margin dropped to 22% due to weakening coal prices.
5. **Current Ratio** – Cash position remains healthy despite cash dividend payment on April 26, 2019. The Company's internal current ratio threshold is at least 1.00, end-of-the-period current ratio is 1.54:1.

Full Years 2017-2018

PRODUCTION

With the favorable weather condition in the 4th quarter, the company ramped up production to 4.0 million MT showing a 29% increase from 3.1 million MT last year same period. However, fell short to catch up with the production delays in 3th quarter caused by prolonged heavy rains. Consequently, production slowed by 2% to 12.9 million metric tons (MT) from 13.2 million MT in 2017.

Materials moved increased by 18% year-on-year to 164.3 million bank cubic meter (BCM) from 135.4 million BCM against last year because of increase in excavating capacity.

Strip ratio (the amount of overburden materials over the amount of coal extracted) increased to 12.0:1 from 9.5:1 due mainly to the ongoing rehabilitation of Panian mine. Excluding the rehabilitation, strip ratio in 2018 actually stood within normal range at 10.2:1.

The table below shows the coal segment's comparative production data for 2018 and 2017.

PRODUCTION	Q1	Q2	Q3	Q4	2018	Q1	Q2	Q3	Q4	2017	Variance
Total Materials (M BCM)	40.5	41.9	34.6	47.4	164.3	35.2	36.3	30.4	33.5	135.4	21%
Overburden (M BCM)	37.6	39.7	33.4	44.5	155.1	32.3	33.8	28.5	31.2	125.9	23%
Coal Production (MMT)	4.1	3.1	1.7	4.0	12.9	4.0	3.5	2.6	3.1	13.2	-2%
Strip Ratio	9.1	12.8	19.8	11.0	12.0	8.0	9.8	11.0	10.0	9.5	-26%
Coal inventory (M Tons)	2.5	1.9	2.1	3.0	3.0	1.8	1.7	2.5	1.7	1.7	76%

POWER
SEM-CALACA POWER GENERATION CORPORATION (SCPC)

The graph below illustrates SCPC's comparative production data for 2018 and 2017.

COMPARATIVE PLANT PERFORMANCE DATA

	Q1	Q2	Q3	Q4	2018	Q1	Q2	Q3	Q4	2017	% Inc (Dec)
Gross Generation, Gwh											
Unit 1	447	481	452	432	1,813	-	361	484	542	1,387	*31%*
Unit 2	-	383	524	562	1,469	562	460	636	470	2,128	*-31%*
Total Plant	**447**	**864**	**976**	**-**	**3,281**	**562**	**821**	**1,120**	**1,012**	**3,515**	***-7%***
% Availability											
Unit 1	83%	96%	100%	100%	95%	0%	67%	84%	94%	62%	*53%*
Unit 2	0%	66%	86%	90%	61%	92%	79%	99%	75%	86%	*-30%*
Total Plant	**41%**	**81%**	**93%**	**95%**	**78%**	**46%**	**73%**	**92%**	**85%**	**70%**	***10%***
Capacity Factor											
Unit 1	69%	73%	68%	66%	69%	0%	54%	73%	83%	53%	*31%*
Unit 2	0%	58%	79%	86%	56%	87%	69%	96%	72%	81%	*-31%*
Total Plant	**34%**	**65%**	**74%**	**76%**	**62%**	**43%**	**62%**	**85%**	**77%**	**67%**	***-7%***

Unit 1

Gross Generation	
Q4 2018 vs Q4 2017	The Unit ran continuously in the current quarter at an average capacity of 198MW due to varying coal properties. After the unit's scheduled maintenance last year, it was operating more reliably in Q4 2017.
FY 2018 vs FY 2017	The Unit ran at an average capacity of 219MW as of December 2018. The unit underwent scheduled maintenance shutdown in Q1 2017; the activity effectively increased its output capacity to up to 250MW using Semirara coal from 150MW previously.

Availability	
Q4 2018 vs Q4 2017	The unit is 100% available registering 2,184 hours in Q4 2018 and for 2,058 hours In Q4 2017.
FY 2018 vs FY 2017	The unit ran without interruption from start of the year, except for a 15-day outage in March due to boiler slagging and a 4-day outage in June due to repair of boiler tube leaks. It was on extended shutdown last year to allow additional maintenance works; the activity effectively increased its output capacity to up to 250MW using Semirara coal from 150MW previously.

Unit 2

Gross Generation	
Q4 2018 vs Q4 2017	The unit operated for 1,955 hours in Q4 2018 at 288MW. It operated for 1,637 hours In Q4 2017 at 287MW.
FY 2018 vs FY 2017	The Unit was down the whole of Q1 2018 for scheduled maintenance and came back in operation only in the second week of April this year.

Availability	
Q4 2018 vs Q4 2017	The unit operated for 1,955 hours in Q4 2018 and for 1,637 hours In Q4 2017
FY 2018 vs FY 2017	The decrease is due to extended shutdown of the unit. This was originally scheduled for a 90-day maintenance shutdown which started on 15th December 2017. This was extended to allow additional maintenance works and to ensure power availability during summer months. It operated for a total of 5,315 hours in YTD 2018 and 7,562 hours in YTD 2017.

Significant Event(s):

- Unit 2 was down until the first week of April 2018 for scheduled maintenance which started on 15 December 2017. This was originally scheduled for a 90-day maintenance shutdown. However, it was extended to allow additional maintenance works and to ensure power unit availability during the summer months, as well as to extend the economic life of the unit. Unit 1 ran continuously during the whole 2nd half of 2018.

SOUTHWEST LUZON POWER GENERATION CORPORATION (SLPGC)

The graph below illustrates SLPGC's comparative production data for 2018 and 2017.

COMPARATIVE PLANT PERFORMANCE DATA

Q4'18 vs Q4 '17

	Q1 '18	Q2 '18	Q3 '18	Q4 '18	Tot Yr '18	Q1 '17	Q2 '17	Q3 '17	Q4 '17	Tot Yr '17	% Inc (Dec)
Gross Generation, GWh											
Unit 3	121	-	12	274	406	147	295	262	108	812	-50%
Unit 4	74	247	319	321	962	74	287	111	122	594	62%
Total Plant	**195**	**247**	**331**	**595**	**1,368**	**221**	**582**	**373**	**229**	**1,406**	**-3%**
% Availability											
Unit 3	51%	0%	6%	92%	37%	58%	97%	91%	39%	71%	-48%
Unit 4	45%	79%	99%	100%	81%	30%	97%	100%	90%	80%	2%
Total Plant	**48%**	**40%**	**53%**	**96%**	**59%**	**44%**	**97%**	**95%**	**64%**	**75%**	**-22%**
Capacity Factor											
Unit 3	37%	0%	4%	84%	31%	45%	89%	79%	33%	62%	-50%
Unit 4	23%	75%	96%	98%	73%	23%	91%	91%	61%	67%	10%
Total Plant	**30%**	**37%**	**50%**	**91%**	**47%**	**34%**	**90%**	**85%**	**47%**	**64%**	**-27%**

Unit 3

Gross Generation	
Q4 2018 vs Q4 2017	Higher plant performance due to improved availability for Q4 2018
FY 2018 vs FY 2017	Lower plant performance (lower operating hours at 3,240 hrs vs 6,243 hrs LY and lower average capacity 125MW vs 130MW of LY) contributed to the lower

Availability	
Q4 2018 vs Q4 2017	Higher availability for Q4 2018 vs 2017 due to improved performance after rotor repair
FY 2018 vs FY 2017	Almost same availability performance vs last year. Total year performance improved because of better Q4 2018

Capacity Factor	
Q4 2018 vs Q4 2017	Higher capacity factor due to higher availability in Q4
FY 2018 vs FY 2017	Decrease due to outage that started on March 6, 2018 and continued until Sep 20, 2018 for the repair of HIP and LP rotor

Unit 4

Gross Generation	
Q4 2018 vs Q4 2017	Increase due to the continuous operation of the unit with almost nil hours shutdown for the quarter
FY 2018 vs FY 2017	Higher by 62% because of the continuous operation by the unit with maximum capacity

Availability	
Q4 2018 vs Q4 2017	Higher availability due to improved performance of the unit
FY 2018 vs FY 2017	Slightly higher availability due to improved performance for Q4

Capacity Factor	
Q4 2018 vs Q4 2017	Higher capacity factor due to higher availability in Q4
FY 2018 vs FY 2017	Increase in capacity factor by 10% due to improved average capacity vs last year (136MW vs 125MW LY) and higher availability

Significant event/s:

- Both Units 3 and 4 are already on commercial operations since August 2016.
- The ERC granted the Certificate of Compliance, permitting both plants to run at its maximum capacity of 150 MW, on May 15, 2017.
- Taking over certificate for the 2x150MW Plant is effective starting 5 July 2017.
- Certificate of Compliance was issued by the ERC to the 2x25MW Gas Turbine project last March 1, 2018

MARKETING – COMPARATIVE REPORT FOR 2018 AND 2017

Coal

The table below shows the coal comparative sales volume data for 2018 and 2017

SALES VOLUME *(in thousand MT)*														
Customer	Q1	Q2	Q3	Q4	2018	%	Q1	Q2	Q3	Q4	2017	%	Diff	Inc (Dec) %
Power Plants	1,355	1,404	1,026	1,276	5,061	44%	1,134	1,469	1,247	1,488	5,337	41%	(277)	-5%
Cement	258	236	230	191	915	8%	163	270	207	176	817	6%	98	12%
Others Plants	171	210	127	120	628	5%	113	111	149	194	567	4%	61	11%
Local	1,783	1,849	1,383	1,587	6,603		1,410	1,849	1,604	1,858	6,721		(118)	-2%
Export	1,634	1,608	48	1,669	4,960	43%	2,206	863	1,913	1,401	6,384	49%	(1,424)	-22%
TOTAL	3,418	3,458	1,432	3,256	11,563	100%	3,616	2,713	3,517	3,259	13,105	100%	(1,542)	-12%
ASP	2,786	2,637	2,900	2,438	2,655		2,250	1,982	2,152	2,485	2,255		399	18%

Power Plants	
Q4 2018 vs Q4 2017	Decrease in lifting of other plants
FY 2018 vs FY 2017	Lower demand from other plants and drop in the consumption of out own plants

Cement Plants	
Q4 2018 vs Q4 2017	Increase in demand of existing customer returning customer
FY 2018 vs FY 2017	Increase in demand of existing customer returning customer

Other Industrial Plants	
Q4 2018 vs Q4 2017	Decrease in the demand of existing customer
FY 2018 vs FY 2017	Decrease in the demand of existing customer

Export	
Q4 2018 vs Q4 2017	Increase in production to meet existing demand
FY 2018 vs FY 2017	Lower production in Q3 to meet the existing demand of export buyers

Average Selling Price (ASP)	
Q4 2018 vs Q4 2017	Export price went down because of the temporary coal import restriction from China
FY 2018 vs FY 2017	Higher NewCastle Index and foreign exchange rate (PhP : USD)

POWER
SCPC

The table below shows the comparative marketing data of SCPC for 2017 and 2018 (In GWh, except ASP).

COMPARATIVE SALES VOLUME DATA
(in GWh)

CUSTOMER	Q1	Q2	Q3	Q4	2018	Q1	Q2	Q3	Q4	2017	% Inc (Dec)
GWh											
Bilateral Contracts	408	865	909	874	3,056	586	736	1,031	969	3,321	-8%
Spot Sales	3	79	95	109	286	1	79	76	83	238	20%
GRAND TOTAL	**410**	**945**	**1,005**	**983**	**3,342**	**586**	**814**	**1,108**	**1,052**	**3,560**	**-6%**
ASP in Php											
Bilateral Contracts	5.08	3.79	4.15	4.19	4.18	4.13	3.66	3.65	3.86	3.80	10%
Spot Sales	12.24	3.89	3.17	2.97	3.37	5.41	3.16	3.44	2.90	3.17	7%
Average ASP	**5.13**	**3.80**	**4.05**	**4.05**	**4.11**	**4.13**	**3.61**	**3.63**	**3.78**	**3.75**	**10%**

Bilateral Contracts	
Q4 2018 vs Q4 2017	Decrease due to lower contracted capacity (from 540.45MW in Q4 2017 to 420.45MW in Q4 2018). 2017 includes replacement power contract of 100MW and Batelec contract of 20MW which expired in March 2018. ASP increased due to higher New Castle Index.
FY 2018 vs FY 2017	2017 includes replacement power contract of 100MW from June 26, 2017 to November 25, 2017 and Batelec contract of 20MW which expired in March 25, 2018. ASP increased due to higher New Castle Index.

Spot Sales	
Q4 2018 vs Q4 2017	Increases due to excess generation against contracted energy. ASP is slightly higher in the current quarter.
FY 2018 vs FY 2017	Increase in spot sales due to lower contracted energy.

Other Information:

- Of the total energy sold, 93% was sourced from own generation, while 7% was purchased from the spot market. SCPC procured power from the spot market during hour intervals where power units were down, or when the plants were running at a de-rated capacity, in order to be able to supply committed capacity to some of its customers.

- Existing Bilateral Contracts

SCPC Power Supply Contracts

Customers	Terms	No. Years / Mos.	Contract Demand (MW)
Meralco DU	December 26, 2011 - December 25, 2018	7	250
MPower	June 26, 2013 - December 25, 2018	5	170
ECSCO	March 26, 2017 - March 25, 2019	2	0.45
Total			**420.45**

SLPGC
The table below shows the comparative marketing data of SLPGC for 2018 and 2017 (In GWh, except ASP).

COMPARATIVE SALES VOLUME DATA *(in GWh)*											
CUSTOMER	**Q1**	**Q2**	**Q3**	**Q4**	**2018**	**Q1**	**Q2**	**Q3**	**Q4**	**2017**	**% Inc (Dec)**
Bilateral Contracts	125	231	74	130	431	177	266	459	249	1,151	-63%
Spot Sales	40	56	223	398	319	62	266	79	41	448	-29%
GRAND TOTAL	165	287	298	529	750	239	532	538	290	1,599	-53%
ASP in PhP											
Bilateral Contracts	6.87	5.42	3.83	3.50	5.09	5.27	5.16	4.23	5.81	4.94	3%
Spot Sales	2.88	3.61	3.21	2.88	3.04	3.46	3.09	3.08	2.83	3.12	-3%
Average SP	**5.90**	**5.07**	**3.36**	**3.03**	**3.94**	**4.80**	**4.12**	**4.06**	**5.39**	**4.43**	**-11%**

Sales Volume

Bilateral Contracts	
Q4 2018 vs Q4 2017	Decrease due lower nomination of bilateral contract and expiration of 42MW contract
FY 2018 vs FY 2017	Decrease due lower nomination of bilateral contract and expiration of 42MW contract

Spot sales	
Q4 2018 vs Q4 2017	higher spot sales attributed to higher excess generation sold to spot because of end of 42MWcontract.
FY 2018 vs FY 2017	higher spot sales attributed to higher excess generation sold to spot because of end of 42MWcontract.

Average Selling Price (ASP)

Bilateral Contracts ASP	
Q4 2018 vs Q4 2017	Decrease in ASP due to lowering of contract price from July 2018
FY 2018 vs FY 2017	Slight increase in ASP of 2018 attributable to payment of capacity fee on the first half of the year slightly offset by the lowering of BCQ price starting July

Spot Sales ASP	
Q4 2018 vs Q4 2017	Sales to WESM are at higher price intervals
FY 2018 vs FY 2017	Sales to WESM are at lower price intervals

III. FINANCE
A. Sales and Profitability
Revenues *(In million PhP)*

Before Eliminations

	2018 Q4	2017 Q4	Variance	Remarks	2018 FY	2018 FY	Variance	Remarks
Coal	7,944	8,646	-8%	Same in sales volume but lower in Average Selling Price (ASP) by 2%	30,696	29,667	3%	Decreased in sales volume 12% offset by 18% increase in ASP due higher NewCastle price index
SCPC	3,981	3,979	0%	Decreased in sales volume by 7% offset by 7% increase in ASP due higher NewCastle price index	13,744	13,366	3%	Decreased in sales volume 6% offset by 10% increase in ASP due higher NewCastle price index
SLPGC	1,603	1,562	3%	Higher generation resulted to 3% increase in energy sales; increase is offset by 44% decrease in ASP (due to fixed capacity fee)	5,034	7,088	-29%	Lower generation and an 11% decrease in ASP resulted to 29% decline in energy sales
OTHERS	4	-	100%	Retail electricity trading	4	-	100%	Retail electricity trading

After Eliminations

	2018 Q4	2017 Q4	Variance	Remarks	2018 FY	2018 FY	Variance	Remarks
Coal	5,512	6,469	-15%	Same in sales volume but lower in ASP by 2%	23,186	23,490	-1%	Decreased in sales volume 12% offset by 18% increase in ASP due higher NewCastle price index
SCPC	3,981	3,979	0%	Decreased in sales volume by 7% offset by 7% increase in ASP due higher NewCastle price index	13,744	13,366	3%	Decreased in sales volume 6% offset by 10% increase in ASP due higher NewCastle price index
SLPGC	1,603	1,562	3%	Higher generation resulted to 3% increase in energy sales; increase is offset by 44% decrease in ASP (due to fixed capacity fee)	5,034	7,088	-29%	Lower generation and an 11% decrease in ASP resulted to 29% decline in energy sales
OTHERS	4	-	100%	Retail electricity trading	4	-	100%	Retail electricity trading
Total	11,100	12,011	-8%		41,969	43,943	-4%	

Costs of sales

Before Eliminations

	2018 Q4	2017 Q4	Variance	Remarks	2018 FY	2018 FY	Variance	Remarks
Coal	4,541	4,789	-5%	Lower cost per MT due to higher production	15,756	15,141	4%	Higher strip ratio, lower production and increase in parts and fuel costs pushed COS/MT; despite lower volume sold
SCPC	2,716	2,838	-4%	Lower spot purchases	9,307	8,093	15%	Higher fuel cost and spot purchases
SLPGC	1,038	906	15%	Unit offline until 3rd week of September	3,160	3,197	-1%	Significant purchases of replacement power and higher coal consumption per generation
OTHERS	4	-	100%	Retail electricity trading	4	-	100%	Retail electricity trading

After Eliminations

	2018 Q4	2017 Q4	Variance	Remarks	2018 FY	2018 FY	Variance	Remarks
Coal	3,399	4,294	-21%	Decreased due to lower volume sold and higher production to offset the increase in fuel and materials cost and higher strip ratio	12,262	11,910	3%	Higher strip ratio and increase in parts and fuel costs pushed COS/MT; despite lower volume sold
SCPC	1,711	1,727	-1%	Lower fuel cost and spot purchases	6,035	5,871	3%	Higher fuel cost and spot purchases
SLPGC	995	417	139%	Higher generation for the quarter	2,543	2,552	0%	Higher coal consumption per generation and higher coal price per MT
OTHERS	4	-	100%	Retail electricity trading	4	-	100%	Retail electricity trading
Total	6,108	6,437	-5%		20,844	20,333	3%	

Consolidated Gross Profit *(In million PhP)*

	2018 Q4	2017 Q4	Variance	Remarks	2018 FY	2018 FY	Variance	Remarks
Coal	2,113	2,175	-3%	Decrease is due to lower ASP partially offset by the lower cost per MT	10,924	11,579	-6%	Lower sales volume at higher cost due to unfavorable strip ratio and cost of fuel, parts and supplies offset by the increase in ASP
SCPC	2,271	2,253	1%	Considerable decline in sales volume and the increase in fuel cost offset by higher ASP	7,709	7,495	3%	Considerable decline in sales volume and the increase in fuel cost offset by higher ASP
SLPGC	608	1,146	-47%	Considerable decline in sales volume and the increase in fuel cost	2,491	4,536	-45%	Considerable decline in sales volume and the increase in fuel cost offset
Total	4,992	5,573	-10%		21,124	23,610	-11%	
GP %	45%	46%	-3%		50%	54%	-6%	

Consolidated OPEX *(In million PhP)*

	Q4 2018	Q4 2017	Variance	Remarks	2018 FY	2017 FY	Variance	Remarks
Coal	910	1,505	-40%	Lower profitablity drove government royalty down	4,328	5,000	-13%	Lower profitablity drove government royalty down
SCPC	732	1,321	-45%	Accelerated depreciation of Units 1 & 2	2,659	2,260	18%	Accelerated depreciation of Units 1 & 2 amounting to PhP347 million accounted for the increase
SLPGC	262	245	7%	Difference in amortization of RPT, Consultancy and O&M Fees	767	767	0%	Slight decrease mainly due to lower amortization of RPT and other costs
Others	(6)	161	100%	Pre-operating expenses of Southeast Luzon and Claystone Inc	20	179	100%	Pre-operating expenses of Southeast Luzon and Claystone Inc
Total	1,898	3,233	-41%		7,775	8,205	-5%	

Consolidated Finance Income *(In million PhP)*

	Q4 2018	Q4 2017	Variance	Remarks	2018 FY	2017 FY	Variance	Remarks
Coal	4	12	-69%	Lower temporary cash placements	63	51	23%	Higher temporary cash placements
SCPC	9	2	279%	Higher temporary cash placements	23	9	160%	Higher temporary cash placements
SLPGC	13	7	81%	Lower temporary cash placements	42	36	18%	Higher temporary cash placements
Ohers	1	1	0%		1	1	0%	
Total	27	22	21%		129	96	34%	

Consolidated Foreign Exchange Gain / (Loss) *(In million PhP)*

	Q4 2018	Q4 2017	Variance	Remarks	2018 FY	2017 FY	Variance	Remarks
Coal	129	(39)	-435%	Unrealized and realized Fx gain due to PhP depreciation; start of the quarter FX-PhP54.02:USD1, quarter-end 2018 FX-PhP52.58:USD1	(366)	(280)	30%	Unrealized and realized Fx loss due to PhP depreciation; year-end 2017 FX-PhP49.93:USD1, quarter-end 2018 FX-PhP52.58:USD1
SCPC	60	(15)	-503%	Realized loss on its foreign currency denominated transactions	(18)	(105)	-83%	Realized loss on its foreign currency denominated transactions
SLPGC	(4)	(7)	-100%	Realized loss on its foreign currency denominated transactions	(5)	(7)	-100%	Realized loss on its foreign currency denominated transactions
Total	185	(60)	-407%		(388)	(392)	-1%	

Consolidated Other Income *(In million PhP)*

	Q4 2018	Q4 2017	Variance	Remarks	2018 FY	2017 FY	Variance	Remarks
Coal	28	48	-41%	Booked income from disposal of equipment and insurance recoveries in 2017	37	127	-71%	Booked income from disposal of equipment and insurance recoveries in 2017
SCPC	112	414	-73%	Higher fly ash sold	203	510	-60%	Lower fly ash sold
SLPGC	333	394	-16%	Higher fly ash sold and income on financial contract	368	438	-16%	Lower fly ash sold and loss on financial contract
Total	473	855	-45%		608	1,076	-43%	

Consolidated NIBT *(In million PhP)*

	Q4 2018	Q4 2017	Variance	Remarks	2018 FY	2017 FY	Variance	Remarks
Coal	1,184	545	117%	Better performance and higher price	5,904	6,122	-4%	Weaker performance offset by higher price
SCPC	1,650	1,311	26%	Lower average load of Unit 1, but higher availability of Unit 2	5,069	5,590	-9%	Lower average load of Unit 1
SLPGC	604	1,216	-50%	Unit 3 outage	1,801	3,931	-54%	Unit 3 outage
Others	7	(161)	100%	Pre-operating expenses of Southeast Luzon and Claystone Inc	(19)	(178)	100%	Pre-operating expenses of Southeast Luzon and Claystone Inc
Total	3,445	2,911	18%		12,755	15,464	-18%	

Consolidated Income Tax Provision *(In million PhP)*

	Q4 2018	Q4 2017	Variance	Remarks	2018 FY	2017 FY	Variance	Remarks
Coal	9	24	-65%	Final tax on interest income from placements; With Income Tax Holiday on BOI-registered activity	20	30	-34%	Higher final tax on interest income from placements; With Income Tax Holiday on BOI-registered activity
SCPC	213	85	152%	Stronger plants' performance of Unit 2 in 2018, with accelerated depreciation recognized starting Q4 2017	562	1,036	-46%	Weaker plants' performance and recognition of accelerated depreciation in 2018
SLPGC	106	145	-27%	Higher final tax on flyash sales; SLPGC has Income Tax Holiday as a BOI-registered enterprise	148	189	-22%	Lower final tax on interest income from placements and lower flyash sales YTD; SLPGC has Income Tax Holiday as a BOI-registered enterprise
OTHERS	0	0	65%		0	0	65%	
Total	328	254	29%		730	1,255	-42%	

NIAT (In million PhP)

Before Eliminations (Core Income)

	Q4 2018	Q4 2017	Variance	Remarks	2018 FY	2017 FY	Variance	Remarks
Coal	2,267	2,204	3%	Higher production offset by lower ASP	9,701	9,041	7%	Higher ASP offset by the lower production and volume sold; higher costs of sales due to higher strip ratio and production costs
SCPC	431	115	274%	Higher energy prices offset by accelerated depreciation	1,236	2,331	-47%	Higher price offset by accelerated depreciation recognized starting Q4 2017
SLPGC	455	582	-22%	Weaker plants' performance in 2018	1,036	3,098	-67%	Weaker plants' performance in 2018
Others	7	(4)	-100%	Pre-operating expenses of Southeast Luzon and Claystone Inc	(19)	(22)	-100%	Pre-operating expenses of Southeast Luzon and Claystone Inc

After Eliminations (Consolidated)

	Q4 2018	Q4 2017	Variance	Remarks	2018 FY	2017 FY	Variance	Remarks
Coal	1,176	521	126%	Higher production offset by lower ASP	5,884	6,092	-3%	Lower production and volume sold; higher costs of sales due to higher strip ratio and production costs offset by higher ASP
SCPC	1,437	1,227	17%	Higher energy prices offset by accelerated depreciation	4,508	4,554	-1%	Higher price offset by accelerated depreciation recognized starting Q4 2017
SLPGC	498	1,071	-54%	Unplanned outage of unit 3	1,653	3,742	-56%	Unplanned outage of unit 3
Others	7	(161)	-100%	Pre-operating expenses of Southeast Luzon and Claystone Inc	(19)	(178)	-100%	Pre-operating expenses of Southeast Luzon and Claystone Inc
Total	3,118	2,658	17%		12,025	14,209	-15%	

B. Solvency and Liquidity

The company's earnings before interest, taxes depreciation and amortization (EBITDA) reached PhP21.86 billion 3% slightly lower than last year. After deducting working capital requirement, cash provided by operation netted to PhP9.50 billion. With the consolidated loan availments amounted of PHP7.86 billion, representing coal and SCPC's interim short-term loan to fund maintenance and additional CAPEX for the increase in capacity. Combined with beginning Cash of PHP8.47 billion, total consolidated Cash available during the period stood at PHP25.83 billion.

Of the available cash, PHP9.53 billion was used to fund major CAPEX. The Company also paid debts amounting to PHP5.53 billion. On the Company's continuing buyback program, it reacquired 7.8 million shares worth PhP251.61 million. The Company declared and paid cash dividends of PHP9.57 billion during the year. Ending cash closed at PHP1.90 billion, a 78% decrease from the beginning cash.

Coal, SCPC, and SLPGC recorded ending cash of PHP863.76 million, PHP304.14 million, and PH674.06 million, respectively. Other pre-operating business closed with a total cash balance of PHP60.97 million.

Consolidated Current ratio decline to 1.26x from 1.69x at the start of the year.

C. Financial Condition

ASSETS

Cash

	31 Dec 2018 (Audited)	31 Dec 2017 (Audited)	Variance	Remarks
Coal	864	5,796	-85%	Decreased due to payment of cash dividend and significant capital expenditures
SCPC	304	584	-48%	Slight decrease used for operating acitivites
SLPGC	674	2,032	-67%	Payment of amortization of mortgage payable with lower cash generation from operation
Others	61	59	4%	Increase pertains to interest income
Total	**1,903**	**8,471**	**-78%**	

Consolidated Receivables

	31 Dec 2018 (Audited)	31 Dec 2017 (Audited)	Variance	Remarks
Coal	2,445	2,204	11%	Mainly trade-related; due to timing of sales and collection
SCPC	3,913	3,164	24%	Timing of collection of November 2018 billing, collection due date falls on a holiday
SLPGC	940	1,106	-15%	Lower sales for the quarter
Others	3	-	100%	Cash balances of pre-operating subsidiary
Total	**7,301**	**6,475**	**13%**	

Consolidated Inventories

	31 Dec 2018 (Audited)	31 Dec 2017 (Audited)	Variance	Remarks
Coal	7,799	3,148	148%	Increase mainly due to higher cost of coal inventory of 3.0 million tons valued at PhP2.8 billion; higher cost of materials, spare parts, fuel supplies and major equipment components totalling to PhP5.0 billion
SCPC	3,349	1,957	71%	Mainly comprised of spare parts inventory for corrective, preventive and predictive maintenance program amounting to PhP3.2 billion; coal inventory costs PhP140.6 million
SLPGC	1,215	809	50%	Increase mainly due to the insurance spares; comprised of spare parts inventory for corrective, preventive and predictive maintenance program , diesel and chemicals amounting to PhP 729.0 million; Coal inventory at PhP810.0 million
Total	**12,363**	**5,914**	**109%**	

Investment in JV

	31 Dec 2018 (Audited)	31 Dec 2017 (Audited)	Variance	Remarks
Coal	51	51	1%	Additional contribution to the Joint Venture
Total	**51**	**51**	**1%**	

Consolidated Other Current Assets

	31 Dec 2018 (Audited)	31 Dec 2017 (Audited)	Variance	Remarks
Coal	1,443	1,264	14%	Mainly comprised of prepaid income taxes and advances to contractors and suppliers of spare parts and equipment amounting to Php424.56 million and Php1.38 billion, respectively
SCPC	1,405	750	87%	Mainly comprised of advances to suppliers for Equipment and materials requirement for the life extension of PhP1.33 billion and prepaid, rentals, insurance and other expense amounting to Php20.66 million
SLPGC	1,272	1,410	-10%	Mainly comprised of advances to suppliers for equipment, materialsand prepaid rent and insurance of PhP365.40 million and PhP824.7 million deferred input tax
Total	**4,121**	**3,423**	**20%**	

Consolidated Total Current Assets

	31 Dec 2018 (Audited)	31 Dec 2017 (Audited)	Variance	Remarks
Coal	12,602	12,462	1%	
SCPC	8,972	6,456	39%	
SLPGC	4,101	5,357	-23%	Please refer to above explanation
Others	61	59	4%	
Total	**25,736**	**24,334**	**6%**	

Consolidated PPE

	31 Dec 2018 (Audited)	31 Dec 2017 (Audited)	Variance	Remarks
Coal	11,898	10,888	9%	Additional Capex for capacity expansion and maintenance capex of PhP5.8 billion, off-set by depreciation
SCPC	14,908	14,656	2%	Capex of PhP2.71 billion, offset by depreciation
SLPGC	16,699	17,470	-4%	Additional Capex offset by depreciation
Others	14	-	100%	PPE of pre-operating subsidiary
Total	**43,520**	**43,014**	**1%**	

Consolidated Other Non-Current Assets

	31 Dec 2018 (Audited)	31 Dec 2017 (Audited)	Variance	Remarks
Coal	602	204	195%	Comprised of VAT receivable from BIR, Software cost and advance payment for importation of mining equipment costing PhP395.00 million
SCPC	568	278	105%	Mainly consists of prepaid leases and unrealized input tax
SLPGC	184	317	-42%	Reclassification to current asset - Financial asset at FVPL
Total	**1,355**	**798**	**70%**	

Consolidated Deferred Tax Assets

	31 Dec 2018 (Audited)	31 Dec 2017 (Audited)	Variance	Remarks
Coal	67	85	-22%	Mainly related to remeasurement losses on Pension Plan
SCPC	368	365	1%	Mainly related to provision for doubtful account and deferred revenue
Total	**435**	**450**	**-3%**	

Consolidated Total Assets

	31 Dec 2018 (Audited)	31 Dec 2017 (Audited)	Variance	Remarks
Coal	25,169	23,639	6%	
SCPC	24,816	21,755	14%	
SLPGC	20,985	23,145	-9%	Please refer to above explanation
Others	79	59	33%	
Total	**71,049**	**68,598**	**4%**	

Accounts and Other Payables

	31 Dec 2018 (Audited)	31 Dec 2017 (Audited)	Variance	Remarks
Coal	7,130	8,014	-11%	Payment of trade payables
SCPC	2,066	1,793	15%	Increase in trade payables due to higher volume of parts purchases
SLPGC	745	1,044	-29%	Payment of trade payables
Others	5	-	100%	Accounts Payables of pre-operating subsidiary
Total	**9,946**	**10,851**	**-8%**	

Short-term Loans

	31 Dec 2018 (Audited)	31 Dec 2017 (Audited)	Variance	Remarks
Coal	2,250	-	100%	Availment of bridge financing
SCPC	3,622	-	100%	Availment of bridge financing
Total	**5,872**	**-**	**100%**	

Current Portion of Long-term Debt

	31 Dec 2018 (Audited)	31 Dec 2017 (Audited)	Variance	Remarks
Coal	2,850	1,852	54%	Increase due to the maturing LTD within a year
SLPGC	1,704	1,704	0%	Comprised of maturing LTD within a year
Total	**4,554**	**3,556**	**28%**	

Total Current Liabilities

	31 Dec 2018 (Audited)	31 Dec 2017 (Audited)	Variance	Remarks
Coal	12,230	9,866	24%	Please refer to above explanation
SCPC	5,688	1,793	217%	
SLPGC	2,449	2,748	-11%	
Others	5	-	100%	
Total	**20,372**	**14,407**	**41%**	

Long-Term Debt - Net of Current Portion

	31 Dec 2018 (Audited)	31 Dec 2017 (Audited)	Variance	Remarks
Coal	2,806	5,539	-49%	Decrease due to the maturing loan within a year
SCPC	2,988	2,985	0%	Availed of LTD in Q4 2017 (adjusted to net present value)
SLPGC	4,249	5,944	-29%	Payment of quarterly amortization
Total	**10,043**	**14,468**	**-31%**	Decrease due to debt repayments

Pension Liability

	31 Dec 2018 (Audited)	31 Dec 2017 (Audited)	Variance	Remarks
Coal	156	174	-11%	Accrual of pension obligation
SCPC	22	25	-13%	Accrual of pension obligation
SLPGC	39	35	11%	Accrual of pension obligation
Total	**216**	**234**	**-8%**	

Provision for Site Rehabilitation

	31 Dec 2018 (Audited)	31 Dec 2017 (Audited)	Variance	Remarks
Coal	402	1,687	-76%	Actual usage of mine rehab provision re: Panian mine accelerated rehabilitation
SCPC	16	15	10%	Additional provision for plant decommissioning
SLPGC	5	4	17%	Additional provision for plant decommissioning
Total	**423**	**1,705**	**-75%**	

Other Long-Term Liabilities

	31 Dec 2018 (Audited)	31 Dec 2017 (Audited)	Variance	Remarks
SLPGC	-	46	-100%	Retention payable for 2x25 MW gas turbines
Total	**-**	**46**	**-100%**	

Deferred Tax Liabilities

	31 Dec 2018 (Audited)	31 Dec 2017 (Audited)	Variance	Remarks
SLPGC	62	55	12%	Deferred Tax Liabilities arising from unrealized income from financial contract
Total	**62**	**55**	**12%**	

Total Non-Current Liabilities

	31 Dec 2018 (Audited)	31 Dec 2017 (Audited)	Variance	Remarks
Coal	3,364	7,400	-55%	Please refer to above explanation
SCPC	3,026	3,025	0%	
SLPGC	4,354	6,084	-28%	
Total	**10,744**	**16,509**	**-35%**	

Total Liabilities

	31 Dec 2018 (Audited)	31 Dec 2017 (Audited)	Variance	Remarks
Coal	15,595	17,266	-10%	Please refer to above explanation
SCPC	8,713	4,818	81%	
SLPGC	6,803	8,832	-23%	
Others	5	-	100%	
Total	**31,116**	**30,916**	**1%**	

Capital Stock

	31 Dec 2018 (Audited)	31 Dec 2017 (Audited)	Variance	Remarks
Coal (Parent)	4,265	4,265	0%	No movement

Additional Paid-in Capital

	31 Dec 2018 (Audited)	31 Dec 2017 (Audited)	Variance	Remarks
Coal (Parent)	6,676	6,676	0%	No movement

Treasury Shares

	31 Dec 2018 (Audited)	31 Dec 2017 (Audited)	Variance	Remarks
Coal (Parent)	740	488	52%	Purchase of 3.46 million SCC shares in 2016, 2.7 million shares in 2017 and 7.8 million shares in H1 2018

Remeasurement Gain / (Losses) on Pension Plan

	31 Dec 2018 (Audited)	31 Dec 2017 (Audited)	Variance	Remarks
Coal	(38)	(81)	-53%	No Movement
SCPC	4	(1)	-479%	Some employees retired during the year
SLPGC	(2)	(4)	-61%	Due to increase in number of employees
Total	**(36)**	**(86)**	**-58%**	

Retained Earnings / (Losses)

	31 Dec 2018 (Audited)	31 Dec 2017 (Audited)	Variance	Remarks
Coal	13,936	15,623	-11%	Better profitability partially offset by the cash dividend paid
SCPC	10,091	6,583	53%	Income for the period offset by payment of cash dividend
SLPGC	5,938	5,286	12%	Income for the period offset by payment of cash dividend
Others	(197)	(179)	10%	Expenses of pre-operating subsidiaries
Total	**29,768**	**27,313**	**9%**	

IV. PERFORMANCE INDICATORS:

1. **Net Income After Tax** – The Company weaken for the interim showing decline in operating and financial performance. Net income decrease by 15% YoY.
2. **Dividend Payout** – Strong profitability and high liquidity enables the Company to continue pay special cash dividend of PhP1.0 per share on top of the regular cash dividend of PhP1.25 per share.
3. **Debt-to-Equity Ratio** –DE slightly improved to 0.64x from 0.78x at the start of the year due to increase in total debts and dividend payment.
4. **Net Profit Margin** – Net profit margin remains strong at 29%, driven by higher coal prices.

6. **Current Ratio** – Cash position remains healthy. The interim increase in current liabilities is due to the availment of bridge financing. The Company's internal current ratio threshold is at least 1.00, end-of-the-period current ratio is 1.26:1.

V. OTHER INFORMATION

Other disclosures:

a. The Group's operation is not cyclical in nature or seasonal. Mining activities is continuous throughout the year;
b. There were no issuances, repurchases, and repayments of debt in equity securities which transpired during the quarter;
c. There are no subsequent events, that came to our knowledge, which are material enough to warrant an adjustment in the consolidated financial statements;
d. The Group has no contingent assets nor liabilities known as of financial position date. The case on the wholesale electricity supply market (WESM) prices for November and December 2013 is still pending before the Supreme Court (SC) and the Energy Regulatory Commission (ERC).

Full Years 2016-2017

PRODUCTION – COMPARATIVE REPORT FY 2016 vs FY 2017

Coal

The Company continued to invest in additional CAPEX in 2017 to hit its annual target of 13-14 million metric tons (tons), increasing from 2016's 12 million annual capacity. With increased excavating capacity, total materials moved grew by 7% YoY to 135 million bank cubic meters (bcm) from 125 million bcm in 2016.

Strip ratio for 2017 was 9.51:1, while effective production strip ratio in 2016 was only 5.27 since operations in the first three quarters were in Panian, which was already closed at the end of September. If pre-stripping of Molave and Narra pits are included, total strip ratio in 2016 was 9.08. However, the pre-stripping costs of Molave and Narra are capitalized, in accordance with accounting standards.

Coal production also increased by 3% to 13.2 million tons from 12.8 million tons in 2016. This is inclusive of lower grade coal of 900 thousand tons in 2016 and 1.4 million tons in 2017.

The table below shows the coal segment's comparative production data for 2016 and 2017.

	Q1 '16	Q2 '16	Q3 '16	Q4 '16	2016	Q1 '17	Q2 '17	Q3 '17	Q4 '17	2017	Variance
PRODUCTION											
Total Materials (M bcm)	30.79	36.53	23.77	34.34	125.43	35.18	36.31	30.40	33.48	135.38	8%
Pre-Stripping (M bcm)		28.06	12.21	8.50	48.77					-	-100%
Prod'n Stripping (M bcm)	30.79	8.47	11.56	25.84	76.66	35.18	36.31	30.40	33.38	135.28	76%
Total Coal Prod'n ('000 tons)	3.70	2.18	2.96	3.98	12.82	4.05	3.45	2.60	3.14	13.24	3%
Strip Ratio	6.93	15.38	6.63	7.22	9.08	7.29	9.12	10.29	9.24	9.51	-0.8%
End Inventory (M tons)	1.80	0.41	0.41	1.90	1.90	1.80	1.74	0.41	1.70	1.70	**11%**

POWER

SEM-CALACA POWER GENERATION CORPORATION (SCPC)

The table below shows SCPC's comparative production data for 2016 and 2017.

	Q1 '16	Q2 '16	Q3 '16	Q4 '16	2016	Q1 '17	Q2 '17	Q3 '17	Q4 '17	2017	Variance
Gross Generation, GWh											
Unit 1	346	363	305	354	1,367	-	361	484	542	1,387	1%
Unit 2	-	503	466	569	1,538	562	460	636	470	2,128	38%
Total Plant	**346**	**866**	**771**	**923**	**2,905**	**562**	**822**	**1,120**	**1,012**	**3,515**	**21%**
% Availability											
Unit 1	84%	92%	84%	87%	87%	0%	67%	84%	94%	62%	-29%
Unit 2	0%	82%	76%	89%	62%	92%	79%	99%	75%	86%	39%
Total Plant	**42%**	**87%**	**80%**	**88%**	**74%**	**46%**	**73%**	**92%**	**85%**	**74%**	0%
Capacity Factor											
Unit 1	53%	55%	46%	54%	52%	0%	54%	73%	83%	53%	2%
Unit 2	0%	76%	70%	87%	58%	87%	69%	96%	72%	81%	40%
Total Plant	**26%**	**65%**	**58%**	**70%**	**55%**	**43%**	**62%**	**85%**	**77%**	**67%**	**22%**

Unit 1

Gross Generation:

Q4 '16 vs Q4 '17 – increased due to the plant upgrade done in Q1 2017 which increased its capacity using Semirara coal. Unit 1's average capacity in Q4 2017 was 263MW, up from Q4 2016's 186MW.

YTD '16 vs YTD '17 – despite higher capacity, increase was only 1% due to Unit 1's scheduled maintenance shutdown which started on 15 December 2016 and lasted throughout Q1 of 2017.

Availability:

Q4 '16 vs Q4 '17 – scheduled maintenance shutdown started on 15 December 2016. Maintenance works included repairs of boiler tube leaks, vibrations of turbine bearing and removal of slags.

YTD '16 vs YTD '17 – decreased due to extended shutdown of the unit in Q1 2017.

Capacity Factor:

Q4 '16 vs Q4 '17 – increased due to the plant upgrade done in Q1 2017 which increased its capacity using Semirara coal. Unit 1's average capacity in Q4 2016 was 263MW, up from Q4 2016's 186MW.

YTD '16 vs YTD '17 – despite higher capacity, increased only by 2% due to extended shutdown of the unit in Q1 2017.

Unit 2

Gross Generation:

Q4 '16 vs Q4 '17– decreased due to shut down for repairs in Q4 2017. Unit 2's average capacity in Q4 2017 was 287MW, up from Q4 2016's 293MW.

YTD '16 vs YTD '17 – increased due to the plant's continuous operations, with minimal outages, unlike in 2016 when the unit underwent maintenance shutdown that lasted until 13 April 2016.

Availability:

Q4 '16 vs Q4 '17 – decreased due to shut down for repairs in Q4 2017. Maintenance works included repairs of boiler tube leaks and turbine.

YTD '16 vs YTD '17 – increased due to the plant's continuous operations, with minimal outages, unlike in 2016 when the unit underwent maintenance shutdown that lasted until 13 April 2016.

Capacity Factor:

Q4 '16 vs Q4 '17 – decreased due to shut down for repairs in Q4 2017, as well as slightly lower average load in Q4 2017 at 287MW from Q4 2016's 293MW.

YTD '16 vs YTD '17 – increased due to the plant's continuous operations, with minimal outages, unlike in 2016 when the plant was down for maintenance shutdown that lasted until 13 April 2016.

Significant event(s):

- Unit 1 was down in Q1 2017 for scheduled maintenance which started on 15 December 2016. This was originally scheduled for a 75-day maintenance shutdown. However, it was extended to allow additional maintenance works to ensure power unit availability during the summer months, as well as to upgrade the unit's output. The upgrade was successful, such that the unit can now run at 250MW to 270MW using Semirara coal; it was only running between 180MW and 200MW in 2016.

SOUTHWEST LUZON POWER GENERATION CORPORATION (SLPGC)

The table below shows SLPGC's comparative production data for 2016 and 2017.

	Q1 '16	Q2 '16	Q3 '16	Q4 '16	2016	Q1 '17	Q2 '17	Q3 '17	Q4 '17	2017	Variance
Gross Generation, GWh											
Unit 3	65	250	255	141	711	147	295	262	108	812	14%
Unit 4	152	287	111	122	672	74	300	301	200	875	30%
Total Plant	**217**	**537**	**366**	**263**	**1,383**	**221**	**596**	**563**	**308**	**1,687**	**22%**
% Availability											
Unit 3	34%	88%	90%	61%	68%	58%	97%	91%	39%	71%	4%
Unit 4	55%	97%	49%	59%	65%	30%	97%	100%	90%	80%	23%
Total Plant	**45%**	**93%**	**69%**	**60%**	**67%**	**44%**	**97%**	**95%**	**64%**	**75%**	**13%**
Capacity Factor											
Unit 3	20%	76%	77%	43%	54%	45%	89%	79%	33%	62%	**15%**
Unit 4	46%	87%	34%	37%	51%	23%	91%	91%	61%	67%	**31%**
Total Plant	**33%**	**81%**	**55%**	**40%**	**53%**	**34%**	**90%**	**85%**	**47%**	**64%**	**21%**

Unit 3

Gross Generation:

Q4 '16 vs Q4 '17 – slightly lower plant performance (lower operating hours offset by higher average capacity at 122MW) contributed to the lower generation for the period.

YTD '16 vs YTD '17 – the installation of anti-clogging device during the planned shutdown in January 2017 resulted in higher generation and overall better plant performance (lower outages by 10% and higher average capacity at 130MW).

Availability:

Q4 '16 vs Q4 '17– 2018 planned outage was moved earlier to Q4 2017, while higher unplanned outages were recorded in Q4 2017 vs Q4 2016.

YTD '16 vs YTD '17 – the improvements installed in Unit 3 resulted in a more dependable plant performance with 10% less shutdown in 2017 compared to 2016.

Capacity Factor:

Q4 '16 vs Q4 '17 – decreased due to more outage hours in Q4 2017, slightly offset by higher average capacity of 122MW.

YTD '16 vs YTD '17 – better plant performance in 2017 was due to improvements made while the plant was on maintenance shutdown in January.

Unit 4

Gross Generation:

Q4 '16 vs Q4 '17 – higher availability and improved average capacity resulted in increased gross generation.

YTD '16 vs YTD '17 – the installation of anti-clogging device and replacement of valves during its planned shutdown improved the unit's performance, increasing its average capacity and lessening outages, thus resulting in a marked improvement in gross generation in 2017 vs 2016.

Availability:

Q4 '16 vs Q4 '17 – increased due to lesser outages and improved dependability of the plant.

YTD '16 vs YTD '17 – improvements in the plant made during the planned shutdown increased availability in 2017 resulting in 42% decrease in outages compared to 2016.

Capacity Factor:

Q4 '16 vs Q4 '17– the unit continued to perform better in Q4 2017, with higher average capacity and increased availability vs Q4 2016.

YTD '16 vs YTD '17 – Performance improved after the 45-day planned shutdown done in January to February of 2017. With the installation of the anti-clogging device and replacement of J-valves, the plant's performance became more reliable.

Significant event(s):

- Both Units 3 and 4 are already on commercial operations since August 2016. The ERC granted the Certificate of Compliance, permitting both plants to run at its maximum capacity of 150 MW, on May 15, 2017.
- Taking over certificate for the 2x150MW Plant is effective starting 5 July 2017.

MARKETING – COMPARATIVE REPORT FY 2016 vs FY 2017

Coal

The table below shows the coal comparative sales volume data for 2016 and 2017 (in thousand tons, except ASP).

Customer	Q1	Q2	Q3	Q4	2016	Q1	Q2	Q3	Q4	2017	Variance
Power Plants											
Calaca	716	756	617	474	2,563	722	972	846	913	3,453	35%
Other PPs	307	424	350	611	1,693	412	497	401	575	1,885	11%
Total PPs	**1,023**	**1,181**	**967**	**1,085**	**4,256**	**1,134**	**1,469**	**1,247**	**1,488**	**5,337**	**25%**
Other Industries											
Cement	147	161	174	228	710	163	270	207	176	817	15%
Others	69	76	63	90	298	113	111	149	194	567	90%
Total Others	**216**	**236**	**237**	**319**	**1,008**	**276**	**380**	**357**	**370**	**1,384**	**37%**
TOTAL LOCAL	1,239	1,417	1,204	1,404	5,264	1,410	1,849	1,604	1,858	6,721	28%
EXPORT	1,674	2,246	1,818	1,813	7,550	2,206	863	1,913	1,401	6,384	-15%
GRAND TOTAL	**2,913**	**3,662**	**3,022**	**3,217**	**12,814**	**3,616**	**2,713**	**3,517**	**3,259**	**13,105**	**2%**
ASP (in PhP)	*1,593*	*1,719*	*1,815*	*2,405*	*1,886*	*2,250*	*2,057*	*2,158*	*1,892*	*2,268*	*20%*

Power Plants:

Q4 '16 vs Q4 '17 – increased deliveries to Calaca plants due to higher availability and average load, other plants slightly decrease in Q4 2017.

YTD 16 vs YTD '17 – increased deliveries to Calaca plants due to higher availability and average load, increase in demand of other existing customers and served new customers in 2017.

Cement Plants:

Q4 '16 vs Q4 '17 – increased demand in 2017.

YTD 16 vs YTD '17 – increased demand in 2017.

Other Industrial Plants:

Q4 '16 vs Q4 '17 – increased demand in 2017.

YTD 16 vs YTD '17 – increased demand in 2017.

Export Sales:

Q4 '16 vs Q4 '17 – lower release of coal for export in 2017.

YTD 16 vs YTD '17 – lower release of coal for export in 2017.

ASP:

Q4 '16 vs Q4 '17– The ASP is lower in Q4 2017 although the price actually increased because of higher global coal prices. Higher liftings of low grade coal for SLPGC which brought down the average selling price (ASP).

YTD 16 vs YTD '17 – increased due to higher global coal prices

POWER

SCPC

The table below shows the comparative marketing data of SCPC for 2016 and 2017 (In GWh, except ASP).

Customer	Q1 '16	Q2 '16	Q3 '16	Q4 '16	2016	Q1 '17	Q2 '17	Q3 '17	Q4 '17	2017	Variance
Bilateral Contracts	422	954	978	922	3,276	586	736	1,031	969	3,322	1%
Spot Sales	2	12	4	29	47	1	79	76	83	239	406%
GRAND TOTAL	**424**	**966**	**982**	**951**	**3,323**	**586**	**815**	**1,107**	**1,052**	**3,560**	**7%**
ASP (in PhP)											
Bilateral Contracts	3.85	2.93	3.14	3.56	3.29	4.13	3.66	3.65	3.86	3.80	16%
Spot Sales	13.44	5.98	8.49	2.62	4.48	4.48	3.16	3.40	2.90	3.17	-29%
Average ASP	*3.90*	*2.97*	*3.16*	*3.53*	*3.31*	*4.13*	*3.61*	*3.63*	*3.78*	*3.75*	*13%*

Bilateral Contracts:

Q4 '16 vs Q4 '17 – increased due to delivery of 100MW non-firm replacement power from 26 June 2017 up to November 2017.

YTD '16 vs YTD '17 – almost no movement

Spot Sales:

Q4 '16 vs Q4 '17 – increased due to higher capacity of Unit 1, the excess is sold to spot.

YTD '16 vs YTD '17 – increased due to higher capacity of Unit 1, the excess is sold to spot.

Bilateral Contracts ASP:

Q4 '16 vs Q4 '17 – increased due to higher fuel component which is based on rising NewCastle Index.

YTD '16 vs YTD '17 – increased due to higher fuel component which is based on rising NewCastle Index.

Spot Sales ASP:

Q4 '16 vs Q4 '17 – slightly higher WESM prices in Q4 2017.

YTD '16 vs YTD '17 – higher WESM prices in 2016

Other Information:

- Of the total energy sold, 93.2% was sourced from own generation, while 6.8% was purchased from the spot market. SCPC procured power from the spot market during hour intervals where power units were down, or when the plants were running at a de-rated capacity, in order to be able to supply committed capacity to some of its customers.

- Existing bilateral contracts: Supply of power to the non-firm contract with San Miguel lasted up to Nov. 2017.

Customers	Terms	No. Years / Mos.	Contract Demand (MW)
Meralco DU	December 26, 2011 - December 25, 2018	7	250
MPower	June 26, 2013 - December 25, 2018	5	170
Batelec 1	March 26, 2013 - March 25, 2018	5	20
San Miguel (non-Firm)	June 26, 2017 - Feb 25, 2018	8 mos.	100
ECSCO	March 26, 2017 - March 25, 2019	2	0.45
Total			**540.45**

SLPGC

The table below shows the comparative marketing data of SLPGC for 2016 and 2017 (In GWh, except ASP).

Customer	Q1 '16	Q2 '16	Q3 '16	Q4 '16	2016	Q1 '17	Q2 '17	Q3 '17	Q4 '17	2017	Var
Bilateral Contracts	208	413	346	313	1,280	177	266	459	249	1,151	-10%
Spot Sales	41	94	31	31	198	62	266	79	41	448	127%
GRAND TOTAL	**250**	**507**	**377**	**344**	**1,478**	**239**	**532**	**538**	**290**	**1,599**	**8%**
ASP (in PhP)											
Bilateral Contracts	4.57	4.44	4.63	5.27	4.72	5.27	5.16	4.26	5.82	4.95	5%
Spot Sales	2.45	2.77	2.44	1.91	2.52	3.46	3.09	3.08	2.83	3.12	24%
Average ASP	*4.22*	*4.13*	*4.45*	*4.97*	*4.42*	*4.80*	*4.12*	*4.08*	*5.40*	*4.43*	*0%*

Bilateral Contracts:

Q4 '16 vs Q4 '17 – decreased due to end of short-term replacement power contract in November 2017.

YTD 16 vs YTD '17 – decreased as GNPower contract ended in December 2016, slightly offset by the short-term replacement contract with SMEC.

Spot Sales:

Q4 '16 vs Q4 '17 – more excess energy produced in Q4 2017 that was sold to WESM.

YTD 16 vs YTD '17 – more uncontracted power generation after expiration of GNPower contract in 2016.

Bilateral Contracts ASP:

Q4 '16 vs Q4 '17 – slight increase in ASP due to payment of Fixed O&M

YTD 16 vs YTD '17 – increased due to higher New Castle Index in 2017, this is slightly offset by the lower fixed rate for new replacement power contract.

Spot Sales ASP:

Q4 '16 vs Q4 '17 – sold to WESM during hour intervals when prices are higher

YTD 16 vs YTD '17 – sold to WESM during hour intervals when prices are higher

Other Information:

- Of the total energy sold, 93.2% was sourced from own generation, while 6.8% was purchased from the spot market.

- Existing bilateral contracts:

SLPGC Power Supply Contracts				
Customers	**Terms**	**No. Years**	**Expiring on**	**Contract Demand (MW)**
MPower	Effective March 2016	2.75	25-Dec-2018	100
VECO	Effective December 2015	2.50	25-Jun-2018	42.51
Total				**142.51**

III. FINANCE

A. Sales and Profitability

Revenues *(In million PhP)*

Before Eliminations

	Q4 2016	Q4 2017	Variance	YTD 2016	YTD 2017	Variance	Remarks
Coal	7,738	8,883	15%	24,157	29,667	23%	Increased in ASP by 20% due to higher global price index and slight increase in sales volume of 2%
SCPC	3,357	3,979	19%	10,984	13,366	22%	14% increase in ASP; 7% increase in sales volume
SLPGC	1,049	1,562	49%	5,747	7,088	23%	8% increase in 2017 sales volume; 2016 exclusive of the energy sales during commissioning period
Total	**12,144**	**14,425**	**19%**	**40,887**	**50,121**	**23%**	

After Eliminations

	Q4 2016	Q4 2017	Variance	YTD 2016	YTD 2017	Variance	Remarks
Coal	6,637	6,707	1%	20,079	23,490	17%	Increased in ASP due to higher global price index
SCPC	3,132	3,979	27%	10,758	13,366	24%	14% increase in ASP; 7% increase in sales volume
SLPGC	1,049	1,562	49%	5,747	7,088	23%	8% increase in 2017 sales volume; 2016 exclusive of the energy sales during commissioning period
Total	**10,818**	**12,248**	**13%**	**36,584**	**43,943**	**20%**	

Cost of Sales *(In million PhP)*

Before Eliminations

	Q4 2016	Q4 2017	Variance	YTD 2016	YTD 2017	Variance	Remarks
Coal	5,729	4,789	-16%	13,018	15,141	16%	Higher strip ratio since it is already normalized at the new mine compared to the favorably low strip ratio during wrapping up of Panian mine in the first 3 quarters. Also higher volume sold and costs of production e.g. fuel. Q4 2017 cost is lower as Q4 2016's cost was inflated with booking of a one-time mine rehabilitation costs.
SCPC	2,103	2,838	35%	7,437	8,093	9%	Inclusive of replacement power procured at PhP3.20/kwh after the plants consumed allowable downtime.
SLPGC	1,001	858	-14%	2,503	3,197	28%	Increased due to recognition of depreciation for the full 4 quarters of 2017 vs only 3 quarters for 2016, as well as increase in cost of coal. The plants were still on commissioning status in Q1 2016, wherein costs were still capitalized.
Total	**8,833**	**8,486**	**-4%**	**22,958**	**26,430**	**15%**	

After Eliminations

	Q4 2016	Q4 2017	Variance	YTD 2016	YTD 2017	Variance	Remarks
Coal	4,769	4,294	-10%	11,013	11,910	8%	Higher strip ratio since it is already normalized at the new mine compared to the favorably low strip ratio during wrapping up of Panian mine in the first 3 quarters. Also higher volume sold and costs of production e.g. fuel. Q4 2017 cost is lower as Q4 2016's cost was inflated with booking of a one-time mine rehabilitation costs.
SCPC	1,948	1,727	-11%	5,733	5,871	2%	Inclusive of replacement power procured at PhP3.20/kwh after the plants consumed allowable downtime.
SLPGC	835	369	-56%	1,954	2,552	31%	Increased due to recognition of depreciation for the full 4 quarters of 2017 vs only 3 quarters for 2016, as well as increase in cost of coal. The plants were still on commissioning status in Q1 2016, wherein costs were still capitalized.
Total	**7,552**	**6,390**	**-15%**	**18,701**	**20,333**	**9%**	

Consolidated Gross Profit *(In million PhP)*

	Q4 2016	Q4 2017	Variance	YTD 2016	YTD 2017	Variance	Remarks
Coal	1,868	2,413	29%	9,066	11,579	28%	Due to the significant increase in selling price which offset the increase in cost, hence profitability still increased
SCPC	1,184	2,253	90%	5,025	7,495	49%	Higher coal price index pulled up ASP in 2017, resulting to healthier revenues; while costs increased at a lower rate.
SLPGC	214	1,193	458%	3,793	4,536	20%	2 units were fully operational with higher availability in 2017
Total	**3,266**	**5,858**	**79%**	**17,883**	**23,610**	**32%**	
GP %	51%	50%	-2%	57%	56%	-1%	

Consolidated OPEX *(In million PhP)*

	Q4 2016	Q4 2017	Variance	YTD 2016	YTD 2017	Variance	Remarks
Coal	64	1,537	2316%	3,224	5,002	55%	Higher revenue generation translated to higher government royalties from Php2.65B in 2016 to PhP4.31B in 2017, In Q4 2017 alone, government royalties accrued amounted to PhP1.28B; General Admin Expenses likewise increased from PhP575M to PhP693M due to increase in personnel costs and others.
SCPC	571	1,321	131%	1,480	2,260	53%	Consists of operating and maintenance cost. This also includes recognition of accelerated depreciation in relation to the planned life-extention works of SCPC power plants in 2019 amounting to PhP840 million in 2017
SLPGC	125	292	134%	295	767	160%	Mainly due to increase in O&M expense and Real Property Tax
Others	0	179	0%	1	179	35660%	Mainly due to derecognition of development costs of Semirara Claystone, Inc.
Total	**760**	**3,329**	**338%**	**4,999**	**8,207**	**64%**	

Consolidated Finance Income *(In million PhP)*

	Q4 2016	Q4 2017	Variance	YTD 2016	YTD 2017	Variance	Remarks
Coal	21	14	-33%	44	51	16%	Increase because of higher cash for short-term placement
SCPC	3	2	-17%	11	9	-23%	Decrease due to lower cash available for short-term placement
SLPGC	16	7	-55%	28	36	29%	Increase because of higher cash for short-term placement
Ohers	0	0	0%	0	0	0%	
Total	**40**	**23**	**-41%**	**83**	**96**	**15%**	

Consolidated Finance Charges *(In million PhP)*

	Q4 2016	Q4 2017	Variance	YTD 2016	YTD 2017	Variance	Remarks
Coal	86	144	67%	228	354	55%	Increase in debt level and interest rates in 2017 due to higher benchmark (PDSTR-2)
SCPC	22	22	-1%	90	60	-34%	SCPC's LTD interest-bearing loans was fully paid. Also, a portion of its higher priced long-term loan was converted to cheaper short-term loan.
SLPGC	69	79	15%	280	304	9%	Plant is on commercial operations in 2017 hence finance costs is no longer capitalized, unlike in first half of 2016
Total	**177**	**245**	**39%**	**599**	**718**	**20%**	

Consolidated Foreign Exchange Gain / (Loss) *(In million PhP)*

	Q4 2016	Q4 2017	Variance	YTD 2016	YTD 2017	Variance	Remarks
Coal	(172)	(39)	-78%	(347)	(280)	-19%	Due to the partial conversion of USD denominated loans to PhP
SCPC	(15)	(15)	1%	(52)	(105)	100%	Realized loss on its foreign currency denominated transactions
SLPGC	(4)	(7)	69%	(4)	(7)	95%	Realized loss on its foreign currency denominated transactions
Total	**(191)**	**(60)**	**-68%**	**(403)**	**(392)**	**-3%**	

Consolidated Other Income ***(In million PhP)***

	Q4 2016	Q4 2017	Variance	YTD 2016	YTD 2017	Variance	Remarks
Coal	36	48	32%	171	127	-26%	Realized gain on sale of fully depreciated assets
SCPC	50	414	726%	123	510	315%	Insurance proceeds and deferred revenue arising from receivable from PSALM are booked in 2017. Unit 2 was down in Q1 2016, hence less fly ash is sold as cement additive
SLPGC	645	394	-39%	645	438	-32%	Fly ash sold as cement additive
Total	**731**	**855**	**17%**	**938**	**1,076**	**15%**	

Consolidated NIBT ***(In million PhP)***

	Q4 2016	Q4 2017	Variance	YTD 2016	YTD 2017	Variance	Remarks
Coal	1,602	754	-53%	5,482	6,122	12%	Higher coal sales pushed profitability up in 2017
SCPC	630	1,311	108%	3,537	5,590	58%	Higher generation and better prices
SLPGC	677	1,216	80%	3,886	3,931	1%	Better plant performance in 2017 translated to improved profits during the year.
Others	-	(179)	100%	(1)	(179)	35660%	Mainly due to derecognition of development costs of Semirara Claystone, Inc.
Total	**2,909**	**3,103**	**7%**	**12,904**	**15,464**	**20%**	

Consolidated Income Tax Provision ***(In million PhP)***

	Q4 2016	Q4 2017	Variance	YTD 2016	YTD 2017	Variance	Remarks
Coal	57	26	-55%	62	30	-51%	Minimal coal tax provision is due to the Income tax holiday incentive.
SCPC	231	85	-63%	640	1,036	62%	Increase in SCPC's tax provision is a result of increase in profitability in 2017
SLPGC	125	145	16%	162	189	17%	Minimal SLPGC tax provision is due to the Income tax holiday it enjoys as a BOI-registered company. The increase over 2016 is due to income taxes paid on BCQ sales from Spot Purchases
Total	**414**	**255**	**-38%**	**863**	**1,255**	**45%**	

NIAT (In million PhP)

Before Eliminations (Core Income)

	Q4 2016	Q4 2017	Variance	YTD 2016	YTD 2017	Variance	Remarks
Coal	1,689	2,412	43%	7,495	9,041	21%	Growth in income is mainly driven by increase in selling price
SCPC	468	115	-75%	1,418	2,331	64%	Although there are more plant downtime, plants are running at higher capacity; prices are also higher. These translated to higher revenues and profitability
SLPGC	422	582	38%	3,218	3,098	-4%	Higher revenue and volume sold is slightly offset by higher Real Property tax, Interest and Depreciation fully chargeable to OPEX.
Others	(4)	(178)	4358%	(4)	(178)	4358%	Mainly due to derecognition of development costs of Semirara Claystone, Inc.

After Eliminations (Consolidated)

	Q4 2016	Q4 2017	Variance	YTD 2016	YTD 2017	Variance	Remarks
Coal	1,544	728	-53%	5,420	6,092	12%	Growth in income is mainly driven by increase in selling price.
SCPC	399	1,227	208%	2,896	4,554	57%	Although there are more plant downtimes, plants are running at higher capacity, prices are higher. These translated to higher revenues and profitability
SLPGC	552	1,071	94%	3,724	3,742	0%	Higher energy sales, further augmented by 46% better average price/KWh of power sold boosted profitability. SLPGC also enjoys ITH
Others	(4)	(178)	4358%	(1)	(179)	35660%	Mainly due to derecognition of development costs of Semirara Claystone, Inc.
Total	**2,491**	**2,848**	**14%**	**12,040**	**14,209**	**18%**	

B. Solvency and Liquidity

Internal cash generation in 2017 amounted to PHP18.20 billion. Consolidated loan availments amounted to PHP6.54 billion, representing coal's medium-term loan to fund maintenance and additional CAPEX for the increase in capacity. Additional cash of PhP126.23 million was generated from sale of coal segment fully depreciated assets and from withdrawal of the remaining PhP68.72 million sinking fund upon full payment of SCPC's loan term debt. Combined with beginning Cash of PHP7 billion, total consolidated Cash available during the period stood at PHP31.92 billion.

Of the available cash, PHP6.32 billion was used to fund major CAPEX. The Company also paid debts amounting to PHP5.22 billion and other investing and released the retention amounting to PhP1.15 billion after final turn-over of its power plant in July 2017. On the Company's buyback program, it reacquired 2.7 million shares amounting to PhP100.37 million. The Company declared and paid cash dividends of PHP10.65 billion during the period. Ending cash closed at PHP8.47 billion, a 21% increase from the beginning cash.

Coal, SCPC, and SLPGC recorded ending cash of PHP5.80 billion, PHP584.41 million, and PHP2.03 billion, respectively. Other pre-operating business closed with a total cash balance of PHP58 million.

Consolidated Current ratio improved to 1.69x from 1.35x at the start of the year.

C. Financial Condition

ASSETS

Cash

	FY 2016 (Audited)	FY 2017 (Audited)	Variance	Remarks
Coal	4,298	5,796	35%	Stronger sales volume, boosted by higher ASP resulted to higher cash generation but used up to pay cash dividend and CAPEX hence the decrease
SCPC	659	584	-11%	Strong cash generation and payments of suppliers
SLPGC	2,010	2,032	1%	Settlement for the partial remaining payable of the 2x150MW project and additional CAPEX for the 2x23MW Gas turbine
Others	26	59	125%	Additional capital infusion to the pre-operating subsidiary
Total	**6,993**	**8,471**	**21%**	

Consolidated Receivables

	FY 2016 (Audited)	FY 2017 (Audited)	Variance	Remarks
Coal	2,451	2,204	-10%	Mainly trade-related; improvement in collection of coal exports. 95% of invoice amount collected upon presentation of invoice and shipping documents with correspondent bank
SCPC	2,106	3,164	50%	Collection of November 2017 power bills fell on a holiday and collected in 2018
SLPGC	1,128	1,106	-2%	Mainly trade-related receivables
Total	**5,685**	**6,475**	**14%**	

Consolidated Inventories

	FY 2016 (Audited)	FY 2017 (Audited)	Variance	Remarks
Coal	2,960	3,148	6%	Inventory is comprised of cost of ending coal inventory of Php970 million and materials spare parts, fuel, and supplies amounting to Php2.2 billion
SCPC	1,930	1,957	1%	Comprised of coal inventory of Php184M and spare parts inventory for corrective, preventive and predictive maintenance program
SLPGC	497	809	63%	Comprised of Spare parts inventory for corrective, preventive and predictive maintenance program (PhP 513 million), Coal (PhP 170 million) and diesel,chemicals and others (PhP 126 million)
Others				Cash balances of pre-operating subsidiary
Total	**5,386**	**5,914**	**10%**	Coal increased production, correspondingly increasing material & parts required inventory; SCPC preparing for life extension; SLPGC already on commercial operations and plants are performing at higher capacity, thus requiring corresponding increase in inventory of parts

Investment in JV

	FY 2016 (Audited)	FY 2017 (Audited)	Variance	Remarks
Coal	52	51	-3%	
Total	**52**	**51**	**-3%**	

Investment in Sinking Fund

	FY 2016 (Audited)	FY 2017 (Audited)	Variance	Remarks
SCPC	69	-	-100%	withdrawal of sinking fund following the full payment of LTD
Total	**69**	**-**	**-100%**	

Consolidated Other Current Assets

	FY 2016 (Audited)	FY 2017 (Audited)	Variance	Remarks
Coal	625	1,264	102%	Mainly comprised of prepaid income taxes and advances to contractors and suppliers of spare parts and equipment amounting to Php454.34 million and Php804.64 billion, respectively.
SCPC	369	750	103%	Mainly accounted for advances to suppliers, rentals, insurance and other expense (Php649 million).
SLPGC	1,974	1,410	-29%	Mainly comprised of input VAT amounting to PhP 1.1 billion and PhP 277 million advances/prepayments to suppliers
Total	**2,968**	**3,423**	**15%**	

Consolidated Total Current Assets

	FY 2016 (Audited)	FY 2017 (Audited)	Variance	Remarks
Coal	10,387	12,462	20%	Please refer above
SCPC	5,132	6,456	26%	
SLPGC	5,609	5,357	-4%	
Others	26	59	125%	
Total	**21,154**	**24,334**	**15%**	

Consolidated PPE

	FY 2016 (Audited)	FY 2017 (Audited)	Variance	Remarks
Coal	10,221	10,888	7%	Additional Capex for capacity expansion and maintenance capex of PhP4.3 billion off-set by depreciation
SCPC	14,925	14,656	-2%	Capex of PhP1.63 billion offset by depreciation
SLPGC	18,206	17,470	-4%	Capex of PhP796 million off-set by negative variation of PhP388 million and depreciation
Total	**43,352**	**43,014**	**-1%**	

Consolidated Other Non-Current Assets

	FY 2016 (Audited)	FY 2017 (Audited)	Variance	Remarks
Coal	195	204	5%	Additional software cost
SCPC	249	278	11%	Mainly consists of prepaid leases and unrealized input tax
SLPGC	135	317	135%	Mainly consists of prepaid leases and unrealized input tax
Others	156	-	-100%	Derecognition of capitalized development costs of Semirara Claystone
Total	**735**	**798**	**9%**	

SEMIRARA MINING & POWER CORPORATION

Consolidated Deferred Tax Assets

	FY 2016 (Audited)	FY 2017 (Audited)	Variance	Remarks
Coal	54	85	58%	Mainly related to remeasurement losses on Pension Plan
SCPC	465	365	-22%	Mainly related to provision for doubtful account and deferred revenue
Total	**520**	**450**	**-13%**	

Consolidated Total Assets

	FY 2016 (Audited)	FY 2017 (Audited)	Variance	Remarks
Coal	20,857	23,639	13%	Refer to above explanation
SCPC	20,773	21,755	5%	
SLPGC	23,950	23,144	-3%	
Others	183	59	-68%	
Total	**65,762**	**68,596**	**4%**	

LIABILITIES

Accounts and Other Payables

	FY 2016 (Audited)	FY 2017 (Audited)	Variance	Remarks
Coal	7,058	8,014	14%	Primarily due to the increased requirements related of the capacity expansion
SCPC	2,380	1,793	-25%	The decrease merely pertains to timing of payment of trade suppliers and contractors
SLPGC	2,784	1,044	-62%	Pertains to release of retention payable for the 2x150MW Project upon final turn-over last July 2017. Remaining balance pertains to Payables to Trade and Affiliates
Total	**12,221**	**10,851**	**-11%**	

Short-term Loans

	FY 2016 (Audited)	FY 2017 (Audited)	Variance	Remarks
SCPC	1,600	-		Full settlement of the short-term loan
Total	**1,600**	**-**	**-100%**	

Current Portion of Long-term Debt

	FY 2016 (Audited)	FY 2017 (Audited)	Variance	Remarks
Coal	-	1,852	100%	Maturing LTD within a year
SCPC	128	-	-100%	Fully paid LTD
SLPGC	1,704	1,704	0%	
Total	**1,832**	**3,556**	**94%**	

Total Current Liabilities

	FY 2016 (Audited)	FY 2017 (Audited)	Variance	Remarks
Coal	7,058	9,866	40%	Please refer to above
SCPC	4,108	1,793	-56%	
SLPGC	4,487	2,748	-39%	
Total	**15,653**	**14,407**	**-8%**	

Long-Term Debt - Net of Current Portion

	FY 2016 (Audited)	FY 2017 (Audited)	Variance	Remarks
Coal	5,618	5,539	-1%	
SCPC	-	2,985	100%	Availed of LTD in Q4 2017
SLPGC	7,640	5,944	-22%	Decrease is due to amortization for the year
Total	**13,258**	**14,468**	**9%**	Increase is due to increase in coal long-term debt availment

Pension Liability

	FY 2016 (Audited)	FY 2017 (Audited)	Variance	Remarks
Coal	68	174	158%	Additional provision for pension liabilities due to salary adjustments and transferred employees from affiliates
SCPC	27	25	-9%	Retirement of employees in 2017
SLPGC	19	35	80%	increase in provision for pension obligation
Total	**114**	**234**	**105%**	

Provision for Site Rehabilitation

	FY 2016 (Audited)	FY 2017 (Audited)	Variance	Remarks
Coal	1,593	1,687	6%	Additional provision based on revised plan
SCPC	14	15	9%	Additional provision for plant decommissioning
SLPGC		4	100%	Provision for plant decommissioning
Total	**1,606**	**1,706**	**6%**	

Other Long-Term Liabilities

	FY 2016 (Audited)	FY 2017 (Audited)	Variance	Remarks
SLPGC	843	46	-95%	Settlement of retention payable
Total	**843**	**46**	**-95%**	

Deferred Tax Liabilities

	FY 2016 (Audited)	FY 2017 (Audited)	Variance	Remarks
SLPGC	1	55	4371%	Deferred Tax Liabilities arising from unrealized income from financial contract
Total	**1**	**55**	**4371%**	

Total Non-Current Liabilities

	FY 2016 (Audited)	FY 2017 (Audited)	Variance	Remarks
Coal	7,278	7,400	2%	Please refer above
SCPC	41	3,025	7312%	
SLPGC	8,504	6,085	-28%	
Total	**15,823**	**16,509**	**4%**	

Total Liabilities

	FY 2016 (Audited)	FY 2017 (Audited)	Variance	Remarks
Coal	14,336	17,266	20%	Please refer above
SCPC	4,149	4,818	16%	
SLPGC	12,991	8,833	-32%	
Others			#DIV/0!	
Total	**31,475**	**30,917**	**-2%**	

EQUITY

Capital Stock

	FY 2016 (Audited)	FY 2017 (Audited)	Variance	Remarks
Coal (Parent)	1,069	4,265	299%	Increase due to stock dividend of 3 shares for every 1 share held. Par value at Php1 / share

Additional Paid-in Capital

	FY 2016 (Audited)	FY 2017 (Audited)	Variance	Remarks
Coal (Parent)	6,676	6,676	0%	No changes.

Treasury Shares

	FY 2016 (Audited)	FY 2017 (Audited)	Variance	Remarks
Coal (Parent)	388	488	26%	Purchase of 3.46 million SCC shares in 2016 and 2.7 million shares in 2017

Remeasurement Gain / (Losses) on Pension Plan

	FY 2016 (Audited)	FY 2017 (Audited)	Variance	Remarks
Coal	(24)	(81)	236%	Actuarial valuation loss in pension plan due to increase in number of employees
SCPC	(2)	(1)	-53%	Some employees retired during the year
SLPGC	3	(4)	-239%	Due to increase in number of employees
Others			#DIV/0!	
Total	**(23)**	**(86)**	**268%**	

Retained Earnings / (Losses)

	FY 2016 (Audited)	FY 2017 (Audited)	Variance	Remarks
Coal	16,540	12,756	-23%	Decrease in retained earnings due to the payment of special cash dividends amounting to Php5.3 B. on top of the regular dividend
SCPC	6,730	8,806	31%	Strong profitability slightly offset by payment of cash dividend
SLPGC	3,689	5,930	61%	Cash dividend of PhP 1 Billion in Q3 2017 still manage to increase because of good performance
Others	(6)	(179)	2948%	Mainly related to the write-off of research and development costs of pre-operating subsidiary
Total	**26,953**	**27,313**	**1%**	

VI. PERFORMANCE INDICATORS:

1. **Net Income After Tax** – The Company continues to show remarkable operating and financial performance. Net income grew by 18% YoY.
2. **Dividend Payout** – Strong profitability and high liquidity enables the Company to continue paying generous dividends. The board of directors declared PhP5 dividend per share (PhP1.25 per share post 300% stock dividend) which was paid last 25 April 2017, increasing by 25% from 2016's PhP 4 per share (PhP1.00 per share post 300% stock dividend). Moreover, another PhP5 dividend per share (PhP1.25 per share post 300% stock dividend) was declared by the board of Directors and was paid 8 September 2017. Payout ratio of 106% is way above the Company's policy of at least 20%.
3. **Debt-to-Equity Ratio** – The increase in total debts was sufficiently matched by robust earnings during the period which effectively augmented Equity. As a result, DE improved to 0.82x from 0.92x as at the start of the year.
4. **Net Profit Margin** – Net profit margin remains strong at 32% with strong revenues from the coal and power businesses.
5. **Current Ratio** – Healthy cash position and drop in Accounts Payable improved Current Ratio to 1.69 at the end of the period from 1.35 at the start of the year. The Company set an internal current ratio threshold of at least 1.00.

VII. OTHER INFORMATION:

1. There were no known trends, events or uncertainties that have material impact on liquidity.
2. SMPC provides interim corporate suretyship in favor of the lenders of SLPGC for the project debt facility amounting to Php11.5 billion that financed the 2x150MW power plant expansion at Calaca, Batangas. It started amortizing the loan in 2015; as at end of this year outstanding balance decreased to Php7.67 billion.
3. There are no material off-balance sheet transactions, arrangements, obligations, and other relationships of SMPC with unconsolidated entities or other persons created during the reporting period;
4. SCPC started its life extension program with an estimated total project cost of USD217 million. This is a 3-year program that aims to increase the economic life of Units 1 &2 for another 20 to 25 years. Revised target completion is 2020;
5. SMPC is still waiting for ERC approval of the 400MW Power Supply Agreement (PSA) entered into by St. Raphael Power Generation Corporation (SRPGC) and Manila Electric Company (Meralco) at December 31, 2017. As at December 31, 2017, SRPGC is equally owned by SMPC and MGen;
6. There are no significant elements of income of loss from continuing operations;
7. On March 1, 2018 the Energy Regulatory Commission issued Certificate of Compliance (COC) (COC No. 18-03-M-00148L and COC No. 18-03-M-00149L) for Units 3 and 4 Modular Gas Turbine Power Plant of SLPGC, respectively, located in Brgy. San Rafael, Calaca, Batangas. Each unit has a 25MW capacity and the said COC shall be both valid for five (5) years;
8. SMPC shall accelerate the rehabilitation of South Panian in 2-year time with an estimated cost of Php2.3 billion;
9. There were no subsequent events that came to our knowledge, which are material enough to warrant an adjustment in the consolidated financial statements;
10. The Group's operation is not cyclical or seasonal in nature. Mining activities is continuous throughout the year as coal production output from period to period can be adjusted through efficient mine planning on both short-term and long-term, mitigating negative impact of the rainy season to mine operations. The power generation business is also operational throughout the year as maintenance shutdown is just part of normal operation of the plant and programmed ahead of time.

B. INFORMATION ON INDEPENDENT ACCOUNTANT AND OTHER RELATED MATTERS

The principal accountants and external auditors of the Company and its Subsidiaries[8] is the accounting firm SyCip Gorres Velayo & Co. (SGV). Pursuant to the General Requirements of SRC Rule 68, paragraph 3 (Qualifications and Reports of Independent Auditors), the Company and its Subsidiaries has engaged the services of SGV as external auditor of the Company, and Dhonabee B. Señeres is the Partner-In-Charge starting 2018 or less than five years following the regulatory policy of audit partner rotation every five years.

On February 28, 2020, the Board of Directors of the Corporation, upon recommendation of its Audit Committee, approved and recommended the re-appointment of SGV, subject to the stockholders' approval, as the Corporation's Independent External Auditor for the fiscal year 2020.

(1) External Audit Fees and Services

(a) Audit & Audit Related Fees. - The Company and its Subsidiaries paid its external auditors the following fees in the past two (2) years:

In Millions Pesos with VAT	
2018	6.6[9]
2019	7.06[10]
Total	**13.66**[11]

(b) Tax Fees. - There are no fees billed in each of the last fiscal years for professional services rendered by the SGV for tax accounting, compliance, advice, planning and any other form of tax services.

[8] SCPC and SLPGC were incorporated in November 2009 and August 2011, respectively.
[9] Includes Subsidiaries audit fee of P3.8 Million.
[10] Includes Subsidiaries audit fee of P4.2 Million.
[11] Audit and audit-related fees only; no fees for other assurance and related services were paid.

(c) **All Other Fees.** – In 2019, non-audit fees paid to SGV amounted to Php184,800.00 for engagement in performing as an independent party to count and/or validate the votes at the Annual Stockholders' Meeting. There are no significant fees paid in 2019 for products and services provided by SGV other than services reported under item (a) above.

(2) There have been no changes in or disagreement with the Company and its Subsidiaries' accountant on accounting and financial disclosures.

(3) The Company's Audit Committee oversees the external audit function on behalf of the Board of Directors (Board). It recommends the appointment, reappointment or replacement of external auditor to the Board. It is charge with the evaluation of the audit work engagements, its scope, fees and terms for approval of the Board. The Audit Committee also reviews non-audit services and taxation advice, if any, by the external auditor. At the conclusion of the annual audit, it discusses with Management and the external auditor significant reporting issues. Lastly, the Audit Committee reviews external audit findings in respect of any significant deficiencies or weaknesses in controls and ensure that Management responds appropriately with timely corrective actions, including audit adjusting entries noted or proposed but passed as immaterial or otherwise. Honorio O. Reyes-Lao is the Chairman of the Audit Committee while Rogelio M. Murga, Herbert M. Consunji, and Jose Antonio U. Periquet, Jr. are Members.

PART IV – MANAGEMENT AND CERTAIN SECURITY HOLDERS

A. DIRECTORS AND EXECUTIVE OFFICERS OF THE ISSUER

(1) The following are the names, citizenship, educational attainment, positions, offices and business experiences of all incumbent Directors and Executive Officers of the Company:

Directors:

1. **ISIDRO A. CONSUNJI**

71, Filipino, is a Director of SMPC since May 2001 and became the Chairman of the Board in November 2014. Currently, he serves as the Chief Executive Officer of SMPC, and a Member of the Risk Committee.

Education:
B.S. Civil Engineering, University of the Philippines
Master's Degree in Business Economics, Center for Research & Communication
Master's Degree in Business Management, Asian Institute of Management
Advanced Management, IESE School in Barcelona, Spain
He is a Civil Engineer by profession.

Directorship in Listed Companies:
DMCI Holdings, Inc., *Director & President*
Atlas Consolidated Mining and Development Corporation, *Director*

Other Directorships/Positions:
SEM-Calaca Power Corporation, *Chairman & CEO*
Southwest Luzon Power Generation Corporation, *Chairman & CEO*
Semirara Claystone Inc., *Chairman & CEO*
Semirara Energy Utilities Inc., *Chairman & CEO*
Southeast Luzon Power Generation Corporation, *Chairman & CEO*
SEM-Cal Industrial Park Developers Inc., *Chairman & CEO*
DMCI Mining Corporation, *Chairman & CEO*
St. Raphael Power Generation Corporation, *Chairman*
ENK Plc (U.K.), *Chairman*
DMCI Masbate Power Corporation, *Vice-Chairman*
Dacon Corporation, *Director*
M&S Company Inc., *Director*
DMCI Projects Developers, Inc., *Director*
Toledo Mining Corporation Plc (U.K.), *Director*

Semirara Cement Corporation, *Director & President*
Maynilad Water Services, *Director*
Private Infra Dev Corp., *Director*
Asian Institute of Management, *Trustee*

Former Affiliations:
Philippine Constructors Association, *President*
Philippine Chamber of Coal Mines, Inc., *President*

2. **JORGE A. CONSUNJI**
68, Filipino, is a Director of SMPC since May 2001.

Education:
B.S. Industrial Management Engineering, De La Salle University

Directorship in Listed Companies:
DMCI Holdings, Inc., *Director*

Other Directorships/Positions:
DMCI Masbate Power Corporation, *Chairman*
Dacon Corporation, *Director*
DMCI Project Developers, Inc., *Director*
SEM-Calaca Power Corporation, *Director*
Southwest Luzon Power Generation Corporation, *Director*
Semirara Claystone Inc., *Director*
Semirara Energy Utilities Inc., *Director*
Southeast Luzon Power Generation Corporation, *Director*
SEM-Cal Industrial Park Developers Inc., *Director*
Cotabato Timberland Co., Inc., *Director*
M&S Company, Inc., *Director*
Sodaco Agricultural Corporation, *Director*
DMCI Mining Corporation, *Director*
DMCI Power Corporation, *Director*
Eco-Process & Equipment Phils. Inc., *Director*
Maynilad Water Services, Inc., *Director*
D.M. Consunji, Inc., *President & COO*
Royal Star Aviation, Inc., *President & COO*

Former Affiliations:
Contech Panel Mfg., Inc., *Chairman*
St. Raphael Power Generation Corporation, *Director*
Wire Rope Corp. of the Philippines, *Chairman*
St. Raphael Power Generation Corporation, *Director*
ACEL, *President*
Phil. Constructors Association, *Vice-President*

3. **CESAR A. BUENAVENTURA**
90, Filipino, is a Director of SMPC since May 2001.

Education:
Bachelor of Science in Civil Engineering, University of the Philippines
Master's Degree in Civil Engineering Major in Structures, Lehigh University, Bethlehem, Pennsylvania (Fulbright Scholar)

Directorship in Listed Companies:
DMCI Holdings, Inc., *Director*
iPeople, Inc., *Independent Director*
PetroEnergy Resources Corp., *Independent Director*
Concepcion Industrial Corporation, *Independent Director*
Pilipinas Shell Petroleum Corporation, *Independent Director*
International Container Terminal Services, Inc., *Independent Director*

Other Directorships/Positions:
DM Consunji, Inc., *Director*
The Country Club, *Director*
Mitsubishi Hitachi Power Systems Phils Inc., *Chairman*
Cavitex Holdings, Inc., *Director*
Via Technik Inc., *Director*
Pilipinas Shell Foundation, Inc., *Chairman*
Bloomberry Cultural Foundation, *Trustee*
ICTSI Foundation, *Trustee*

Former Affiliations:
Philippine American Life Insurance Company, *Director*
Atlantic Gulf & Pacific Company of Manila (AG&P), *Vice-Chairman*
Ayala Corporation, *Director*
First Philippine Holdings Corporation, *Director*
Philippine Airlines, *Director*
Philippine National Bank, *Director*
Benguet Corporation, *Director*
Asian Bank, *Director*
Ma. Cristina Chemical Industries, *Director*
Paysetter International Inc., *Director*
Maibarara Geothermal, Inc., *Chairman*
Manila International Airport Authority, *Director*
Shell Group of Companies, *Chairman & CEO*
Semirara Cement Corporation, *Vice-Chairman*
Central Bank of the Philippies, Member of the Monetary Board
Pilipinas Shell Foundation, Inc., *Founding Chairman*
University of the Philippines, *Member of the Board of Regents*
Asian Institute of Management, *Member of the Board of Trustees*
President of the Benigno S. Aquino Foundation, *President*

4. **HERBERT M. CONSUNJI**
67, Filipino, is a Director of SMPC since May 2001, and Member of the Audit Committee.

Education:
Bachelor of Science in Commerce Major in Accounting, De La Salle University
Top Management Program, Asian Institute of Management
He is a Certified Public Accountant.

Directorship in Listed Companies:
DMCI Holdings, Inc., *Executive Vice-President & CFO*

Other Directorships/Positions:
DM Consunji, Inc., *Director*
DMCI Project Developers, Inc., *Director*
DMCI Power Corporation, *Director*
DMCI Mining Corporation, *Director*
DMCI-MPIC Water Company Inc., *Director*
SEM-Calaca Power Corporation, *Director*
Semirara Claystone Inc., *Director*
Southwest Luzon Power Generation Corporation, *Director*
Subic Water & Sewerage Corp., *Director*
SEM-Cal Industrial Park Developers Inc., *Director*

Other Affiliations:
Philippine Institute of Certified Public Accountants, *Member*
Financial Executives Institute of the Philippines, *Member*
Shareholder's Association of the Philippines, *Member*
Management Association of the Philippines, *Member*

5. **MARIA CRISTINA C. GOTIANUN**
65, Filipino, is a Director of SMPC since May 2006 and currently serves as the President, Chief Operating Officer and Chief Risk Officer. She is also a member of the Corporate Governance Committee.

Education:
Bachelor of Science in Business Economics, University of the Philippines

Directorship in Listed Companies:
DMCI Holdings, Inc., *Director & Asst. Treasurer*

Other Directorships/Positions:
Dacon Corporation, *Corporate Secretary*
SEM-Calaca Power Corporation, *Director & President*
Southwest Luzon Power Generation Corporation, *Director & President*
Semirara Claystone Inc., *Director & President*
Semirara Energy Utilities Inc., *Director & President*
Southeast Luzon Power Generation Corporation, *Director & President*
DMCI Power Corporation, *Director & Treasurer*
DMCI Masbate Power Corporation, *Director & Treasurer*
SEM-Cal Industrial Park Developers Inc., *Director & President*
DMCI Holdings, Inc., *Asst. Treasurer (listed company)*
Divine Word School of Semirara Island, Inc., *Trustee & President*
Semirara Training Center, Inc., *Trustee & President*

Former Affiliations:
Semirara Mining and Power Corporation, *Executive Vice-President*
St. Raphael Power Generation Corporation, *Director and Treasurer*
D.M. Consunji, Inc., *Vice-President for Finance & Administration & CFO*
DMC-Project Developers, Inc., *Finance Director*
DM Consunji, Inc., *Asst. Treasurer*
Divine Word School of Semirara Island, Inc., *Corporate Secretary*

6. **MA. EDWINA C. LAPERAL**
58, Filipino, is a Director of SMPC since May 2007.

Education:
B.S. Architecture, University of the Philippines
Master's Degree in Business Administration, University of the Philippines
Executive Certificate for Strategic Business Economics Program, University of Asia & The Pacific
She is a License Architect.

Directorship in Listed Companies:
DMCI Holdings, Inc., *Director & Treasurer*

Other Directorships/Positions:
Dacon Corporation, *Director & Treasurer*
D.M. Consunji, Inc., *Director & Treasurer*
DFC Holdings, Inc., *Director & Treasurer*
DMCI Project Developers, Inc., *Director & SVP-Treasurer*
Artregard Holdings, Inc., *Director & Vice-President*
SEM-Calaca Power Corporation, *Director*
DMC Urban Property Developers, Inc., *Director & President*
Southwest Luzon Power Generation Corporation, *Director*

Former Affiliations:
Institute of Corporate Directors, *Fellow*
United Architects of the Philippines, Makati Chapter
Guild of Real Estate Entrepreneurs and Professionals
UP College of Architecture Alumni Foundation Inc.

7. **JOSEFA CONSUELO C. REYES**
72, Filipino, is a Director of SMPC since March 2015.

Education:
AB Economics, University of British Columbia, Vancouver, Canada
Strategic Business Economics Program, University of Asia and the Pacific (2007)

Directorship in Listed Companies:
None.

Other Directorships/Positions:
SEM-Calaca Power Corporation, *Director*
Southwest Luzon Power Generation Corporation, *Director*
Manila Herbal & Essential Oils Co., Inc., *General Manager*
Philippine Coffee Board, *Corporate Secretary*
Ecology Village Association, *Director and Chairperson*

Former Affiliations:
Ecology Village Association, *Director & Vice-President*

8. **LUZ CONSUELO A. CONSUNJI**
66, Filipino, is a Director of SMPC since May 2, 2017.

Education:
Bachelor's Degree in Commerce Major in Management, Assumption College
Master's Degree in Business Economics, University of Asia and the Pacific.

Directorship in Listed Companies:
DMCI Holdings, Inc., *Director*

Other Directorships/Positions:
SEM-Calaca Power Corporation, *Director*
Southwest Luzon Power Generation Corporation, *Director*
South Davao Development Co., *Director*
Zanorte Palm-Rubber Corp., *Director*
Dacon Corporation, *Director*
Missionaries of Mary Mother of the Poor, *Treasurer*

Former Affiliations:
One Network Bank, *Director*
Mary Mother of the Poor Foundation, *Treasurer*

9. **ROGELIO M. MURGA**
85, Filipino, is an Independent Director of SMPC since November 2014, and also serves as the Chairman of the Corporate Governance Committee and Risk Committee, respectively; and Member of the Audit Committee. He is also the Lead Director appointed by the Board in compliance with the Code of Corporate Governance for publicly-listed companies.

Education:
Bachelor of Science degree in Mechanical Engineering, University of the Philippines (1958)
Senior Management Program, Harvard Business School in Vevey, Switzerland (1980)
Honorary Degree of Doctor of Science – *Honoris Causa,* Feati University (2004).

Directorship in Listed Companies:
None.

Other Directorships/Positions:
Private Infra Dev Corp., Currently, *Chairman & CEO*
SEM-Calaca Power Corporation, *Independent Director*
Meralco Industrial Engineering Services Corp., *Independent Director*

Southwest Luzon Power Generation Corporation, *Independent Director*

Former Affiliations:
National Power Corporation, *President & CEO*
EEI Corporation, *Vice-Chairman, Director, President & COO*
Philippine Constructors Association, *President*
International Federation of Asian and Western Pacific Contractors Association, *President*
Management Association of the Philippines, *Member*
Philippine Chamber of Commerce and Industry, *Chairman of the Committee on Engineering and Construction*
DCCD Engineering Corporation, *Consultant*
National University, *Engineering Professor*

10. **HONORIO O. REYES-LAO**
75, Filipino, is an Independent Director of SMPC since May 2, 2017. He is also the Chairman of the Audit Committee; and Member of the Corporate Governance Committee and Risk Committee, respectively.

Education:
Bachelor of Arts Major in Economics, De La Salle University
Bachelor of Science in Commerce, Major in Accounting, De La Salle University
Master's Degree in Business Management, Asian Institute of Management
Banking Operation, Philippine Banking Institute

Directorship in Listed Companies:
DMCI Holdings, Inc., *Independent Director*
Philippine Business Bank, *Independent Director*

Other Directorships/Positions:
SEM-Calaca Power Corporation, *Independent Director*
Southwest Luzon Power Generation Corporation, *Independent Director*
Space2place, Inc., *Independent Director*
DMCI-Property Developers, Inc., *Independent Director*

Former Affiliations:
Gold Venture Lease and Management Services Inc.
First Sovereign Asset Management Corporation
CBC Forex Corporation
CBC Insurance Brokers, Inc.
CBC Properties and Computers Center, Inc.
Institute of Corporate Directors, *Fellow*
Rotary Club of Makati West, *Member/Treasurer*
Makati Chamber of Commerce and Industries, *President*

11. **ANTONIO JOSE U. PERIQUET, JR.**
58, Filipino, is an Independent Director of SMPC since August 9, 2019. He is also a member of the Audit Committee.

Education:
MBA, Darden Graduate School of Business Administration, University of Virginia, USA
Master of Science (Econ), Oxford University, UK
Bachelor of Arts (Econ), Ateneo de Manila University

Directorship in Listed Companies:
ABS-CBN Corporation, *Independent Director*
Ayala Corporation, *Independent Director*
Bank of the Philippine Islands, *Independent Director*
Max's Group of Companies, *Independent Director*
Philippine Seven Corporation, *Independent Director*

Other Directorships/Positions:
ABS-CBN Holdings Corporation, *Independent Director*
Albizia ASEAN Tenggara Fund, *Independent Director*
BPI Asset Management and Trust Corporation, *Chairman*
BPI Capital Corp., *Independent Director*
BPI Family Savings Bank, Inc., *Independent Director*
Campden Hill Advisors, Inc., *Chairman*
Campden Hill Group, Inc., *Chairman*
Pacific Main Properties and Holdings, *Chairman*
Lyceum of the Philippines University, *Trustee*
The Straits Wine Co. Inc., *Director*

Former Affiliations:
Development Bank of the Philippines, *Director*
DBP Leasing Corporation, *Director*
DBP Insurance Brokerage, Inc., *Director*
MRT Corporation, *Director*
ABS-CBN Corporation, *Member, Board of Advisers*
Deutsche Regis Partners Inc., *Chairman*
Deutsche Morgan Grenfell Inc., *Managing Director*
Morgan Grenfell Securities (UK) Ltd., *Director*
Deutsche Morgan Grenfell Securities (HK), *Director*
Morgan Grenfell Securities Philippines, *Director*
Asia Equity (UK) Limited, *Director*
Peregrine Securities (UK & Hong Kong), *Investment Adviser*
San Miguel Corporation, *Economist*
Center for Research & Communication, *Economist*
Faculty of Economics, Assumption College, *Member*

Executive Officers

Isidro A. Consunji*	-	Chief Executive Officer
Maria Cristina C. Gotianun*	-	President, COO & Chief Risk Officer
Junalina S. Tabor	-	VP & Chief Finance Officer
Jaime B. Garcia	-	VP-Procurement & Logistics
Nena D. Arenas	-	VP, Chief Governance Officer & Compliance Officer
John R. Sadullo	-	VP-Legal & Corporate Secretary
Antonio R. Delos Santos	-	VP-Treasury
Jose Anthony T. Villanueva	-	VP-Marketing for Coal
Andreo O. Estrellado	-	VP-Power Market & Commercial Operations
Ruben P. Lozada	-	VP-Mining Operations & Resident Manager
Carla Cristina T. Levina	-	VP-Chief Audit Executive
Jojo L. Tandoc	-	VP-Human Resources & Organizational Development
Karmine Andrea S.J. Ching	-	AVP-Corporate Planning

**Member of the Board (please see above)*

12. **Jaime B. Garcia**, 64, Filipino, is the Vice-President for Procurement and Logistics since May 2006. He has over 30 years of working experience in senior management level with D.M. Consunji Group of Companies in supply chain and logistics management in construction (inclusive of overseas joint venture (JV) DMCI and Saudi Abahsain Partners in Aramco/Halliburton Saudi Arabia Projects), coal mining (open pit and underground), energy (coal fired power plant), agro-forest timber and wood processing, aviation and maritime operation.

    He graduated with a degree of B.S. Management and Industrial Engineering at Mapua Institute of Technology and obtained his Diploma Thesis Program in Master degree of Business Administration at De La Salle University in 1994, Diploma in Master in Business Economics at the University of Asia & the Pacific in 1998, and Certificate of Completion in Advance Management Program for Southeast Asia in IESE Business School, Barcelona Spain. He is currently holding the position of Secretary and Treasurer of Royal Star Aviation, Inc., Director of Semirara Cement Corporation, Executive Vice-President of DMC Construction Equipment Resources, Inc., Director & Vice-

President of M&S Company, Inc., Vice-President of Zanorte Palm-Rubber Plantation Inc., and South Davao Development Co., Inc.

13. **Junalina S. Tabor**, 56, Filipino, is the Vice President and Chief Finance Officer since May 2010. She graduated *Magna Cum Laude* with a degree of Bachelor of Science in Commerce, Major in Accounting in 1984 at Saint Joseph College and is a Certified Public Accountant. She obtained her Master's degree in Public Administration at the University of the Philippines in 1995 under the Local Scholarship Program (LSP) of the Civil Service Commission. She earned her Certificate in Business Economics from the School of Economics, University of Asia and the Pacific in June 2012 under its Strategic Business Economics Program (SBEP) and also completed the modular course in Computer Literacy Program at Systems Technology Institute as half scholar in 1988. Prior to joining the Corporation in 1997, she held various positions with the Commission on Audit from State Auditor Examiner to State Auditor in 1984-1997. She was Team Leader in special audit engagements in certain government owned and controlled corporations from 1994-1996. She is also concurrently the Chief Finance Officer of SEM-Calaca Power Corporation and Southwest Luzon Power Generation Corporation.

14. **John R. Sadullo**, 49, Filipino, is the Vice-President for Legal since November 2013, Corporate Secretary, and Corporate Information Officer since May 2005. He graduated with a degree of A.B. Major in Political Science at the University of Santo Tomas. He obtained his Bachelor of Laws degree at San Beda College of Law in 1996 and was admitted to the BAR in 1997. He currently holds the position of Vice-President for Legal and Corporate Secretary of SEM-Calaca Power Corporation, and Southwest Luzon Power Generation Corporation; Corporate Secretary of Semirara Energy Utilities Inc., Southeast Luzon Power Generation Corporation, Semirara Claystone Inc., SEM-Cal Industrial Park Developers Inc., SEM-Calaca Res Corporation, and Divine Word School of Semirara Island, Inc. He is also the Asst. Corporate Secretary of St. Raphael Power Generation Corporation, and Semirara Training Center, Inc.; and previously the Corporate Secretary of DMCI Mining Corporation and DMCI Masbate Power Corporation.

15. **Nena D. Arenas**, 59, Filipino, is the Vice President, Chief Governance Officer and Compliance Officer since August 2013. Before her appointment, she was Good Governance Officer of SMPC since July 2005. Prior to joining SMPC, she was a Director, Chief Finance Officer and Vice-President of MCA Universal Inc.; Director of MCA Music Inc. and Reach Youth Ministries, a non-stock, non-profit organization. She has more than 15 years extensive experience in finance, accounting, budget & forecasting, information technology, warehousing, legal & business affairs, human resources and administration management. She also has seven years of experience in external audit at SGV & Co. She is currently a Fellow of the Institute of Corporate Directors. She is a Certified Public Accountant and graduated *Cum Laude* with a degree in Bachelor of Science major in Accounting at the University of St. La Salle.

16. **Antonio R. delos Santos**, 67, Filipino, is the Vice-President for Treasury since November 2013. He graduated with a degree of Bachelor of Science in Business Administration at De La Salle University. He was the Treasury Head of SMPC prior to his appointment. Before joining SMPC, he was the Finance Officer of DMCI Holdings, Inc.

17. **Jose Anthony T. Villanueva**, 55, Filipino, is the Vice-President for Marketing since November 2013. He received his Bachelor of Science degree in Mechanical Engineering and obtained his Master's degree in Business Administration both at De La Salle University. He also earned his Master's degree in Public Management at the University of the Philippines. He has undergone intensive training in financial modeling in Singapore and completed the Petroleum Energy Policy and Management Program in Norway as full scholar of the Norwegian Petroleum Directorate. Prior to his appointment, he was the Marketing Manager of SMPC since 2011. For more than 20 years he has been the forefront of the energy industry and held various positions as Department Manager for Finance and Planning, Business Development and Information Technology, Corporate Planning and as General Manager for Coal Division of state-owned company engaged in the exploration, development and production of geothermal, oil and gas and coal in the Philippines.

18. **Andreo O. Estrellado**, 58, is the Vice-President for Power Market & Commercial Operations since May 5, 2017. He graduated with a degree of Bachelor of Science in Chemical Engineering at the Mapua Institute of Technology and obtained his Master's degree in Business Administration from Ateneo de Manila University. Prior to his appointment, he served as the Assistant Vice President for

Market and Commercial Operations of the company's affiliate, Sem-Calaca Power Corporation. He has been in the electric power industry business for more than 30 years performing different functions in the fields of marketing, business and project development, risk management, environmental impact assessment and nuclear physics for various government and private electric power companies. He was once affiliated with the National Power Corporation, National Transmission Corp, Manila Oslo Renewable Enterprises/SN Aboitiz Power, East Asia Power Corporation, Resource Management International (Navigant Consulting), and Magellan Utilities Development Corp. He also served as consultant of International Resources Group, Philippines; and Alternative Energy Development, Philippines for some of their World Bank and UNDP funded projects.

19. **Ruben P. Lozada**, 64, Filipino, is the Resident Manager since August 24, 2016, and a Member of the Compliance Committee. He graduated with a degree of Bachelor of Science in Civil Engineering at Mindanao State University in 1978. He was the Assistant Resident Manager of the Corporation for 14 years, more or less, prior to his promotion. He is a Civil Engineer by profession.

20. **Carla Cristina T. Levina**, 35, Filipino, is the Vice-President, Chief Audit Executive since August 9, 2017. She graduated *Cum Laude* with a degree of Bachelor of Science in Accountancy at the University of Sto. Tomas in 2005 and placed 17^{th} at the CPA Board Exams in October 2005. She was with SMPC for more than 4 years as an Internal Audit Manager before being appointed as Chief Audit Executive. Prior to joining SMPC, she was a Director at SyCip Gorres Velayo & Co. under the IT Risk and Assurance Services. She has more than 14 years of IT audit and internal audit experience specializing in the risk-based audit of business processes, evaluation of risks and internal controls, and in performing independent assessments and third-party reporting audit engagements. She is a Certified Public Accountant (CPA), Certified Internal Auditor (CIA), Certified Information Systems Auditor (CISA).

21. **Jojo L. Tandoc**, 43, Filipino, is the Vice-President for Human Resources & Organizational Development since November 7, 2018. Prior to his appointment, he was the AVP-Human Resources of SMPC. He is a Certified Human Capital Strategist issued by the Human Capital Institute (USA) last May 2018. He was awarded last June 8, 2018 as one of the Philippines Most Talented HR Leaders by the World HRD Congress during the 13^{th} Employer Branding Awards in Dusit Thani, Manila and was also awarded as one of the 100 Most Influential Global HR Professionals during the World HRD Congress in Mumbai India on February 2017. He is also a Certified Life Coach by the New Skills Academy (USA) and recently granted the badge as Certified Management Consultant (CMC) by the Institute of Certified Management Consultants Philippines last January 24, 2020.

    He graduated with a degree of Bachelor of Science in Psychology at the Lyceum Northwestern University, and pursued his Master's degree in Business Administration major in International Business Management at Metro-Dagupan Colleges, and Master of Arts major in Clinical Psychology at the Pamantasan ng Lungsod ng Maynila. He also had post graduate Diploma in Organization Development from Dela-Salle College of Saint Benilde SPaCe Program. At present, he is completing his degree of Doctor of Philosophy major in Organization Development at the Southeast Asia Inter-Disciplinary Development Institute (SAIDI) Graduate School of Organization Development. He is a Registered Psychologist (RPsy), a Registered Psychometrician (RPm) and a Certified Industrial/Organizational Psychologist (CIOP) of the Psychological Association of the Philippines. He is also a Certified Business Administrator (CBA) for his post-graduate study in Management issued by the Chartered Association of Business Administrator of Canada and received a Certificate in Talent Management and Succession Planning from the Pennyslvania State University. Prior to joining SMPC, he was the AVP-Human Resources & Administration of DMCI Power Corporation. His past affiliations include Meralco PowerGen Corporation, SN Aboitiz Power, Indra Sistemas (Soluziona) Philippines, and TEaM Sual Corporation in various capacities in human resource development & organization development practice. He was also an International HR Consultant in Vietnam as a Project Manager/Senior Consultant of Indra Sistemas where he worked with World Bank and the Government of Vietnam in setting up the Human Resources and Organizational Development systems of the Electricity of Vietnam.

22. **Karmine Andrea S.J. Ching**, 36, Filipino, is the Asst. Vice-President for Corporate Planning since August 9, 2017. She graduated with a degree of Business Administration and Accountancy at the University of the Philippines, Diliman. She was SMPC Group's Internal Audit Manager before transferring to Corporate Planning. She also worked as an IT Audit Manager at SM Investments

Corporation and was a Senior Associate at SGV & Co. under the IT Risk and Assurance practice. She is a Certified Public Accountant (CPA), Certified Internal Auditor (CIA), Certified Information Systems Auditor (CISA) and is Certified in Risk and Information Systems Control (CRISC).

Board Meeting and Attendance. – At the beginning of the year, the Board is advised of the schedule of meetings for the calendar year without prejudice to call a special board meeting when required by the Company's operation and other exigency. In the conduct of meeting, the quorum requirement under the law is simple majority of the members of the Board while approval of corporate acts and resolutions requires majority of the Board present.

The record of attendance of Directors to board meetings for the year 2019 is as follows:

Board	Name	Date of Election	Number of Meeting Held during the Year	Meetings Attended	%
Chairman	Isidro A. Consunji	May 6, 2019	12	12	100
Member	Jorge A. Consunji	May 6, 2019	12	12	100
Member	Herbert M. Consunji	May 6, 2019	12	11	92
Member	Cesar A. Buenaventura	May 6, 2019	12	12	100
Member	Maria Cristina C. Gotianun	May 6, 2019	12	12	100
Member	Ma. Edwina C. Laperal	May 6, 2019	12	9	75
Member	Josefa Consuelo C. Reyes	May 6, 2019	12	12	100
Member	Luz Consuelo A. Consunji	May 6, 2019	12	12	100
Independent	Rogelio M. Murga	May 6, 2019	12	12	100
Independent	Honorio O. Reyes-Lao	May 6, 2019	12	12	100
Independent	Antonio Jose U. Periquet, Jr.*	August 9, 2019	3	3	100

**Mr. Periquet, Jr. was appointed Independent Director by the Board on August 9, 2019.*

None of the directors has absented himself for more than 50% from all meetings of the Board during the 12-month period of his incumbency.

Term of Office. - The term of office of the Directors and Executive Officers is one (1) year from their election. All Directors will have served for a period of approximately twelve (12) months by May 4, 2020.

Independent Directors. – The Company's Manual on Corporate Governance submitted to SEC on May 30, 2017 requires at least two (2) Independent Directors or such number of Independent Directors as shall constitute at least twenty percent (20%) of the members of the Board of Directors, whichever is lesser. The three (3) nominees for Independent Directors will be selected by the Corporate Governance Committee in accordance with the guidelines in the Code of Corporate Governance for Publicly-Listed Companies (SEC Memorandum Circular No. 19, Series of 2016) and the Guidelines on the Nomination and Election of Independent Directors (SRC Rule 38).

On December 8, 2008, the SEC approved the amendment to the Company's By-Laws to include Art. III thereof on the adoption of SRC Rule 38. The Company abides to SRC Rule 38, its By-Laws, and the relevant or subsequent circulars, memoranda or notices of SEC regarding the qualifications, nomination and election, the submission of certificate of qualification, and the required number of independent directors. DMCI Holdings, Inc. (DHI) is the majority stockholder of the Company and Honorio O. Reyes-Lao and Antonio Jose U. Periquet, Jr., elected independent directors of the Company, are stockholders and/or independent directors of DHI.

Rogelio M. Murga, Honorio O. Reyes-Lao, and Antonio Jose U. Periquet, Jr. were first elected to the Board on November 11, 2014, May 2, 2017, and August 9, 2019, respectively. They were nominated by a non-controlling stockholder of the Company. At the annual stockholders' meeting on May 4, 2020, these nominees for independent directors have served the Company for at least five (5) years, two (2) years and eight (8) months, and eight (8) months, respectively.

The Company has not encountered any restraint from the stockholders in retaining its independent directors. It has been a consensus of the stockholders to elect them during the meeting. Notwithstanding the recent SEC Memorandum Circular No. 4, Series of 2017, the independent directors herein are compliant with the term limit requirement, which requires that independent directors shall serve for a maximum cumulative term of nine (9) years reckoning from 2012.

Other Directorship Held in Reporting Companies:

Cesar A. Buenaventura	▪ Vice-Chairman, DMCI Holdings, Inc. ▪ Independent Director, PetroEnergy Resources Corporation ▪ Independent Director, iPeople, Inc. ▪ Independent Director, Concepcion Industrial Corporation ▪ Independent Director, Pilipinas Shell Petroleum Corporation ▪ Independent Director, International Container Terminal Services, Inc.
Isidro A. Consunji	▪ Chairman, President & CEO, DMCI Holdings, Inc. ▪ Director, Atlas Consolidated Mining and Development Corp.
Jorge A. Consunji	▪ Director, DMCI Holdings, Inc.
Herbert M. Consunji	▪ Director, DMCI Holdings, Inc.
Maria Cristina C. Gotianun	▪ Director, DMCI Holdings, Inc.
Ma. Edwina C. Laperal	▪ Director, DMCI Holdings, Inc.
Honorio O. Reyes-Lao	▪ Independent Director, DMCI Holdings, Inc. ▪ Director, Philippine Business Bank
Luz Consuelo A. Consunji	▪ Director, DMCI Holdings, Inc.
Antonio Jose U. Periquet, Jr.	▪ Independent Director, ABS-CBN Corporation ▪ Independent Director, Ayala Corporation ▪ Independent Director, Bank of the Philippine Islands ▪ Independent Director, Max's Group of Companies ▪ Independent Director, Philippine Seven Corporation ▪ Independent Director, DMCI Holdings, Inc.

(2) The following are the Significant Employees/Executive Officers of the Issuer:

Names	Citizenship	Position	Age
Isidro A. Consunji	Filipino	CEO	71
Maria Cristina C. Gotianun	Filipino	President, COO & CIO	65
Junalina S. Tabor	Filipino	VP & Chief Finance Officer	56
Jaime B. Garcia	Filipino	VP-Procurement & Logistics	64
Nena D. Arenas	Filipino	VP, Chief Governance Officer & Compliance Officer	59
John R. Sadullo	Filipino	VP-Legal & Corporate Secretary	49
Antonio R. Delos Santos	Filipino	VP-Treasury	67
Jose Anthony T. Villanueva	Filipino	VP-Marketing for Coal	55
Andreo O. Estrellado	Filipino	VP-Marketing for Power	58
Ruben P. Lozada	Filipino	VP-Mining Operations & Resident Manager	64
Carla Cristina T. Levina	Filipino	VP-Chief Audit Executive	35
Jojo L. Tandoc	Filipino	VP-Human Resources & Organizational Development	43
Karmine Andrea B. San Juan	Filipino	AVP-Corporate Planning Power	36

(3) Family Relationship. - The family relationship up to the fourth civil degree either by consanguinity or affinity among directors or executive officers is as stated below.

Messrs. Isidro A. Consunji, Jorge A. Consunji, Maria Cristina C. Gotianun, Josefa Consuelo C. Reyes, Luz Consuelo A. Consunji, and Ma. Edwina C. Laperal are siblings; and Mr. Herbert M. Consunji is their cousin.

(4) Involvement in Certain Legal Proceedings. - None of the directors, executive officers, and nominee for regular or independent director was involved in the past five (5) years in any bankruptcy proceeding. Except for the criminal cases below, neither have they been convicted by final judgment in any criminal proceeding, nor been subject to any order, judgment or decree, not subsequently reversed, suspended or vacated, of any court competent jurisdiction, domestic or foreign, permanently or temporarily enjoining, barring, suspending, or otherwise limiting their involvement in any type of business, securities, commodities or banking activities, nor found being found by a domestic or foreign court of competent jurisdiction (in a civil action), the Commission or comparable foreign body, or a domestic or foreign Exchange or other organized trading market or self-regulatory organization, to have violated a securities or commodities law or regulation and the judgment has not been reversed, suspended, or vacated.

Below are the pending criminal cases filed against the directors of SMPC, Messrs. Isidro A. Consunji, Cesar A. Buenaventura and Ma. Edwina C. Laperal:

(a) **Pp. vs. Consunji, et. al., Criminal Case No. Q-02-114052, RTC-QC, Branch 78. -** A complaint for violation of Article 315(2)(a) of the Revised Penal Code, as qualified by Presidential Decree No. 1689 was filed in RTC-QC Branch 78 as Criminal Case No. Q-02-114052 pursuant to a resolution of the Quezon City Prosecutor dated December 3, 2002 in I.S. No. 02-7259 finding probable cause against the directors and officers of Universal Leisure Club (ULC) and its parent Company, Universal Rightfield Property Holdings, Inc., including Isidro A. Consunji as former Chairman, Cesar A. Buenaventura and Ma. Edwina C. Laperal as former directors of ULC. Complainants claim to have been induced to buy ULC shares of stock on the representation that ULC shall develop a project known as “a network of 5 world clubs.”

The case was re-raffled to RTC-QC Branch 85 (the “Court”). On January 10, 2003 respondents filed their Motion for Reconsideration on the resolution dated December 3, 2002 recommending the filing of the complaint in court, which was granted on August 18, 2003. Accordingly, a Motion to Withdraw Information was filed in Court. On September 11, 2003, complainants’ sought reconsideration of the resolution withdrawing the information, but was denied by the City Prosecutor. By reason of the denial, Complainants’ filed a Petition for Review with the Department of Justice (DOJ) on August 26, 2005.

Meanwhile, the Court granted the withdrawal of information on June 6, 2005. Complainants filed a Motion for Reconsideration and Urgent Motion for Inhibition, but were both denied by the Court in its Omnibus Order dated November 29, 2005. Thereafter, a Notice of Appeal was filed by the complainants, but was ordered stricken out of records by the Court for being unauthorized and declaring the Omnibus Order final and executory in its Order dated February 22, 2007. The Petition for Review, however, filed by the Complainants with the DOJ on August 26, 2005 is pending to date.

(b) **Rodolfo V. Cruz, et. al. vs. Isidro A. Consunji, et. al., I.S. Nos. 03-57411-I, 03-57412-I, 03-57413-I, 03-57414-I, 03-57415-I, 03-57446-I and 03-57447-I, Department of Justice, National Prosecution Service. -** These consolidated cases arose out of the same events in the above-mentioned case, which is likewise pending before the DOJ.

In its 1st Indorsement dated December 9, 2003, the City Prosecutor for Mandaluyong City, acting on a motion for inhibition filed by complainants recommended that further proceedings be conducted by the DOJ. In an order dated February 3, 2004, the DOJ designated State Prosecutor Geronimo Sy to conduct the preliminary investigation of this case. The last pleading filed is a notice of change of address dated June 27, 2008 filed by complainants’ counsel. The case remains pending to date.

B. EXECUTIVE COMPENSATION

All executive officers of the Company are elected or appointed by the Board of Directors and serve for one year and until their successors are duly elected and qualified. Set forth below are the names of the CEO and four (4) most highly compensated officers of the Company:

Name and Principal Position	Years	Salary	Bonus	Other Annual Compensation
Isidro A. Consunji Chairman & CEO				
Maria Cristina C. Gotianun President, COO & Chief Risk Officer				
Junalina S. Tabor VP & Chief Finance Officer				
Jaime B. Garcia VP Procurement & Logistics				
Ruben P. Lozada VP Mining Operations & Resident Manager				
	2018	18,983,524.00	129,753,846.00	5,391,140.00

	2019	21,742,015.00	51,305,232.00	5,613,447.00
	2020*	21,742,015.00	51,305,232.00	5,613,447.00
	Total	**P62,467,554.00**	**P232,364,310.00**	**P16,618,034.00**
All other Directors and Officers as a group	2018	21,927,420.00	37,694,118.00	19,907,300.00
	2019	21,189,954.00	12,881,006.00	21,464,534.00
	2020*	21,189,954.00	12,881,006.00	21,464,534.00
	Total	**P64,307,328.00**	**P63,456,130.00**	**P62,836,368.00**

**Approximate amounts*

The amount reflected as compensation of the named executive officers represents salary approved by the Company's Board of Directors. The amounts indicated in relation thereto are restated to conform to the new accounting standards.

Executive directors of the Corporation receive an annual retainer fee of ₱240,000.00 as approved in the May 2009 Annual Stockholders' Meeting. In May 2015 however, the stockholders approved the increase in retainer fees of non-executive and independent directors to ₱150,000.00 or ₱1,800,000.00 per annum effective June 1, 2015. Fixed per diem of ₱20,000.00 for every meeting held and attended for each of the directors who serves as Chairman and members of the Corporation's Board Committees. Aside from executive Directors with employment compensation, there are no other directors with arrangements such as consulting contracts.

There is no contract covering their employment with the Corporation and they hold office by virtue of their election and/or appointment to office. The Corporation has no agreements with its named executive officers regarding any bonus, profit sharing, except for benefits for which they may be entitled under the Corporation's retirement plan. On the other hand, members of the Board of Directors may be granted bonuses in accordance with the Corporation's By-laws which prescribe a limit on the aggregate amount of Director bonuses which shall not exceed two percent (2%) of the Company's profit before tax during the previous year, while limit to total yearly compensation package, including bonuses granted, of Directors as such directors shall not exceed ten percent (10%) of the Company's net income before tax during the previous year.

In 2019, aggregate amount of cash bonus variable pay related to the preceding year's financial performance received by executive and non-executive Directors, including Independent Directors and the CEO, did not exceed above-mentioned limits set by the Company's Amended By-laws.

There are no outstanding warrants, options, or right to repurchase any securities held by the directors or executive officers of the Corporation.

C. SECURITY OWNERSHIP OF CERTAIN BENEFICIAL OWNERS AND MANAGEMENT

(1) Security Ownership of Certain Record and Beneficial Owners. - The following table sets forth as of March 13, 2020, the record or beneficial owners of more than 5% of the outstanding common shares of the Company and the amount of such record or beneficial ownership.

Title of Class	Name, Address of record owner and relationship with Issuer	Name of Beneficial Owner and Relationship with Record Owner	Citizen-ship	Amount/ Nature of Record/ Beneficial Ownership	% of Class
Common	DMCI Holdings, Inc., 3/F DACON Building, 2281 Pasong Tamo Ext., Makati City, Stockholder of record	1.Dacon Corporation, stockholder of 6,838,807,440 shares or 51.51% 2.PCD Nominee Corporation (Filipino), stockholder of 2,547,080,850 shares or 19.18% 3.DFC Holdings, Inc., stockholder of 2,379,799,910 or 17.92%	Filipino	2,407,770,396 (R)	56.65

		4.PCD Nominee Corp. (Foreign), stockholder of 1,116,104,401shares or 18.41%			
Common	PCD Nominee Corp., stockholder of record	No stockholder owning 5% or more under PCD Nominee Corp. (Filipino)	Filipino	774,318,915	18.22
Common	Dacon Corporation, 2/F DMCI Plaza, 2281 Don Chino Roces, Makati City, stockholder of record	Inglebrook Holdings, Inc. holds 4,088,195 shares or 12.46%[12]	Filipino	542,067,778	12.75
Common	PCD Nominee Corp., stockholder of record	No stockholder owning 5% or more under PCD Nominee Corp. (Foreign)	Foreign	215,484,147	05.07

(2) Security Ownership Management. - The table sets forth as of March 13, 2020 the beneficial stock ownership of each Director of the Company and all Officers and Directors as a group.

Title of class	Name of beneficial owner	Amount and nature of beneficial ownership			Citizenship	%
		Direct	Indirect[13]	Total		
Common	Isidro A. Consunji	24,144	4,679,672	4,703,816	Filipino	0.11
Common	Cesar A. Buenaventura	72,120	-	72,120	Filipino	0.00
Common	Jorge A. Consunji	500,144	2,354,956	2,855,100	Filipino	0.07
Common	Herbert M. Consunji	134,120	-	134,120	Filipino	0.00
Common	Honorio O. Reyes-Lao	1,236,040	562,480	1,798,520	Filipino	0.04
Common	Rogelio M. Murga	40,040	-	40,040	Filipino	0.00
Common	Antonio Jose U. Periquet, Jr.	100	4,333,000	4,333,100	Filipino	0.10
Common	Maria Cristina C. Gotianun	1,428	12,083,789	12,085,217	Filipino	0.28
Common	Ma. Edwina C. Laperal	4,188	8,811,084	8,815,272	Filipino	0.21
Common	Josefa Consuelo C. Reyes	412,400	1,913,600	2,326,000	Filipino	0.05
Common	Luz Consuelo A. Consunji	45,040	-	45,040	Filipino	0.00
Common	Junalina S. Tabor	-	-	-	Filipino	0.00
Common	Jaime B. Garcia	1,943,768	-	1,943,768	Filipino	0.05
Common	Nena D. Arenas	16,000	-	16,000	Filipino	0.00
Common	John R. Sadullo	-	-	-	Filipino	0.00
Common	Antonio R. Delos Santos	110,000	-	110,000	Filipino	0.00
Common	Jose Anthony T. Villanueva	3,000	55,560	58,560	Filipino	0.00
Common	Andreo O. Estrellado	-	-	-	Filipino	0.00
Common	Carla Cristina T. Levina	-	-	-	Filipino	0.00
Common	Karmine Andrea S.J. Ching	120	-	120	Filipino	0.00
Common	Jojo L. Tandoc	400	-	400	Filipino	0.00
Common	Ma. Edwina C. Laperal	4,188	8,811,084	8,815,272	Filipino	0.21
Aggregate Ownership of all directors and officers as a group		**5,018,252**	**34,794,141**	**39,812,393**		**0.94**

The percentages of ownership of the above officers and directors are very minimal. There are no arrangements, which may result in a change in control of the registrant.

D. CERTAIN RELATIONSHIP AND RELATED TRANSACTIONS

There has been no transaction or proposal, for the last two (2) years, to which the Company was or is party, in which any of the directors, executive officers or nominees for director has direct or indirect material interest, outside the recurring regular business transactions incurred by the Company to support the business. Related parties' services were sought to take advantage of affiliated companies' expertise and for cost efficiency, among others. These related party transactions were trade related and transacted at arms-length basis and at terms generally available to an unaffiliated third party or more clearly independent parties, under the same or similar circumstances. There were no transactions in the form of direct financial assistance to affiliates or related entities which are not wholly owned subsidiaries. Note

[12] Other beneficial owners of Dacon Corporation with the same number of shares are Eastheights Holdings, Inc., Gulfshore Inc., Valemount Corporation, Chrismon Investment Inc., Jagjit Holdings, Inc., La Lumiere Holdings, Inc., Rice Creek Holdings, Inc. while Double Spring Investments Corporation only holds 114,429 shares or .35% of Dacon's issued and outstanding shares.

[13] Shares are either held by members of the family sharing the same household or by a corporation of which the reporting person is a controlling shareholder.

17 of Notes to Parent Company Financial Statements and Note 19 of Notes to Consolidated Financial Statements for the period ended December 31, 2018 indicate the Company's significant transactions with related parties.

PART V – DISCUSSION ON COMPLIANCE WITH LEADING PRACTICE ON CORPORATE GOVERNANCE

SMPC's corporate governance framework aims to provide a culture of ethical conduct, higher standards of performance, transparency and accountability throughout the organization. It discloses its overall compliance and level of adoption of leading practices as provided in the SEC's Code of Corporate Governance for Publicly-Listed Companies (PLCs). SMPC seeks to continually improve its compliance with SEC's recommended provisions.

Directors, Officers and employees are advised of their respective duties and internal mechanisms are in place to support the governance framework. It fully complies with the disclosure and reportorial requirements of the SEC and PSE, such as certifications on compliances on Board performance, structured reports, as well as timely disclosures of significant and material information, events or developments and reporting of transactions involving trading of the Company's shares by Directors and Key Officers. The Company's governance structure, policies and systems are further described in the relevant governance section of its Integrated Annual Report.

SUSTAINABLE GOVERNANCE

SMPC scored 97.6 points and ranked 20th among the Top 100 Philippine Publicly Listed Companies according to market capitalization in the 2019 ASEAN Corporate Governance Scorecard (ACGS) assessment run.

SMPC's Manual on Corporate Governance expresses clearly the roles and responsibilities of the Board and Management to the stockholders and other stakeholders which include customers, employees, suppliers, business partners, government and community in which it operates.

RIGHTS OF SHAREHOLDERS

SMPC protects and facilitates the exercise of basic shareholder rights. It maintains a share structure that gives all shares equal voting rights. It allows all shareholders the right to nominate candidates for board of directors. It is committed to providing reasonable economic returns to the investors through the right to participate in its profits. It respects the right of a shareholder to participate, be informed and vote in key decisions regarding fundamental corporate changes in its Annual Shareholders' Meeting (ASM). Shareholders are furnished with sufficient and timely information concerning the ASM date, location, agenda including the rules and voting procedures that govern such meetings in the Notice of ASM and accompanying SEC Form 20-IS Information Statement. It respects other shareholder rights, specifically, to inspect corporate books and records, to information, to dividends and appraisal right.

EQUITABLE TREATMENT OF SHAREHOLDERS

It ensures equitable treatment of all shareholders and provides them the opportunity to obtain redress for violation of their rights. It has a share structure of one class of common shares with one vote for each share. It aims to protect non-controlling shareholders from inequitable conduct and abusive self-dealing of its Directors, Officers and employees. Related good governance policies include:

- Insider Trading Policy - explicitly prohibits insider trading to prevent conflict of interest and benefiting from insider information or knowledge not available to the general public. It prescribes trading block off periods and requires Directors and officers to inform or report to SMPC their trading transactions of SMPC shares within three (3) business days.
- Related Party Transaction (RPT) Policy – provides that RPTs be arms-length and at terms available to an unaffiliated third party under the same or similar business circumstances. It also sets threshold levels requiring approval of the Board or shareholders, and that RPTs be arms-length and at terms generally available to an unaffiliated third party under the same or similar circumstances, among others. SMPC's Independent Directors annually review material significant RPTs that meet the threshold levels stipulated by regulatory rules and requirements on RPTs and materiality guidelines per RPT Policy.
- Material Related Party Transaction (RPT) Policy - requires at least two-thirds (2/3) approval vote of the Board of Directors, with at least a majority of the Independent Directors, of all transactions of SMPC and subsidiaries meeting the materiality threshold of RPTs amounting to ten percent (10%) or higher of SMPC's Total Consolidated Assets based on its latest audited consolidated financial statements. The policy provisions are compliant with SEC's Rules on Material RPTs for PLCs.

These include guidelines in ensuring arm's length terms, maintaining a Related Party Registry and audit, risk and compliance system, among others.

The principal risks to minority shareholders associated with the identity of our company's controlling shareholders include transactions with and/or dependence on related parties, are mitigated by a corporate governance framework that protects and ensures the rights and equitable treatment of all shareholders, including minority and foreign shareholders. Basic shareholder rights, such as the right to information and shareholder participation in key company decisions and fundamental issues, disclosures of control structures and voting rights and threshold approvals of related party transactions, among others are upheld by our governance policies.

ROLE OF STAKEHOLDERS

It protects the rights and interests of its employees, customers, suppliers, business partners, creditors, government, environment, communities and other stakeholders as established by law or through mutual agreements. Its active engagement and partnership with key stakeholders encourage open communication and early resolution of issues or concerns, if any, during quarterly monitoring meetings with the Multi-Monitoring Team wherein various sectoral stakeholder groups are represented and heard. Related policies include:

- Alternative Dispute Resolution Policy - promotes the use of alternative dispute resolution (ADR) options and processes in the settlement of corporate governance related disputes or differences with shareholders and key stakeholders.
- Anti-corruption and Ethics Program - consists of ethics-related policies, soft controls and audit procedures aimed to promote the highest standards of openness, probity and accountability throughout the organization.
- Whistleblowing/Hotline reporting mechanism - provides a secure reporting venue for employees, customers, suppliers and other stakeholders to raise and communicate valid complaints and confidential concerns on fraud, questionable and unethical transactions in good faith.

DISCLOSURE AND TRANSPARENCY

It commits to a regime of open disclosure and transparency of material information and events regarding its financial performance, ownership and business updates. Its Information Policy ensures information is communicated in a timely and transparent manner to individual and institutional shareholders by timely and adequate disclosures through announcements, quarterly or annual reporting, SMPC website and investor relations activities such as analyst briefings and media/press conferences.

We engage with institutional and prospective investors, investment analysts, fund managers and the financial community through various platforms, such as analyst-media briefings, local investor conference, person-to-person meetings, and conference calls, among others.

In 2019, our Investor Relations (IR) unit was centralized under our Parent, DMCI Holdings, Inc.'s (DMCI) group-wide IR function to enhance alignment of the group's investor relations strategy and engagement. Our IR team attended the Annual Shareholders' Meeting on May 6, 2019 to address possible shareholder queries.

Our IR Contact Information:
E-mail: Investor_Relations@semirarampc.com
Telephone: +638888-3000

RESPONSIBILITIES OF THE BOARD

SMPC's Good Governance Guidelines for Board Directors serve as the Board's charter with policies regarding directorship tenure, service in other company boards, conflict of interest, among others. It aims to protect non-controlling shareholders from inequitable conduct and abusive self-dealing of its Directors, Officers & employees. Its Code of Conduct and Business Ethics (Code) embodies the Board's commitment to conduct business with the highest ethical standards and in accordance with applicable laws, rules and regulations. Code provisions include conflict of interest, gifts, corporate giving, insider trading, corporate opportunities, accounting and financial reporting, influencing external auditor, political activities, fair dealings, confidentiality, protection and proper use of company assets, among others, which are aligned with SMPC's Manual on Corporate Governance. Annually, SMPC requires all Directors and officers to certify their compliance with the Code.

ENTERPRISE RISK MANAGEMENT

Our ERM framework is based on the leading frameworks of the Committee of Sponsoring Organizations of the Treadway Commission (COSO) and ISO 31000: 2009, integrating a system that all business risks are identified, measured and managed effectively and continuously within a structured and proactive framework. It supports a systematic and disciplined approach to provide clear responsibility and accountability structures of risk management.

Risk Governance
Our President and COO is our Chief Risk Officer (CRO) who leads the overall implementation and enhancement of our ERM framework and practices. Our Risk Advisory (RA) Department provides full support to the CRO and Risk Committee in ensuring effective and integrated risk management system in place.

Our Risk Appetite
Our Board sets the tone and establishes the risk appetite level for our ERM. Risks are identified, assessed, managed, monitored and communicated per the Company's strategic and business objectives and then subsequently applied across the organization.
Our Risk Committee assists the Board to ensure that an adequate and effective risk management system is in place. Risk management of significant risks, including emerging risks are regularly reported to the Board.

Business Continuity Management
Our Business Continuity Management efforts are designed to ensure that critical business processes are restored to minimize business disruption without compromising safety in the event of a major internal or external incident.

Risks
We implement a proactive hazard identification, risk mitigation, monitoring and risk reporting of our business and associated risks. These are safety, compliance & reputation, people & talent, power regulations, competition & commodity trading, asset performance & production efficiency, and, natural hazard & physical security.

PART VI – EXHIBITS AND SCHEDULES

A. Exhibits and reports on SEC Form 17-C

(1) Exhibits. - See accompanying Index to Exhibits as well as the Company's Audited Financial Statements for the recently completed fiscal year. These financial statements are reports from the Company's Independent Public Accountant, SGV& Co.

(2) Reports on SEC Form 17-C. - There are SEC Forms 17-C filed during the last six-month period covered by this report, to wit:

No.	Subject	Date Reported
1.	Attendance in corporate governance training of officers/directors for year 2019 pursuant to SEC Memorandum Circular No. 20, Series of 2013.	July 9, 2019
2.	Disclosure relative to DOE letter dated June 4, 2019 "In Re: Violation of Department Circular No. DC2012-05-0006 or Guidelines on the Accreditation of Coal Traders and Registration of Coal End-Users, Semirara Mining and Power Corporation, Respondent, DOE-ERDB Case No. 2019-06-0010" directing the Company to cease and desist its coal trading activities and operations until further notice, and imposing penalty thereto. The Company also requested DOE for reconsideration of its June 4, 2019 Order and that the implementation thereof be held in abeyance pending resolution of the alleged violation, and allow the Company to continue its current trading activities and operations.	July 10, 2019
3.	Relative to Item 2 above, the Company received a DOE letter dated July 12, 2019 granting the Company's request to hold in abeyance the June 4, 2019 cease and desist order and suspension of its coal trader accreditation, subject to certain conditions. The Company requested the said conditions be modified.	July 16, 2019
4.	Disclosures on the following:	August 6, 2019

	• Analyst briefing on the 2nd quarter results and other corporate developments was scheduled on August 13, 2018 at 3:30 p.m. • Attendance in corporate governance training of officers/directors for year 2019 pursuant to SEC Memorandum Circular No. 20, Series of 2013. • Further to Items 2 & 3 above, the DOE in its August 5, 2019 letter granted the Company's request to reconsider the conditions it earlier imposed in its July 12, 2019 letter.	
5.	Disclosures on the following: • Appointment of Antonio Jose U. Periquet, Jr. as Independent Director effective immediately. • Board approval of the 2nd quarter consolidated financial statements as of June 30, 2019. • Attendance in corporate governance training of officers/directors for year 2019 pursuant to SEC Memorandum Circular No. 20, Series of 2013.	August 9, 2019
6.	Supreme Court issued a Resolution dated June 3, 2019 in the case docketed as "Commissioner of Internal Revenue vs. Semirara Mining Corporation, G.R. No. 202534, which denied with finality the motion for reconsideration filed by the Commissioner of Internal Revenue, and ordered the immediate issuance of an entry of judgment.	August 13, 2019
7.	Submission of Antonio Jose U. Periquet, Jr.'s certification of independent director in compliance under Sec. 38 of the Securities Regulation Code, its Implementing Rules and Regulations and other SEC issuances.	August 15, 2019
8.	Submission of the Company's Audit Committee Performance Assessment for year 2019 in compliance with SEC Memorandum Circular No. 4, Series of 2012.	August 22, 2019
9.	Appointment of Antonio Jose U. Periquet, Jr. as member of the Audit Committee effective immediately.	August 23, 2019
10.	Submission of the Company's policy on Material Related Party Transactions in compliance with SEC Memorandum Circular No. 10, Series 2019.	August 23, 2019
11.	Analyst briefing on the 3rd quarter results and other corporate developments was scheduled on November 12, 2018 at 3:30 p.m.	October 23, 2019
12.	Board approval of the 3rd quarter consolidated financial statements as of November 30, 2019.	November 7, 2019
13.	Relative to Items 2, 3 & 4 above, the DOE on October 15, 2019 issued a Resolution finding the Company in violation of the circular and imposing penalties, such as suspension for a period of 1 month and a fine of Php1.735 million.	November 19, 2019
14.	Receipt of DOE letter dated November 14, 2019 directing the Company to suspend any and all mining activities under Coal Operating Contract No. 5 in relation to a mudflow incident in Semirara Island, Antique last October 2, 2019.	November 20, 2019
15.	Further to Item 14 above, the Company issues statement on the financial impact on the DOE cease and desist order relative to coal trading activities and suspension under the Coal Operating Contract no. 5.	November 20, 2019
16.	Further to the DOE cease and desist order relative to coal trading activities and suspension under the Coal Operating Contract no. 5, the Company issues statement on (1) course of action with regard to the DOE directive dated November 14, 2019 on the suspension of any and all mining activities, and October 15, 2019 DOE Resolution finding the Company in violation of the circular and imposing penalties, such as suspension for a period of 1 month and a fine of Php1.735 million; (2) estimated timetable of resumption of normal operations; and (3) any other relevant information.	November 21, 2019

17.	Attendance in corporate governance training of officers/directors for year 2019 pursuant to SEC Memorandum Circular No. 20, Series of 2013.	November 26, 2019
18.	Attendance in corporate governance training of officers/directors for year 2019 pursuant to SEC Memorandum Circular No. 20, Series of 2013.	November 29, 2019
19.	Further to Item 14 above, disclosure on the Company's receipt of DOE notice lifting the suspension order and approving the resumption of mining operations except in the area adjacent to the former Casay Lake until such time that all liquefiable materials in the area have been removed.	December 26, 2019
20.	Disclosure that there is no major interruption of mining operations at the minesite in view of typhoon Ursula.	December 27, 2019
21.	Submission of Certifications of board attendance and extent of the Company's compliance with its manual.	January 16, 2020
22.	Reply to PSE request for clarification on the news article "Semirara to expand coal mine area in Antique" published in Philstar.com on January 18, 2020.	January 20, 2020
23.	Attendance in corporate governance training of officers/directors for year 2019 pursuant to SEC Memorandum Circular No. 20, Series of 2013.	January 24, 2020
24.	The CTA issued the writ of execution dated February 12, 2020 ordering the CIR to refund or issue a tax credit certificate in favor of SMPC in the amount of Php15,292,054.91 in the case docketed as *"Commissioner of Internal Revenue vs. Semirara Mining Corporation, G.R. No. 202534.*	February 19, 2020
25.	The Corporate Governance Committee of SMPC has fixed March 9, 2020 as the deadline to submit nominees to the Board of Directors for the May 4, 2020 annual stockholders' Meeting.	February 27, 2020
26.	Results of regular meeting of the Board approving the annual consolidated financial statements for the period ended December 31, 2019, declaration of cash dividends of Php1.25/share with record and payment dates on March 13, 2020 and March 27, 2020, respectively, and approval of re-appointment of SGV as independent external auditor for year 2020.	February 28, 2020
27.	Compliance with SEC directive per its notice issued on March 12, 2020 directing SMPC to apprise the investing public of the risks and impact of the COVID-19 on its business operations, and the measures undertaken to mitigate the risks related to said pandemic.	March 16, 2020
28.	Advisory on the payment of cash dividend checks in view of the COVID-19 pandemic and in compliance with the enhance community quarantine.	March 20, 2020
29.	Results of Corporate Governance Committee meeting on the determination of final list of nominees to the Board of Directors for the May 4, 2020 annual stockholders' meeting.	March 20, 2020
30.	Results of special meeting of the Board of Directors on March 24, 2020 were the Board resolved to postpone the annual stockholders' meeting slated on May 4, 2020 in view of the COVID-19 pandemic and in compliance with the enhance community quarantine.	March 24, 2020

SIGNATURES

Pursuant to the requirements of Section 17 of the Code and Section 141 of the Corporation Code, this report is signed on behalf of the Issuer by the undersigned, thereunto duly authorized, in the City of Makati on this ____ day of __________________ 2020.

By:

ISIDRO A. CONSUNJI
Chief Executive Officer
(Principal Executive Officer)

MARIA CRISTINA C. GOTIANUN
President & COO
(Principal Operating Officer)

JUNALINA S. TABOR
VP & Chief Finance Officer
(Principal Financial Officer)

LEANDRO D. COSTALES
Comptroller
(Principal Accounting Officer)

JOHN R. SADULLO
Corporate Secretary

SUBSCRIBED AND SWORN, to before me on this 27th day of May 2020, at Makati City, Metro Manila, affiants exhibited to me:

Name	Passport/Valid ID No.	Date/Place Issued
Isidro A. Consunji	EC4977907	August 11, 2015/DFA, Manila
Maria Cristina C. Gotianun	P5509920A	January 3, 2018/DFA, Manila
Junalina S. Tabor	P8721996A	September 11, 2018/DFA, Manila
John R. Sadullo	P0031808A	October 11, 2016/DFA, Manila
Leandro D. Costales	SSS-33-5912087-4	N.A./SSS, Quezon City

who has satisfactory proven to me their identities through their valid identification cards, and that they are the same persons who personally signed before me the foregoing Annual Report (SEC Form 17-A) and acknowledged that they executed the same.

Doc. No. 372;
Page No. 68;
Book No. IV;
Series of 2020.

MARIA JOSEFINA R. ALFONSO
NOTARY PUBLIC
ROLL NO. 65867
MUNTINLUPA CITY, PHILIPPINES

MARIA JOSEFINA R. ALFONSO
Notary Public, Muntinlupa City
Appointment No. NC-19-022 until 31 December 2020
Unit 505, Richville Corporate Tower, 1107 Alabang Zapote Rd.
Ayala Alabang, Muntinlupa City 1780
Roll of Attorneys No. 65867
IBP LRN No. 015215; PPLM Chapter
PTR No. 3252164; 01/03/2019; Muntinlupa City
MCLE Compliance No. VI-0015310; 11/10/2018

SEMIRARA MINING AND POWER CORPORATION

SEC FORM 17-A

INDEX TO FINANCIAL STATEMENTS AND SUPPLEMENTARY SCHEDULES

**STATEMENT OF MANAGEMENT'S RESPONSIBILITY
FOR CONSOLIDATED FINANCIAL STATEMENTS**

The management of **SEMIRARA MINING AND POWER CORPORATION** is responsible for the preparation and fair presentation of the consolidated financial statements including the schedules attached therein, for the years ended December 31, 2019 and 2018, in accordance with prescribed financial reporting framework indicated therein, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

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

The Board of Directors is responsible for overseeing the Company's financial reporting process.

The Board of Directors reviews and approves the financial statements including the schedules attached therein, and submits the same to the stockholders.

SyCip Gorres Velayo & Co., the independent auditors, appointed by the stockholders has audited the consolidated financial statements of the Company in accordance with Philippine Standards on Auditing, and in its report to the stockholders, has expressed its opinion on the fairness of presentation upon completion of such audit.

Signed this 4th day of March 2020.

ISIDRO A. CONSUNJI
Chairman of the Board &
Chief Executive Officer

JUNALINA S. TABOR
Chief Finance Officer

SUBSCRIBED AND SWORN, to before me on this ____ day of MAR 19 2020 2020, MUNTINLUPA CITY Makati City, Metro Manila, affiants exhibited to me:

Name	Passport No.	Expiry Date/Place Issued
Isidro A. Consunji	EC4977907	August 10, 2020/DFA, Manila
Junalina S. Tabor	P8721996A	September 11, 2028/DFA, Manila

who has satisfactory proven to me their identities through their valid identification cards bearing their photographs and signatures, and that they are the same persons who personally signed before me the foregoing and acknowledged that they executed the same.

Doc. No. 366;
Page No. 67;
Book No. IV;
Series of 2020.

MARIA JOSEFINA R. ALFONSO
NOTARY PUBLIC
ROLL NO. 65867
MUNTINLUPA CITY, PHILIPPINES

MARIA JOSEFINA R. ALFONSO
Notary Public, Muntinlupa City
Appointment No. NC-19-022 until 31 December 2020
Unit 505, Richville Corporate Tower, 1107 Alabang Zapote Rd.
Ayala Alabang, Muntinlupa City 1780
Roll of Attorneys No. 65867
IBP LRN No. 015215; PPLM Chapter
PTR No. 3252164; 01/03/2019; Muntinlupa City
MCLE Compliance No. VI-0015310; 11/10/2018

C O V E R   S H E E T
for
AUDITED FINANCIAL STATEMENTS

SEC Registration Number

0	0	0	0	0	0	0	9	1	4	4	7

C O M P A N Y   N A M E

SEMIRARA MINING AND POWER CORPORATION AND SUBSIDIARIES

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

2/F DMCI Plaza, 2281 Don Chino Roces Avenue, Makati City

Form Type	Department requiring the report	Secondary License Type, If Applicable
AAFS	CRMD	N/A

C O M P A N Y   I N F O R M A T I O N

Company's Email Address	Company's Telephone Number	Mobile Number
www.semiraramining.com	888-3000 / 888-3955	N/A

No. of Stockholders	Annual Meeting (Month / Day)	Fiscal Year (Month / Day)
731	First Monday of May	December 31

CONTACT PERSON INFORMATION

The designated contact person ***MUST*** be an Officer of the Corporation

Name of Contact Person	Email Address	Telephone Number/s	Mobile Number
Ms. Junalina S. Tabor	jstabor@semirarampc.com	888-3025	N/A

CONTACT PERSON's ADDRESS

2/F DMCI Plaza, 2281 Don Chino Roces Avenue, Makati City

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

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

SGV
Building a better working world

SyCip Gorres Velayo & Co.
6760 Ayala Avenue
1226 Makati City
Philippines

Tel: (632) 891 0307
Fax: (632) 819 0872
ey.com/ph

BOA/PRC Reg. No. 0001,
October 4, 2018, valid until August 24, 2021
SEC Accreditation No. 0012-FR-5 (Group A),
November 6, 2018, valid until November 5, 2021

INDEPENDENT AUDITOR'S REPORT

The Board of Directors and Stockholders
Semirara Mining and Power Corporation
2/F DMCI Plaza
2281 Don Chino Roces Avenue
Makati City

Opinion

We have audited the consolidated financial statements of Semirara Mining and Power Corporation and its subsidiaries (the Group), which comprise the consolidated statements of financial position as at December 31, 2019 and 2018, and the consolidated statements of comprehensive income, consolidated statements of changes in equity and consolidated statements of cash flows for each of the three years in the period ended December 31, 2019, and notes to the consolidated financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the consolidated financial position of the Group as at December 31, 2019 and 2018, and its consolidated financial performance and its consolidated cash flows for each of the three years in the period ended December 31, 2019 in accordance with Philippine Financial Reporting Standards (PFRSs).

Basis for Opinion

We conducted our audits in accordance with Philippine Standards on Auditing (PSAs). Our responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the Consolidated Financial Statements* section of our report. We are independent of the Group in accordance with the Code of Ethics for Professional Accountants in the Philippines (Code of Ethics) together with the ethical requirements that are relevant to our audit of the consolidated financial statements in the Philippines, and we have fulfilled our other ethical responsibilities in accordance with these requirements and the Code of Ethics. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Key Audit Matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the consolidated financial statements of the current period. These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters. For each matter below, our description of how our audit addressed the matter is provided in that context.

We have fulfilled the responsibilities described in the *Auditor's Responsibilities for the Audit of the Consolidated Financial Statements* section of our report, including in relation to these matters. Accordingly, our audit included the performance of procedures designed to respond to our assessment of the risks of material misstatement of the consolidated financial statements. The results of our audit procedures, including the procedures performed to address the matters below, provide the basis for our audit opinion on the accompanying consolidated financial statements.

The Group’s provision for decommissioning and site rehabilitation costs for the open pit mines of its coal mining activities amounted to ₱500.09 million as of December 31, 2019. This matter is important to our audit because the amount involved is material and the estimation of the provision requires the exercise of significant management judgment and estimation, including the use of assumptions, such as the costs of backfilling, reforestation, rehabilitation activities on marine and rainwater conservation and maintenance of the rehabilitated area, inflation rate, and discount rate.

Relevant information on the provision for decommissioning and site rehabilitation costs are disclosed in Notes 3 and 16 to the consolidated financial statements.

Audit response

We evaluated the competence, capabilities and objectivity of the engineers and reviewed the relevant comprehensive mine rehabilitation plans prepared by the Group’s Safety and Environment Department. We obtained an understanding from the mine site engineers about their bases for identifying and estimating the costs for various mine rehabilitation and closure activities, such as backfilling, reforestation and maintenance of the rehabilitated area. We compared the cost estimates to billings, invoices and official receipts. We also evaluated the discount and inflation rates used by comparing these to external data.

Recoverability of Property, Plant and Equipment with Indicators of Impairment

Under PFRSs, the Group is required to test the recoverability of an item of property, plant and equipment if there are indicators of impairment. In 2019, the Group withdrew on an ancillary contract of its gas turbine plant which has a carrying value of ₱1,286.70 million as of December 31, 2019. This is a key audit matter because the amount is material to the consolidated financial statements and the assessment of the recoverable amount requires significant judgment and involves estimation and assumptions about future electricity demand, as well as external inputs such as electricity prices, diesel costs, inflation rate and discount rate.

The relevant information on this matter are disclosed in Notes 3, 10 and 29 to the consolidated financial statements.

Audit response

We involved our internal specialist in evaluating the methodology and the assumptions used in the estimation of recoverable amount. With respect to future electricity demand, we tested the reasonableness of the inputs to the forecasted revenue based on current and historical dependable capacity, electricity prices and growth rate. We compared the electricity prices, diesel costs and inflation rate with externally published data. We tested the parameters used in the determination of the discount rate by comparing it with the discount rates of comparable companies. In addition, we reviewed the Group’s disclosures about those assumptions to which the outcome of the impairment test is most sensitive, specifically those that have the most significant effect on the determination of the recoverable amount of the ancillary gas turbine plant.

Estimation of Mineable Ore Reserves

The Group's coal mining properties totaling to ₱4,338.74 million as of December 31, 2019 are amortized using the units-of-production method. Under this method, management is required to estimate the volume of mineable ore reserves for the remaining life of the mine which is a key input to the amortization of the coal mining properties. This matter is significant to our audit because the estimation of the mineable ore reserves of the Group's Narra and Molave mines requires use of assumptions and significant estimation from management's specialists.

The related information on the estimation of mineable ore reserves and related coal mining properties are discussed in Notes 3 and 10 to the consolidated financial statements.

Audit response

We obtained an understanding of and performed test of controls on management's processes and controls in the estimation of mineable ore reserves. We evaluated the competence, capabilities and objectivity of management's specialists, both internal and external, engaged by the Group to perform an assessment of the ore reserves. We reviewed the internal and external specialists' report and obtained an understanding of the nature, scope and objectives of their work and basis of estimates, including the changes in the reserves during the year. We also tested the application of the estimated ore reserves in the amortization of mining properties.

Other Information

Management is responsible for the other information. The other information comprises the information included in the SEC Form 20-IS (Definitive Information Statement), SEC Form 17-A and Annual Report for the year ended December 31, 2019, but does not include the consolidated financial statements and our auditor's report thereon. The SEC Form 20-IS, SEC Form 17-A and Annual Report for the year ended December 31, 2019 are expected to be made available to us after the date of this auditor's report.

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

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

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

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

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

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

Auditor's Responsibilities for the Audit of the Consolidated Financial Statements

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

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

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

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

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

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

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

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

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

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

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the consolidated financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

The engagement partner on the audit resulting in this independent auditor's report is Dhonabee B. Señeres.

SYCIP GORRES VELAYO & CO.

Dhonabee B. Señeres

Dhonabee B. Señeres
Partner
CPA Certificate No. 97133
SEC Accreditation No. 1196-AR-2 (Group A),
October 18, 2018, valid until October 17, 2021
Tax Identification No. 201-959-816
BIR Accreditation No. 08-001998-98-2018,
February 2, 2018, valid until February 1, 2021
PTR No. 8125303, January 7, 2020, Makati City

March 4, 2020

SEMIRARA MINING AND POWER CORPORATION AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF FINANCIAL POSITION

	December 31	
	2019	2018
ASSETS		
Current Assets		
Cash and cash equivalents (Notes 4, 30, 31 and 32)	**₱6,457,084,709**	₱1,902,951,523
Receivables (Notes 5, 19, 30 and 31)	**3,641,501,084**	7,300,895,192
Inventories (Notes 7, 10 and 21)	**10,219,569,761**	12,363,382,880
Other current assets (Notes 6, 9 and 29)	**1,284,979,604**	4,120,881,022
Total Current Assets	**21,603,135,158**	25,688,110,617
Noncurrent Assets		
Property, plant and equipment (Notes 10 and 12)	**47,630,629,428**	43,519,724,033
Right-of-use assets (Notes 2 and 11)	**175,979,686**	–
Investment in joint venture (Note 8)	**45,217,497**	51,112,153
Deferred tax assets - net (Note 26)	**888,181,062**	435,083,927
Other noncurrent assets (Notes 6, 9, 12, 30 and 31)	**1,865,980,855**	1,354,907,494
Total Noncurrent Assets	**50,605,988,528**	45,360,827,607
	₱72,209,123,686	₱71,048,938,224
LIABILITIES AND EQUITY		
Current Liabilities		
Trade and other payables (Notes 15, 19, 30 and 31)	**8,451,093,045**	₱9,946,029,822
Short-term loans (Notes 13, 30 and 31)	**2,070,000,000**	5,872,231,984
Current portion of long-term debt (Notes 14, 30 and 31)	**3,459,433,544**	4,553,841,941
Current portion of lease liabilities (Notes 2, 11, 30 and 31)	**14,171,369**	–
Total Current Liabilities	**13,994,697,958**	20,372,103,747
Noncurrent Liabilities		
Long-term debt - net of current portion (Notes 14, 30 and 31)	**13,067,601,460**	10,042,954,442
Lease liabilities - net of current portion (Notes 2, 11, 30 and 31)	**93,366,249**	–
Provision for decommissioning and site rehabilitation costs (Notes 3 and 16)	**522,804,859**	423,397,560
Pension liabilities (Note 20)	**294,753,397**	215,999,554
Deferred tax liability - net (Note 26)	**–**	61,796,317
Total Noncurrent Liabilities	**13,978,525,965**	10,744,147,873
Total Liabilities	**27,973,223,923**	31,116,251,620
Equity		
Capital stock (Notes 17 and 30)	**4,264,609,290**	4,264,609,290
Additional paid-in capital (Note 30)	**6,675,527,411**	6,675,527,411
Retained earnings (Notes 18 and 30):		
Unappropriated	**28,833,678,689**	20,468,072,403
Appropriated	**5,300,000,000**	9,300,000,000
Net remeasurement losses on pension plan (Notes 20 and 30)	**(98,388,949)**	(35,995,822)
Treasury shares (Notes 17 and 30)	**(739,526,678)**	(739,526,678)
Total Equity	**44,235,899,763**	39,932,686,604
	₱72,209,123,686	₱71,048,938,224

See accompanying Notes to Consolidated Financial Statements.

SEMIRARA MINING AND POWER CORPORATION AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME

	Years Ended December 31		
	2019	2018	2017
REVENUE FROM CONTRACTS WITH CUSTOMERS (Note 33)			
Coal	**₱29,085,433,388**	₱23,185,658,133	₱23,489,590,552
Power	**15,166,671,920**	18,782,854,690	20,453,898,667
	44,252,105,308	41,968,512,823	43,943,489,219
COSTS OF SALES (Notes 21 and 33)			
Coal	**17,783,785,669**	12,262,084,112	11,910,436,213
Power	**8,863,373,331**	8,582,086,177	8,423,045,908
	26,647,159,000	20,844,170,289	20,333,482,121
GROSS PROFIT	**17,604,946,308**	21,124,342,534	23,610,007,098
OPERATING EXPENSES (Notes 22 and 33)	**(7,364,921,176)**	(7,775,795,327)	(8,207,029,328)
INCOME FROM OPERATIONS	**10,240,025,132**	13,348,547,207	15,402,977,770
OTHER INCOME (CHARGES) - NET			
Finance income (Notes 24 and 33)	**282,983,032**	129,168,367	96,396,798
Finance costs (Notes 23 and 33)	**(1,316,867,512)**	(942,934,975)	(718,068,456)
Foreign exchange losses - net (Note 33)	**(8,674,131)**	(388,310,437)	(392,452,957)
Other income - net (Notes 25 and 33)	**186,198,604**	608,411,854	1,075,615,087
	(856,360,007)	(593,665,191)	61,490,472
INCOME BEFORE INCOME TAX	**9,383,665,125**	12,754,882,016	15,464,468,242
PROVISION FOR (BENEFIT FROM) INCOME TAX (Notes 26 and 33)	**(295,125,686)**	729,500,958	1,255,328,423
NET INCOME	**9,678,790,811**	12,025,381,058	14,209,139,819
OTHER COMPREHENSIVE INCOME (LOSS)			
Item not to be reclassified to profit or loss in subsequent periods			
Remeasurement gains (losses) on pension plan (Note 20)	**(89,133,039)**	71,775,630	(89,764,454)
Income tax effect	**26,739,912**	(21,532,689)	26,929,336
	(62,393,127)	50,242,941	(62,835,118)
TOTAL COMPREHENSIVE INCOME	**₱9,616,397,684**	₱12,075,623,999	₱14,146,304,701
Basic/Diluted Earnings per Share (Note 27)	**₱2.28**	₱2.83	₱3.33

See accompanying Notes to Consolidated Financial Statements.

SEMIRARA MINING AND POWER CORPORATION AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY

	Capital Stock (Note 17)	Additional Paid-in Capital	Retained Earnings Unappropriated (Note 18)	Retained Earnings Appropriated (Note 18)	Net remeasurement Gains (Losses) on Pension Plan (Note 20)	Treasury Shares (Note 17)	Total
				For the Year Ended December 31, 2019			
Balances as of January 1, 2019	**₱4,264,609,290**	**₱6,675,527,411**	**₱20,468,072,403**	**₱9,300,000,000**	**(₱35,995,822)**	**(₱739,526,678)**	**₱39,932,686,604**
Comprehensive income							
Net income	–	–	**9,678,790,811**	–	–	–	**9,678,790,811**
Other comprehensive loss	–	–	–	–	**(62,393,127)**	–	**(62,393,127)**
Total comprehensive income (loss)	–	–	**9,678,790,811**	–	**(62,393,127)**	–	**9,616,397,684**
Cash dividends declared (Note 18)	–	–	**(5,313,184,525)**	–	–	–	**(5,313,184,525)**
Reversal of appropriations (Note 18)	–	–	**4,000,000,000**	**(4,000,000,000)**	–	–	–
Balances as of December 31, 2019	**₱4,264,609,290**	**₱6,675,527,411**	**₱28,833,678,689**	**₱5,300,000,000**	**(₱98,388,949)**	**(₱739,526,678)**	**₱44,235,899,763**
				For the Year Ended December 31, 2018			
Balances as of January 1, 2018	₱4,264,609,290	₱6,675,527,411	₱18,013,400,740	₱9,300,000,000	(₱86,238,763)	(₱487,919,538)	₱37,679,379,140
Acquisition of treasury shares	–	–	–	–	–	(251,607,140)	(251,607,140)
Comprehensive income							
Net income	–	–	12,025,381,058	–	–	–	12,025,381,058
Other comprehensive income	–	–	–	–	50,242,941	–	50,242,941
Total comprehensive income	–	–	12,025,381,058	–	50,242,941	–	12,075,623,999
Cash dividends declared (Note 18)	–	–	(9,570,709,395)	–	–	–	(9,570,709,395)
Balances as of December 31, 2018	₱4,264,609,290	₱6,675,527,411	₱20,468,072,403	₱9,300,000,000	(₱35,995,822)	(₱739,526,678)	₱39,932,686,604
				For the Year Ended December 31, 2017			
Balances as of January 1, 2017	₱1,068,750,000	₱6,675,527,411	₱19,152,984,511	₱7,800,000,000	(₱23,403,645)	(₱387,547,028)	₱34,286,311,249
Acquisition of treasury shares	–	–	–	–	–	(100,372,510)	(100,372,510)
Comprehensive income							
Net income	–	–	14,209,139,819	–	–	–	14,209,139,819
Other comprehensive income	–	–	–	–	(62,835,118)	–	(62,835,118)
Total comprehensive income (loss)	–	–	14,209,139,819	–	(62,835,118)	–	14,146,304,701
Stock dividends declared (Note 18)	3,195,859,290	–	(3,195,859,290)	–	–	–	–
Cash dividends declared (Note 18)	–	–	(10,652,864,300)	–	–	–	(10,652,864,300)
Reversal of appropriations (Note 18)	–	–	3,000,000,000	(3,000,000,000)	–	–	–
Appropriations (Note 18)	–	–	(4,500,000,000)	4,500,000,000	–	–	–
Balances as of December 31, 2017	₱4,264,609,290	₱6,675,527,411	₱18,013,400,740	₱9,300,000,000	(₱86,238,763)	(₱487,919,538)	₱37,679,379,140

See accompanying Notes to Consolidated Financial Statements.

SEMIRARA MINING AND POWER CORPORATION AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF CASH FLOWS

	Years Ended December 31		
	2019	2018	2017
CASH FLOWS FROM OPERATING ACTIVITIES			
Income before income tax	**₱9,383,665,125**	₱12,754,882,016	₱15,464,468,242
Adjustments for:			
Depreciation and amortization (Notes 10, 11, 12, 21 and 22)	**6,923,044,039**	7,784,475,344	6,570,624,943
Finance costs (Note 23)	**1,316,867,512**	942,934,975	718,068,456
Provision for decommissioning and site rehabilitation (Note 21)	**–**	436,522,946	147,269,942
Pension expense, net of contributions (Note 20)	**692,535**	60,980,688	51,148,930
Net unrealized foreign exchange gains (losses)	**139,226,570**	(53,699,447)	(52,477,163)
Equity in net loss (earnings) of joint venture (Note 8)	**(690,954)**	(380,459)	1,653,360
Gain on sale of equipment (Notes 10 and 25)	**(12,000,005)**	(22,683,458)	(126,227,184)
Unrealized loss (gain) on financial asset at FVPL (Note 6)	**245,443,777**	(25,775,773)	(219,668,003)
Finance income (Note 24)	**(282,983,032)**	(129,168,367)	(96,396,798)
Provision for impairment losses (Notes 9, 10 and 22)	**166,474,665**	–	156,068,023
Operating income before changes in operating assets and liabilities	**17,879,740,232**	21,748,088,465	22,614,532,748
Changes in operating assets and liabilities:			
Decrease (increase) in:			
Receivables	**3,513,775,127**	(825,846,621)	(789,466,973)
Other current assets	**2,666,679,312**	(2,033,777,003)	880,693,342
Inventories	**2,769,576,176**	(5,557,602,875)	144,000,773
Decrease in trade and other payables	**(1,486,026,563)**	(780,257,360)	(1,150,575,440)
Decrease in provision for decommissioning and site rehabilitation costs	**(14,543,926)**	(1,598,420,875)	(293,107,253)
Cash generated from operations	**25,329,200,358**	10,952,183,731	21,406,077,197
Interest received (Note 24)	**282,983,032**	129,168,367	96,396,798
Income taxes paid	**(193,027,854)**	(729,088,556)	(1,303,057,213)
Interest paid	**(1,270,024,784)**	(841,687,302)	(604,901,388)
Pension settlement (Note 20)	**(11,071,731)**	(7,417,414)	(20,736,252)
Net cash provided by operating activities	**24,138,059,021**	9,503,158,826	19,573,779,142
CASH FLOWS FROM INVESTING ACTIVITIES			
Additions to:			
Property, plant and equipment (including borrowing cost) (Notes 2, 10 and 32)	**(11,634,346,801)**	(9,528,471,843)	(6,340,889,728)
Computer software (Note 12)	**(10,326,053)**	(10,640,402)	(9,948,827)
Proceeds from sale of equipment (Note 10)	**12,000,005**	158,610,324	126,227,184
Decrease (increase) in:			
Investment in sinking fund (Note 24)	**–**	–	68,716,379
Other noncurrent assets (Notes 2, 11 and 12)	**(742,661,592)**	808,263,986	(1,398,416,767)
Decrease in other noncurrent liabilities (Note 12)	**–**	–	(1,094,351,764)
Net cash used in investing activities	**(12,375,334,441)**	(8,572,237,935)	(8,648,663,523)
CASH FLOWS FROM FINANCING ACTIVITIES			
Proceeds from availment of loans (Notes 13, 14 and 32)	**47,494,250,000**	7,859,848,705	6,535,000,000
Acquisition of treasury shares (Notes 17 and 32)	**–**	(251,607,140)	(100,372,510)
Payments of:			
Loans (Notes 13, 14 and 32)	**(49,417,912,229)**	(5,526,691,188)	(5,223,502,036)
Principal portion of lease liabilities (Notes 11, 30 and 31)	**(10,868,143)**	–	–
Dividends (Notes 18 and 32)	**(5,313,293,707)**	(9,571,357,480)	(10,651,501,099)
Net cash used in financing activities	**(7,247,824,079)**	(7,489,807,103)	(9,440,375,645)
EFFECT OF EXCHANGE RATE CHANGES ON CASH AND CASH EQUIVALENTS	**39,232,685**	(9,070,942)	(6,871,147)
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	**4,554,133,186**	(6,567,957,154)	1,477,868,827
CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR	**1,902,951,523**	8,470,908,677	6,993,039,850
CASH AND CASH EQUIVALENTS AT END OF YEAR (Note 4)	**₱6,457,084,709**	₱1,902,951,523	₱8,470,908,677

See accompanying Notes to Consolidated Financial Statements.

SEMIRARA MINING AND POWER CORPORATION AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

1. Corporate Information

Semirara Mining and Power Corporation (SMPC or the Parent Company) is a corporation incorporated in the Philippines on February 26, 1980. The Parent Company's registered and principal office address is at 2/F DMCI Plaza, 2281 Don Chino Roces Avenue, Makati City. The Parent Company's shares of stock are listed and currently traded at the Philippine Stock Exchange (PSE). The Parent Company is a 56.65%-owned subsidiary of DMCI Holdings, Inc. (DMCI-HI), a publicly-listed entity in the Philippines and its ultimate parent company.

The Parent Company and its subsidiaries are collectively referred to herein as "the Group".

The Group's primary purpose is to search for, prospect, explore, dig and drill, mine, exploit, extract, produce, mill, purchase or otherwise acquire, store, hold transport, use experiment with, market, distribute, exchange, sell and otherwise dispose of, import, export and handle, trade, and generally deal in, ship coal, coke, and other coal products of all grades, kinds, forms, descriptions and combinations and in general the products and by-products which may be derived, produced, prepared, developed, compounded, made or manufactured there; to acquire, own, maintain and exercise the rights and privileges under the coal operating contract within the purview of Presidential Decree No. 972, *"The Coal Development Act of 1976"*, and any amendments thereto and to acquire, expand, rehabilitate and maintain power generating plants, develop fuel for generation of electricity and sell electricity to any person or entity through electricity markets, among others.

The consolidated financial statements as of December 31, 2019 and 2018 and for each of the three years in the period ended December 31, 2019, were authorized for issue by the Board of Directors (BOD) on March 4, 2020.

2. Summary of Significant Accounting Policies

Basis of Preparation

The consolidated financial statements of the Group have been prepared on a historical cost basis, except for financial assets at fair value through profit or loss (FVPL) that have been measured at fair value. The Parent Company's functional currency and the Group's presentation currency is the Philippine Peso (₱). All amounts are rounded-off the nearest Peso, except when otherwise indicated.

Statement of Compliance

The consolidated financial statements of the Group have been prepared in accordance with Philippine Financial Reporting Standards (PFRSs). PFRSs include Philippine Financial Reporting Standards, Philippine Accounting Standards and Interpretations issued by the Philippine Interpretations Committee (PIC).

Basis of Consolidation
The consolidated financial statements comprise the financial statements of the Parent Company and the following subsidiaries (which are all incorporated in the Philippines) as of December 31, 2019 and 2018, and for each of the three years in the period ended December 31, 2019:

	Effective Rates of Ownership		
	2019	2018	2017
Sem-Calaca Power Corporation (SCPC)	**100.00 %**	100.00 %	100.00 %
Sem-Calaca RES Corporation (SCRC)[1]	**100.00**	100.00	100.00
Southwest Luzon Power Generation Corporation (SLPGC)	**100.00**	100.00	100.00
SEM-Cal Industrial Park Developers, Inc. (SIPDI)	**100.00**	100.00	100.00
Semirara Claystone, Inc. (SCI)	**100.00**	100.00	100.00
Semirara Energy Utilities, Inc. (SEUI)	**100.00**	100.00	100.00
Southeast Luzon Power Generation Corporation (SELPGC)[2]	**100.00**	100.00	100.00

1. Wholly-owned subsidiary of SCPC. Started commercial operations on August 29, 2018.
2. Formerly SEM-Balayan Power Generation Corporation (SBPGC).

Except for SCPC, SLPGC and SCRC, the other subsidiaries have not yet started commercial operations as of December 31, 2019.

The consolidated financial statements are prepared using uniform accounting policies for like transactions and other events in similar circumstances. All intra-group assets and liabilities, equity, income, expenses, dividends and cash flows relating to transactions between components of the Group are eliminated in full on consolidation.

Consolidation of a subsidiary begins when the Group obtains control over the subsidiary and ceases when the Group loses control of the subsidiary. Assets, liabilities, income and expenses of a subsidiary acquired or disposed of during the year are included in the consolidated financial statements from the date the Group gains control until the date the Group ceases to control the subsidiary.

Control is achieved when the entity is exposed, or has rights, to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee. Specifically, the entity controls an investee if and only if the entity has the following element:

- Power over the investee (i.e., existing rights that give it the current ability to direct the relevant activities of the investee)
- Exposure, or rights, to variable returns from its involvement with the investee, and
- The ability to use its power over the investee to affect its returns.

Generally, there is a presumption that a majority of voting rights results in control. To support the presumption and when the entity has less than a majority of the voting or similar rights of an investee, the entity considers all relevant facts and circumstances in assessing whether it has power over an investee, including:

- The contractual arrangement with the other vote holders of the investee
- Rights arising from other contractual arrangements
- The Group's voting and potential voting rights

The Group re-assesses whether or not it controls an investee if facts and circumstances indicate that there are changes to one or more of the three elements of control.

When necessary, adjustments are made to the financial statements of subsidiaries to bring their accounting policies into line with the Group's accounting policies.

A change in the ownership interest of a subsidiary without a loss of control is accounted for as an equity transaction. If the entity loses control over a subsidiary, it derecognizes the related assets (including goodwill), liabilities, non-controlling interests (NCI) and other components of equity, while any resulting in gain or loss is recognized in profit or loss. Any investment retained is measured at fair value.

Business Combination and Goodwill

Business combinations are accounted for using the acquisition method. This involves recognizing identifiable assets (including previously unrecognized intangible assets) and liabilities (including contingent liabilities and excluding future restructuring) of the acquired business at fair value. The cost of an acquisition is measured as the aggregate of the consideration transferred, measured at acquisition date fair value and the amount of any non-controlling interest in the acquiree. For each business combination, the Group elects whether to measure the non-controlling interest in the acquiree either at fair value or at the proportionate share of the acquiree's identifiable net assets. Transaction costs incurred are charge to expense in the consolidated statement of comprehensive income.

When the Group acquires a business, it assesses the financial assets and financial liabilities assumed for appropriate classification and designation in accordance with the contractual terms, economic circumstances and pertinent conditions as at the acquisition date. This includes the separation of embedded derivatives in host contracts by the acquiree. If the business combination is achieved in stages, the acquisition date fair value of the acquirer's previously held equity interest in the acquiree is remeasured to fair value at the acquisition date through profit or loss.

Any contingent consideration to be transferred by the acquirer will be recognized at fair value at the acquisition date. Subsequent changes to the fair value of the contingent consideration which is deemed to be an asset or liability are recognized in accordance with PFRS 9 either in profit or loss or as change to other comprehensive income. If the contingent consideration is classified as equity, it is not remeasured and its subsequent settlement is accounted for within equity.

Goodwill is initially measured at cost (being the excess of the aggregate of the consideration transferred and the amount recognized for non-controlling interests and any previous interest held over the net identifiable assets acquired and liabilities assumed). If the fair value of the net assets acquired is in excess of the aggregate consideration transferred, the Group re-assesses whether it has correctly identified all of the assets acquired and all of the liabilities assumed and reviews the procedures used to measure the amounts to be recognized at the acquisition date. If the reassessment still results in an excess of the fair value of net assets acquired over the aggregate consideration transferred, then the gain is recognized in profit or loss.

After initial recognition, goodwill is measured at cost less any accumulated impairment losses. For the purpose of impairment testing, goodwill acquired in a business combination is, from the acquisition date, allocated to each of the Group's cash-generating units that are expected to benefit from the combination, irrespective of whether other assets or liabilities of the acquiree are assigned to those units.

Where goodwill has been allocated to a cash-generating unit (CGU) and part of the operation within that unit is disposed of, the goodwill associated with the disposed operation is included in the carrying amount of the operation when determining the gain or loss on disposal. Goodwill disposed in these circumstances is measured based on the relative values of the disposed operation and the portion of the cash-generating unit retained.

When subsidiaries are sold, the difference between the selling price and the net assets plus cumulative translation differences and goodwill is recognized in the consolidated statement of comprehensive income.

Acquisitions of non-controlling interests are accounted for as transactions with owners in their capacity as owners and therefore no goodwill or profit or loss is recognized as a result. Adjustments to non-controlling interests arising from transactions that do not involve the loss of control are based on a proportionate amount of the net assets of the subsidiary.

Changes in Accounting Policies and Disclosures

The accounting policies adopted in the preparation of the Group's consolidated financial statements are consistent with those of the previous financial year, except for the adoption of the following new and amended accounting pronouncements which became effective January 1, 2019.

The nature and impact of each new standard and amendment are described below:

- PFRS 16, *Leases*

  PFRS 16 supersedes PAS 17, *Leases*, Philippine Interpretation IFRIC 4, *Determining whether an Arrangement contains a Lease*, Philippine Interpretation SIC-15, *Operating Leases-Incentives* and Philippine Interpretation SIC-27, *Evaluating the Substance of Transactions Involving the Legal Form of a Lease*. The standard sets out the principles for the recognition, measurement, presentation and disclosure of leases and requires lessees to recognize most leases on the balance sheet.

  The Group adopted PFRS 16 using the modified retrospective method of adoption with the date of initial application of January 1, 2019. Under this method, the standard can be applied either to all contracts at the date of initial application or only to contracts that are not completed at this date. The Group elected to use the transition practical expedient to not reassess whether a contract is, or contains a lease at January 1, 2019. Instead, the Group applied the standard only to contracts that were previously identified as leases applying PAS 17 and IFRIC 4 at the date of initial application. The Group also elected to apply this method only to those lease contracts that were not completed at the date of initial application (January 1, 2019).

  The effect of adopting PFRS 16 as at January 1, 2019 follows:

	Increase (decrease)
Assets	
Right-of-use assets	₱190,624,079
Prepaid rent (under current and noncurrent assets)	(71,176,666)
Property, plant and equipment	(5,392,226)
Deferred tax assets - net	18,382,557
Liabilities	
Lease liabilities	114,055,187
Deferred tax liabilities - net	18,382,557

The Group has lease contracts for various items of land, office spaces and foreshore leases. Before the adoption of PFRS 16, the Group classified each of its leases (as lessee) at the inception date as operating lease. Upon adoption of PFRS 16, the Group applied a single recognition and measurement approach for all leases, except for short-term leases. Refer to section on accounting policies on leases prior to and upon adoption of PFRS 16.

The adoption of PFRS 16 did not have an impact on equity in 2019, since the Group elected to measure the right-of-use assets at an amount equal to the lease liabilities, adjusted by the amount of any prepaid or accrued lease payments and cost of dismantling and removing the underlying asset relating to that lease recognized in the consolidated statement of financial position immediately before the date of initial application.

The Group also applied the available practical expedients wherein it:
- Used a single discount rate to a portfolio of leases with reasonably similar characteristics
- Applied the short-term leases exemptions to leases with lease term that ends within 12 months of the date of initial application
- Used hindsight in determining the lease term where the contract contained options to extend or terminate the lease

Based on the above, as at January 1, 2019:
- Right-of-use assets amounting to ₱190.62 million were recognized and presented separately in the consolidated statement of financial position. This represents the right to use the underlying assets set-up upon transition date.
- Prepaid rent of ₱71.18 million under ‘Other current and noncurrent assets’ related to advance rent payment was reclassified to right-of-use assets.
- Property, plant and equipment amounting to ₱5.39 million, representing the costs of dismantling and removing the underlying asset under lease, was included in the right-of-use assets recognized.
- Lease liabilities were recognized amounting to ₱114.06 million and presented separately in the consolidated statement of financial position. This is based on the present value of the remaining lease payments, discounted using the incremental borrowing rate at the date of initial application.
- Deferred tax assets and liabilities increased by ₱18.38 million because of the deferred tax impact of the changes in assets and liabilities.

For the year ended December 31, 2019:
- Depreciation expense increased because of depreciation of additional assets recognized (i.e., increase in right-of-use assets). This resulted in increases in ‘Cost of sales’ and ‘Operating expenses’ of ₱8.40 million and ₱10.59 million, respectively.
- Finance cost increased by ₱6.62 million relating to the interest expense on lease liabilities recognized.

Reconciliation of the operating lease commitments as of December 31, 2018 to the lease liabilities as at January 1, 2019 follows:

Operating lease commitments as at December 31, 2018 (Note 11)	₱254,423,849
Weighted average incremental borrowing rate at January 1, 2019	7.77%
Discounted operating lease commitments at January 1, 2019	₱208,588,273
Less commitment relating to short term leases	94,533,086
Lease liabilities recognized at January 1, 2019 (Note 11)	₱114,055,187

- Philippine Interpretation IFRIC-23, *Uncertainty over Income Tax Treatments*

  The Interpretation addresses the accounting for income taxes when tax treatments involve uncertainty that affects the application of PAS 12 *Income Tax.* It does not apply to taxes or levies outside the scope of PAS 12, nor does it specifically include requirements relating to interest and penalties associated with uncertain tax treatments. The Interpretation specifically addresses the following:

  - Whether an entity considers uncertain tax treatments separately.
  - The assumptions an entity makes about the examination of tax treatments by taxation authorities.
  - How an entity determines taxable profit (tax loss), tax bases, unused tax losses, unused tax credits and tax rates.
  - How an entity considers changes in facts and circumstances.

  The Group determines whether to consider each uncertain tax treatments separately or together with one or more other uncertain tax treatments and uses the approach that better predicts the resolution of the uncertainty.

  The Group applies significant judgment in identifying uncertainties over income tax treatments. Upon adoption of the Interpretation, the Group considered whether it has any uncertain tax positions. The Group determined that it is probable that its tax treatments will be accepted by the taxation authorities. The adoption of the Interpretation did not have a significant impact on the consolidated financial statements of the Group.

- Annual Improvements to PFRSs 2015-2017 Cycle

  - Amendments to PFRS 3, *Business Combinations,* and PFRS 11, *Joint Arrangements*, *Previously Held Interest in a Joint Operation*

    The amendments clarify that, when an entity obtains control of a business that is a joint operation, it applies the requirements for a business combination achieved in stages, including remeasuring previously held interests in the assets and liabilities of the joint operation at fair value. In doing so, the acquirer remeasures its entire previously held interest in the joint operation.

    A party that participates in, but does not have joint control of, a joint operation might obtain joint control of the joint operation in which the activity of the joint operation constitutes a business as defined in PFRS 3. The amendments clarify that the previously held interests in that joint operation are not remeasured.

    An entity applies those amendments to business combinations for which the acquisition date is on or after the beginning of the first annual reporting period beginning on or after January 1, 2019 and to transactions in which it obtains joint control on or after the beginning of the first annual reporting period beginning on or after January 1, 2019, with early application permitted. These amendments are currently not applicable to the Group but may apply to future transactions.

- Amendments to PAS 12, *Income Tax Consequences of Payments on Financial Instruments Classified as Equity*

  The amendments clarify that the income tax consequences of dividends are linked more directly to past transactions or events that generated distributable profits than to distributions to owners. Therefore, an entity recognizes the income tax consequences of dividends in profit or loss, other comprehensive income or equity according to where the entity originally recognized those past transactions or events.

  An entity applies those amendments for annual reporting periods beginning on or after January 1, 2019, with early application is permitted. These amendments are not relevant to the Group because dividends declared by the Group do not give rise to tax obligations under the current tax laws.

- Amendments to PAS 23, *Borrowing Costs, Borrowing Costs Eligible for Capitalization*

  The amendments clarify that an entity treats as part of general borrowings any borrowing originally made to develop a qualifying asset when substantially all of the activities necessary to prepare that asset for its intended use or sale are complete.

  An entity applies those amendments to borrowing costs incurred on or after the beginning of the annual reporting period in which the entity first applies those amendments. An entity applies those amendments for annual reporting periods beginning on or after January 1, 2019, with earlier application permitted.

  Since the Group's current practice is in line with these amendments, they had no impact on the consolidated financial statements of the Group.

- Amendments to PFRS 9, *Prepayment Features with Negative Compensation*

  Under PFRS 9, a debt instrument can be measured at amortized cost or at fair value through other comprehensive income, provided that the contractual cash flows are 'solely payments of principal and interest on the principal amount outstanding' (the SPPI criterion) and the instrument is held within the appropriate business model for that classification. The amendments to PFRS 9 clarify that a financial asset passes the SPPI criterion regardless of the event or circumstance that causes the early termination of the contract and irrespective of which party pays or receives reasonable compensation for the early termination of the contract.

  These amendments had no impact on the consolidated financial statements of the Group.

- Amendments to PAS 28, *Long-term Interests in Associates and Joint Ventures*

  The amendments clarify that an entity applies PFRS 9 to long-term interests in an associate or joint venture to which the equity method is not applied but that, in substance, form part of the net investment in the associate or joint venture (long-term interests). This clarification is relevant because it implies that the expected credit loss model in PFRS 9 applies to such long-term interests.

The amendments also clarified that, in applying PFRS 9, an entity does not take account of any losses of the associate or joint venture, or any impairment losses on the net investment, recognized as adjustments to the net investment in the associate or joint venture that arise from applying PAS 28, *Investments in Associates and Joint Ventures*.

These amendments had no impact on the consolidated financial statements as the Group does not have long-term interests in its associate and joint venture.

Future Changes in Accounting Policies

Pronouncements issued but not yet effective are listed below. Unless otherwise indicated, the Group does not expect that the future adoption of the said pronouncements will have a significant impact on its consolidated financial statements. The Group will consider the effects on the consolidated financial statements as these become effective and applicable.

Effective beginning on or after January 1, 2020

- Amendments to PFRS 3, *Definition of a Business*

  The amendments to PFRS 3 clarify the minimum requirements to be a business, remove the assessment of a market participant's ability to replace missing elements, and narrow the definition of outputs. The amendments also add guidance to assess whether an acquired process is substantive and add illustrative examples. An optional fair value concentration test is introduced which permits a simplified assessment of whether an acquired set of activities and assets is not a business.

  An entity applies those amendments prospectively for annual reporting periods beginning on or after January 1, 2020, with earlier application permitted.

  These amendments will apply on future business combinations of the Group.

- Amendments to PAS 1, *Presentation of Financial Statements*, and PAS 8, *Accounting Policies, Changes in Accounting Estimates and Errors*, *Definition of Material*

  The amendments refine the definition of material in PAS 1 and align the definitions used across PFRSs and other pronouncements. They are intended to improve the understanding of the existing requirements rather than to significantly impact an entity's materiality judgements.

  An entity applies those amendments prospectively for annual reporting periods beginning on or after January 1, 2020, with earlier application permitted.

Deferred effectivity

- Amendments to PFRS 10, *Consolidated Financial Statements*, and PAS 28, *Sale or Contribution of Assets between an Investor and its Associate or Joint Venture*

  The amendments address the conflict between PFRS 10 and PAS 28 in dealing with the loss of control of a subsidiary that is sold or contributed to an associate or joint venture. The amendments clarify that a full gain or loss is recognized when a transfer to an associate or joint venture involves a business as defined in PFRS 3. Any gain or loss resulting from the sale or contribution of assets that does not constitute a business, however, is recognized only to the extent of unrelated investors' interests in the associate or joint venture.

On January 13, 2016, the Financial Reporting Standards Council deferred the original effective date of January 1, 2016 of the said amendments until the International Accounting Standards Board (IASB) completes its broader review of the research project on equity accounting that may result in the simplification of accounting for such transactions and of other aspects of accounting for associates and joint ventures.

Significant Accounting Policies and Disclosures

Current and Noncurrent Classification
The Group presents assets and liabilities in consolidated statement of financial position based on current/noncurrent classification.

An asset is current when it is:

- expected to be realized or intended to be sold or consumed in normal operating cycle;
- held primarily for the purpose of trading;
- expected to be realized within 12 months after reporting date; or
- cash or cash equivalent, unless restricted from being exchanged or used to settle a liability for at least 12 months after reporting date.

All other assets are classified as noncurrent.

A liability is current when:
- It is expected to be settled in the normal operating cycle;
- It is held primarily for the purpose of trading;
- It is due to be settled within 12 months after reporting date; or
- There is no unconditional right to defer the settlement of the liability for at least 12 months after reporting date.

The Group classifies all other liabilities as noncurrent.

Deferred tax assets and liabilities are classified as noncurrent assets and liabilities, respectively.

Fair Value Measurement
The Group measures financial asset at FVPL at fair value and discloses the fair value of financial instruments measured at amortized cost at each reporting date. Fair value is the estimated price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date.

The fair value measurement is based on the presumption that the transaction to sell the asset or transfer the liability takes place either:

- In the principal market for the asset or liability, or
- In the absence of a principal market, in the most advantageous market for the asset or liability

The principal or the most advantageous market must be accessible to by the Group.

The fair value of an asset or a liability is measured using the assumptions that market participants would use when pricing the asset or liability, assuming that market participants act in their economic best interest.

A fair value measurement of a nonfinancial asset takes into account a market participant's ability to generate economic benefits by using the asset in its highest and best use or by selling it to another market participant that would use the asset in its highest and best use.

The Group uses valuation techniques that are appropriate in the circumstances and for which sufficient data are available to measure fair value, maximizing the use of relevant observable inputs and minimizing the use of unobservable inputs.

All assets and liabilities for which fair value is measured or disclosed in the consolidated financial statements are categorized within the fair value hierarchy, described as follows, based on the lowest level input that is significant to the fair value measurement as a whole:

- Level 1 - Quoted (unadjusted) market prices in active markets for identical assets or liabilities
- Level 2 - Valuation techniques for which the lowest level input that is significant to the fair value measurement is directly or indirectly observable
- Level 3 - Valuation techniques for which the lowest level input that is significant to the fair value measurement is unobservable

For assets and liabilities that are recognized in the consolidated financial statements on a recurring basis, the Group determines whether transfers have occurred between Levels in the hierarchy by reassessing categorization (based on the lowest level input that is significant to the fair value measurement as a whole) at the end of each reporting date.

Where the fair values of financial assets and financial liabilities recorded in the consolidated statement of financial position cannot be derived from active markets, they are determined using internal valuation techniques using generally accepted market valuation models. The inputs to these models are taken from observable markets where possible, but where this is not feasible, estimates are used in establishing fair values. These estimates may include considerations of liquidity and model inputs such as correlation and volatility for longer dated derivatives.

Deferred Financing Costs

Deferred financing costs represent debt issue costs arising from the fees incurred to obtain project financing. This is included in the initial measurement of the related debt. The deferred financing costs are treated as a discount on the related debt and are amortized using the effective interest rate (EIR) method over the term of the related debt.

Recognition and Measurement of Financial Instruments

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

Financial assets

Initial recognition and measurement

Financial assets are classified, at initial recognition, as subsequently measured at amortized cost, fair value through OCI and FVPL.

The classification of financial assets at initial recognition that are debt instruments depends on the financial asset’s contractual cash flow characteristics and the Group’s business model for managing them. With the exception of trade receivables that do not contain a significant financing component or for which the Group has applied the practical expedient, the Group initially measures a financial asset at its fair value plus, in the case of a financial asset not at FVPL, transaction costs.

Trade receivables that do not contain a significant financing component or for which the Group has applied the practical expedient for contracts that have a maturity of one year or less, are measured at the transaction price determined under PFRS 15 (refer to the accounting policies in *Revenue from contracts with customers*).

In order for a financial asset to be classified and measured at amortized cost or fair value through OCI, it needs to give rise to cash flows that are 'solely payments of principal and interest (SPPI)' on the principal amount outstanding. This assessment is referred to as the SPPI test and is performed at an instrument level.

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

Purchases or sales of financial assets that require delivery of assets within a time frame established by regulation or convention in the market place (regular way trades) are recognized on the trade date, i.e., the date that the Group commits to purchase or sell the asset.

As of December 31, 2019 and 2018, the Group's financial assets compromise of financial assets at amortized cost and financial asset at FVTPL.

Subsequent measurement
For purposes of subsequent measurement, financial assets are classified in to two (2) categories:

- Financial assets at amortized cost (debt instruments)
- Financial asset at FVPL

Financial assets at amortized cost (debt instruments)
This category is the most relevant to the Group. The Group measures financial assets at amortized cost if both of the following conditions are met:

- the asset is held within a business model with the objective to hold financial assets in order to collect contractual cash flows; and,
- the contractual terms of the financial asset give rise on specified dates to cash flows that are SPPI on the principal amount outstanding.

Financial assets at amortized cost are subsequently measured using the EIR method and are subject to impairment. Gains and losses are recognized in profit or loss when the asset is derecognized, modified or impaired.

The Group's financial assets at amortized cost includes cash and cash equivalents, receivables and environmental guarantee fund (included under other noncurrent assets).

Financial asset at FVPL
Financial asset at FVPL include financial assets held for trading, financial assets designated upon initial recognition at fair value through profit or loss, or financial assets mandatorily required to be measured at fair value. Financial assets are classified as held for trading if they are acquired for the purpose of selling or repurchasing in the near term. Derivatives, including separated embedded derivatives, are also classified as held for trading unless they are designated as effective hedging instruments. Financial assets with cash flows that are not SPPI are classified and measured at FVPL, irrespective of the business model. Notwithstanding the criteria for debt instruments to be classified

at amortized cost or at fair value through OCI, as described above, debt instruments may be designated at FVPL on initial recognition if doing so eliminates, or significantly reduces, an accounting mismatch.

Financial asset at FVPL is carried in the consolidated statement of financial position at fair value with net changes in fair value recognized in profit or loss.

This category includes derivatives arising from Contract for Differences entered with a third party as disclosed in Note 6 to consolidated financial statements and is included under 'Other current and noncurrent assets' in the consolidated statement of financial position (see Notes 9 and 12).

A derivative embedded in a hybrid contract, with a financial liability or nonfinancial host, is separated from the host and accounted for as a separate derivative if: the economic characteristics and risks are not closely related to the host; a separate instrument with the same terms as the embedded derivative would meet the definition of a derivative; and the hybrid contract is not measured at fair value through profit or loss. Embedded derivatives are measured at fair value with changes in fair value recognized in profit or loss. Reassessment only occurs if there is either a change in the terms of the contract that significantly modifies the cash flows that would otherwise be required or a reclassification of a financial asset out of the FVPL category.

A derivative embedded within a hybrid contract containing a financial asset host is not accounted for separately. The financial asset host together with the embedded derivative is required to be classified in its entirety as a financial asset at FVPL.

Derecognition
A financial asset (or, where applicable, a part of a financial asset or part of a group of similar financial assets) is primarily derecognized (i.e., removed from the consolidated statement of financial position) when:

- the rights to receive cash flows from the asset have expired, or,
- the Group has transferred its rights to receive cash flows from the asset or has assumed an obligation to pay the received cash flows in full without material delay to a third party under a 'pass-through' arrangement; and either (a) the Group has transferred substantially all the risks and rewards of the asset, or (b) the Group has neither transferred nor retained substantially all the risks and rewards of the asset, but has transferred control of the asset.

When the Group has transferred its rights to receive cash flows from an asset or has entered into a pass-through arrangement, it evaluates if, and to what extent, it has retained the risks and rewards of ownership. When it has neither transferred nor retained substantially all of the risks and rewards of the asset, nor transferred control of the asset, the Group continues to recognize the transferred asset to the extent of its continuing involvement. In that case, the Group also recognized an associated liability. The transferred asset and the associated liability are measured on a basis that reflects the rights and obligations that the Group has retained.

Continuing involvement that takes the form of a guarantee over the transferred asset is measured at the lower of the original carrying amount of the asset and the maximum amount of consideration that the Group could be required to repay.

Impairment of financial assets
The Group recognizes an allowance for ECLs for all debt instruments not held at FVPL. ECLs are based on the difference between the contractual cash flows due in accordance with the contract and all the cash flows that the Group expects to receive, discounted at an approximation of the original EIR. The expected cash flows will include cash flows from the sale of collateral held or other credit enhancements that are integral to the contractual terms.

ECLs are recognized in two stages. For credit exposures for which there has not been a significant increase in credit risk since initial recognition, ECLs are provided for credit losses that result from default events that are possible within the next 12 months (a 12-month ECL). For those credit exposures for which there has been a significant increase in credit risk since initial recognition, a loss allowance is required for credit losses expected over the remaining life of the exposure, irrespective of the timing of the default (a lifetime ECL).

For trade receivables, the Group applies a simplified approach in calculating ECLs. Therefore, the Group does not track changes in credit risk, but instead recognizes a loss allowance based on lifetime ECLs at each reporting date. The Group has established a provision matrix that is based on its historical credit loss experience, adjusted for forward-looking factors specific to the debtors and the economic environment.

The Group considers a financial asset in default when contractual payments are 30 days past due. However, in certain cases, the Group may also consider a financial asset to be in default when internal or external information indicates that the Group is unlikely to receive the outstanding contractual amounts in full before taking into account any credit enhancements held by the Group. A financial asset is written off when there is no reasonable expectation of recovering the contractual cash flows.

Financial liabilities
Initial recognition and measurement
Financial liabilities are classified, at initial recognition, as financial liabilities at FVPL, loans and borrowings, payables, or as derivatives designated as hedging instruments in an effective hedge, as appropriate.

All financial liabilities are recognized initially at fair value and, in the case of loans and borrowings and payables, net of directly attributable transaction costs.

The Group's financial liabilities are trade and other payables (except statutory payables), short-term loans and long-term debt.

Subsequent measurement
The measurement of financial liabilities depends on their classification, as described below:

Financial liabilities at FVPL
Financial liabilities at FVPL include financial liabilities held for trading and financial liabilities designated upon initial recognition as at FVPL.

Financial liabilities are classified as held for trading if they are incurred for the purpose of repurchasing in the near term. This category also includes derivative financial instruments entered into by the Group that are not designated as hedging instruments in hedge relationships as defined by PFRS 9. Separated embedded derivatives are also classified as held for trading unless they are designated as effective hedging instruments.

Gains or losses on liabilities held for trading are recognized in the consolidated statement of comprehensive income.

Financial liabilities designated upon initial recognition at fair value through profit or loss are designated at the initial date of recognition, and only if the criteria in PFRS 9 are satisfied. The Group has not designated any financial liability as at FVPL.

Loans and borrowings (Financial liabilities at amortized cost)
This is the category most relevant to the Group. After initial recognition, interest-bearing loans and borrowings are subsequently measured at amortized cost using the EIR method. Gains and losses are recognized in profit or loss when the liabilities are derecognized as well as through the EIR amortization process.

Amortized cost is calculated by taking into account any discount or premium on acquisition and fees or costs that are an integral part of the EIR. The EIR amortization is included as finance costs in consolidated comprehensive income.

This category generally applies to trade and other payables, short-term loans and long-term debt.

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

<u>Offsetting of financial instruments</u>
Financial assets and financial liabilities are offset and the net amount is reported in the consolidated statement of financial position if there is a currently enforceable legal right to offset the recognized amounts and there is an intention to settle on a net basis, to realize the assets and settle the liabilities simultaneously.

'Day 1' difference
For transactions other than those related to customers' guaranty and other deposits, where the transaction price in a non-active market is different to the fair value from other observable current market transactions in the same instrument or based on a valuation technique whose variables include only data from observable market, the Group recognizes the difference between the transaction price and fair value (a 'Day 1' difference) in the consolidated statement of comprehensive income unless it qualifies for recognition as some other type of asset. In cases where the valuation technique used is made of data which is not observable, the difference between the transaction price and model value is only recognized in the consolidated statement of comprehensive income when the inputs become observable or when the instrument is derecognized. For each transaction, the Group determines the appropriate method of recognizing the 'Day 1' difference amount.

Recognition and Measurement of Financial Instruments (Prior to January 1, 2018)

Financial asset at FVPL
Financial asset at FVPL includes financial assets held for trading and financial assets designated upon initial recognition at fair value through profit or loss. Financial assets are classified as held for trading, if they are acquired for the purpose of selling or repurchasing in the near term. Derivatives, including separated embedded derivatives, are also classified as held for trading unless they are designated as effective hedging instruments as defined by PAS 39. The Group has not designated any financial asset at FVPL. Financial asset at FVPL is carried in the consolidated statement of financial position at fair value with net changes in fair value presented as ‘Gain on financial asset at FVPL’ under ‘Other income’ in the consolidated statement of comprehensive income.

Derivatives embedded in host contracts are accounted for as separate derivatives and recorded at fair value if their economic characteristics and risks are not closely related to those of the host contracts and the host contracts are not held for trading or designated at fair value through profit or loss. These embedded derivatives are measured at fair value with changes in FVPL. Reassessment only occurs if there is either a change in the terms of the contract that significantly modifies the cash flows that would otherwise be required or a reclassification of a financial asset out of the FVPL category.

Financial asset at FVPL relates to derivative arising from contracts for differences entered with a third party as disclosed in Note 6 to consolidated financial statements and is included under ‘Other current and noncurrent assets’ in the consolidated statement of financial position.

Impairment of Financial Assets (Prior to January 1, 2018)

The Group assesses at each reporting date whether there is objective evidence that a financial asset or group of financial assets is impaired. A financial asset or a group of financial assets is deemed to be impaired if, and only if, there is objective evidence of impairment as a result of one or more events that has occurred after the initial recognition of the asset (an incurred ‘loss event’) and that loss event (or events) has an impact on the estimated future cash flows of the financial asset or the group of financial assets that can be reliably estimated.

Evidence of impairment may include indications that the borrower or a group of borrowers is experiencing significant financial difficulty, default or delinquency in interest or principal payments, the probability that they will enter bankruptcy or other financial reorganization and where observable data indicate that there is measurable decrease in the estimated future cash flows, such as changes in arrears or economic conditions that correlate with defaults.

Loans and receivables
For loans and receivables carried at amortized cost, the Group first assesses whether objective evidence of impairment exists individually for financial assets that are individually significant, or collectively for financial assets that are not individually significant. If the Group determines that no objective evidence of impairment exists for individually assessed financial asset, whether significant or not, it includes the asset in a group of financial assets with similar credit risk characteristics and collectively assessed for impairment. Those characteristics are relevant to the estimation of future cash flows for groups of such assets by being indicative of the debtors’ ability to pay all amounts due according to the contractual terms of the assets being evaluated. Assets that are individually assessed for impairment and for which an impairment loss is, or continues to be, recognized are not included in a collective assessment for impairment.

For the purpose of a collective evaluation of impairment, financial assets are grouped on the basis of such credit risk characteristics as industry, customer type, customer location, past-due status and term. Future cash flows in a group of financial assets that are collectively evaluated for impairment are estimated on the basis of historical loss experience for assets with credit risk characteristics similar to those in the group. Historical loss experience is adjusted on the basis of current observable data to reflect the effects of current conditions that did not affect the period on which the historical loss experience is based and to remove the effects of conditions in the historical period that do not exist currently. The methodology and assumptions used for estimating future cash flows are reviewed regularly by the Group to reduce any differences between loss estimates and actual loss experience.

In relation to trade receivables, a provision for impairment is made when there is objective evidence (such as the probability of insolvency or significant financial difficulties of the debtor) that the Group will not be able to collect all of the amounts due under the original terms of the invoice.

If there is objective evidence that an impairment loss has been incurred, the amount of the loss is measured as the difference between the asset's carrying amount and the present value of the estimated future cash flows (excluding future credit losses that have not been incurred) discounted at the financial assets' original EIR (i.e., the EIR computed at initial recognition). If a loan has a variable interest rate, the discount rate for measuring any impairment loss is the current EIR.

The carrying amount of the asset is reduced through use of an allowance account and the amount of loss is charged to the consolidated statement of comprehensive income during the period in which it arises. Interest income continues to be recognized based on the original EIR of the asset. Receivables, together with the associated allowance accounts, are written off when there is no realistic prospect of future recovery has been realized and all collateral has been realized or has been transferred to the Group.

If, in a subsequent year, the amount of the estimated impairment loss decreases because of an event occurring after the impairment was recognized, the previously recognized impairment loss is reversed. Any subsequent reversal of an impairment loss is recognized in consolidated statement of comprehensive income, to the extent that the carrying value of the asset does not exceed its amortized cost at the reversal date.

Inventories

Inventories are valued at the lower of cost and net realizable value (NRV). NRV is the estimated selling price in the ordinary course of business, less estimated costs necessary to make the sale for coal inventory or replacement cost for spare parts and supplies. Cost is determined using the weighted average production cost method for coal inventory and the moving average method for spare parts and supplies.

The cost of extracted coal includes stripping costs and other mine-related costs incurred during the period and allocated on per metric ton basis by dividing the total production cost with total volume of coal produced. Except for ship loading cost, which is a period cost, all other production related costs are charged to production cost. Spare parts and supplies are usually carried as inventories and are recognized in the consolidated statement of comprehensive income when consumed.

Inventories transferred to property, plant and equipment are used as a component of self-constructed property, plant and equipment and are recognized as expense during useful life of that asset. Transfers of inventories to property, plant and equipment do not change the carrying amount of the inventories.

Exploration and Evaluation Asset
Exploration and evaluation activity involves the search for mineral resources, the determination of technical feasibility and the assessment of commercial viability of an identified resource.

Exploration and evaluation activity includes:

- Researching and analyzing historical exploration data
- Gathering exploration data through geophysical studies
- Exploratory drilling and sampling
- Determining and examining the volume and grade of the resource
- Surveying transportation and infrastructure requirements
- Conducting market and finance studies

License costs paid in connection with a right to explore in an existing exploration area are capitalized and amortized over the term of the permit. Once the legal right to explore has been acquired, exploration and evaluation expenditure is charged to consolidated statement of comprehensive income as incurred, unless the Group's management concludes that a future economic benefit is more likely than not to be realized. These costs include materials and fuel used, surveying costs, drilling costs and payments made to contractors.

In evaluating whether the expenditures meet the criteria to be capitalized, several different sources of information are used. The information that is used to determine the probability of future benefits depends on the extent of exploration and evaluation that has been performed.

Expenditure is transferred from 'Exploration and evaluation asset' to 'Mine properties, mining tools and other equipment' which is included under 'Property, plant and equipment' once the work completed to date supports the future development of the property and such development receives appropriate approvals.

After transfer of the exploration and evaluation asset, all subsequent expenditure on the construction, installation or completion of infrastructure facilities is capitalized in 'Mine properties, mining tools and other equipment'.

Stripping Costs
As part of its mining operations, the Group incurs stripping (waste removal) costs both during the development phase and production phase of its operations. Stripping costs incurred in the development phase of a mine, before the production phase commences (development stripping), are capitalized as part of the cost of mine properties and subsequently amortized over its useful life using the units-of-production method over the mine life. The capitalization of development stripping costs ceases when the mine/component is commissioned and ready for use as intended by management.

After the commencement of production further development of the mine may require a phase of unusually high stripping that is similar in nature to development phase stripping. The costs of such stripping are accounted for in the same way as development stripping (as discussed above). Stripping costs incurred during the production phase are generally considered to create two benefits, being either the production of inventory or improved access to the coal body to be mined in the future. Where the benefits are realized in the form of inventory produced in the period, the production stripping costs are accounted for as part of the cost of producing those inventories.

Where the benefits are realized in the form of improved access to ore to be mined in the future, the costs are recognized as a noncurrent asset, referred to as a stripping activity asset, if the following criteria are met:

- Future economic benefits (being improved access to the coal body) are probable;
- The component of the coal body for which access will be improved can be accurately identified; and,
- The costs associated with the improved access can be reliably measured.

If all of the criteria are not met, the production stripping costs are charged to the consolidated statement of comprehensive income as operating costs as they are incurred.

In identifying components of the coal body, the Group works closely with the mining operations department for each mining operation to analyze each of the mine plans. Generally, a component will be a subset of the total coal body, and a mine may have several components. The mine plans, and therefore the identification of components, can vary between mines for a number of reasons. These include, but are not limited to: the type of commodity, the geological characteristics of the coal body, the geographical location, and/or financial considerations.

The stripping activity asset is initially measured at cost, which is the accumulation of costs directly incurred to perform the stripping activity that improves access to the identified component of coal body, plus an allocation of directly attributable overhead costs. If incidental operations are occurring at the same time as the production stripping activity, but are not necessary for the production stripping activity to continue as planned, these costs are not included in the cost of the stripping activity asset. If the costs of the inventory produced and the stripping activity asset are not separately identifiable, a relevant production measure is used to allocate the production stripping costs between the inventory produced and the stripping activity asset. This production measure is calculated for the identified component of the coal body and is used as a benchmark to identify the extent to which the additional activity of creating a future benefit has taken place.

The stripping activity asset is accounted for as an addition to, or an enhancement of, an existing asset, being the mine asset, and is included as part of 'Mine properties, mining tools and other equipment' under 'Property, plant and equipment' in the consolidated statement of financial position. This forms part of the total investment in the relevant cash generating unit, which is reviewed for impairment if events or changes of circumstances indicate that the carrying value may not be recoverable.

The stripping activity asset is subsequently depreciated using the units-of-production method over the life of the identified component of the coal body that became more accessible as a result of the stripping activity. Economically recoverable reserves, which comprise proven and probable reserves, are used to determine the expected useful life of the identified component of the coal body. The stripping activity asset is then carried at cost less amortization and any impairment losses.

<u>Mineable Ore Reserves</u>
Mineable ore reserves are estimates of the amount of coal that can be economically and legally extracted from the Group's mining properties. The Group estimates its mineable ore reserves based on information compiled by appropriately qualified persons relating to the geological data on the size, depth and shape of the coal body, and require complex geological judgments to interpret the data.

The estimate on the mineable ore reserve are determined based on the information obtained from activities such as drilling, core logging or geophysical logging, coal sampling, sample database encoding, coal seam correlation and geological modelling. The Group will then estimate the recoverable reserves based upon factors such as estimates of commodity prices, future capital requirements, foreign currency exchange rates, and production costs along with geological assumptions and judgments made in estimating the size and grade of the coal body. Changes in the reserve or resource estimates may impact the amortization of mine properties included as part of 'Mine properties, mining tools and other equipment' under 'Property, plant and equipment'.

Property, Plant and Equipment
Upon completion of exploration, evaluation and development of the mine, the capitalized assets are transferred into property, plant and equipment. Items of property, plant and equipment except land, equipment in transit and construction in progress are carried at cost less accumulated depreciation and any impairment in value.

The initial cost of property, plant and equipment also comprises its purchase price or construction cost, including non-refundable import duties, taxes, borrowing costs and any directly attributable costs of bringing the asset to its working condition and location for its intended use. Expenditures incurred after the fixed assets have been put into operation, such as repairs and maintenance and overhaul costs, are normally charged to operations in the year when the costs are incurred. In situations where it can be clearly demonstrated that the expenditures have resulted in an increase in the future economic benefits expected to be obtained from the use of an item of property, plant and equipment beyond its originally assessed standard of performance, and the costs of these items can be measured reliably, the expenditures are capitalized as an additional cost of the property, plant and equipment. The present value of the expected cost for the decommissioning of the asset after its use is included in the cost of the respective asset if the recognition criteria for a provision are met.

Equipment in transit and construction in progress, included in property, plant and equipment, are stated at cost. Construction in progress includes the cost of the construction of property, plant and equipment and, for qualifying assets, borrowing cost. Equipment in transit includes the acquisition cost of mining equipment and other direct costs.

Mine properties consist of stripping activity asset and expenditures transferred from 'Exploration and evaluation asset' once the work completed supports the future development of the property.

Mine properties are depreciated or amortized on a units-of-production basis over the economically mineable reserves of the mine concerned. Mine properties are included as part of 'Mine properties, mining tools and other equipment' under 'Property, plant and equipment' in the consolidated statement of financial position.

Each part of an item of property, plant and equipment with a cost that is significant in relation to the total cost of the item is depreciated separately.

Depreciation of property, plant and equipment commences once the assets are put into operational use.

Depreciation of property, plant and equipment are computed on a straight-line basis over the estimated useful lives (EUL) of the respective assets or over the remaining life of the mine, whichever is shorter, as follows:

	Years
Mining tools and other equipment	2 to 3
Power plant and buildings	10 to 25
Roads and bridges	17

The EUL and depreciation method are reviewed periodically to ensure that the period and method of depreciation are consistent with the expected pattern of economic benefits from items of property, plant and equipment.

Land is stated at historical cost less any accumulated impairment losses. Historical cost includes the purchase price and directly attributable costs.

An item of property, plant and equipment is derecognized upon disposal or when no future economic benefits are expected to arise from the continued use of the asset. When assets are retired, or otherwise disposed of, the cost and the related accumulated depreciation are removed from the accounts. Any gain or loss arising from derecognition of the asset (calculated as the difference between the net disposal proceeds and the carrying amount of the item) is included in the consolidated statement of comprehensive income in the year the item is derecognized.

Intangible Assets

Intangible assets acquired separately are measured on initial recognition at cost. The cost of intangible assets acquired in a business combination is their fair value at the date of acquisition.

Following initial recognition, intangible assets are carried at cost less any accumulated amortization and accumulated impairment losses. Internally generated intangibles, excluding capitalized development costs, are not capitalized and the related expenditure is reflected in the consolidated statement of comprehensive income in the period in which the expenditure is incurred.

he useful lives of intangible assets are assessed as either finite or indefinite. Intangible assets with finite lives are amortized over the useful economic life and assessed for impairment whenever there is an indication that the intangible asset may be impaired. The amortization period and the amortization method for an intangible asset with a finite useful life are reviewed at least at the end of each reporting date. Changes in the life or the expected pattern of consumption of future economic benefits embodied in the asset are considered to modify the amortization period or method, as appropriate, and are treated as changes in accounting estimates. The amortization expense on intangible assets with finite lives is recognized in the consolidated statement of comprehensive income as the expense category that is consistent with the function of the intangible assets.

Intangible assets with indefinite useful lives are not amortized, but are tested for impairment annually, either individually or at the cash-generating unit level. The assessment of indefinite life is reviewed annually to determine whether the indefinite life continues to be supportable.

If not, the change in useful life from indefinite to finite is made on a prospective basis.

Gains or losses arising from derecognition of an intangible asset are measured as the difference between the net disposal proceeds and the carrying amount of the asset and are recognized in the consolidated statement of comprehensive income when the asset is derecognized.

Research and development costs
Research costs are expensed as incurred. Development expenditures on an individual project are recognized as an intangible asset when the Group can demonstrate:

- The technical feasibility of completing the intangible asset so that the asset will be available for use or sale
- Its intention to complete and its ability to use or sell the asset
- How the asset will generate future economic benefits
- The availability of resources to complete the asset
- The ability to measure reliably the expenditure during development
- The ability to use the intangible asset generated

Following initial recognition of the development expenditure as an asset, the asset is carried at cost less any accumulated amortization and accumulated impairment losses. Amortization of the asset begins when development is complete and the asset is available for use. It is amortized over the period of expected future benefit. Amortization is recorded in cost of sales of the consolidated statement of comprehensive income. During the period of development, the asset is tested for impairment annually.

Input Value-Added Taxes (VAT)
Input tax represents VAT imposed on the Group by its suppliers and contractors for the acquisition of goods and services required under Philippine taxation laws and regulations. Input VAT is applied against output VAT. The balance, net of the related allowance, is recoverable in future periods. The input tax can also be recovered as tax credit under certain circumstances against future income tax liability of the Group upon approval of the BIR and/or Bureau of Customs. Input tax is stated at its estimated net realizable values. A valuation allowance is provided for any portion of the input tax that cannot be claimed against output tax or recovered as tax credit against future income tax liability. Input tax is recorded under current and noncurrent assets in the consolidated statement of financial position.

For its VAT-registered activities, when VAT from sales of goods and/or services (output VAT) exceeds VAT passed on from purchases of goods or services (input VAT), the excess is recognized as payable in the consolidated statement of financial position. When VAT passed on from purchases of goods or services (input VAT) exceeds VAT from sales of goods and/or services (output VAT), the excess is recognized as an asset in the consolidated statement of financial position up to the extent of the recoverable amount.

For its non-VAT registered activities, the amount of VAT passed on from its purchases of goods or service is recognized as part of the cost of goods/asset acquired or as part of the expense item, as applicable.

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

The considerations made in determining joint control are similar to those necessary to determine control over subsidiaries. The Group's investment in joint venture is accounted for using the equity method.

Under the equity method, the investment in joint venture is initially recognized at cost. The carrying amount of the investment is adjusted to recognize changes in the Group's share of net assets of joint venture since the acquisition date. Goodwill relating to the joint venture is included in the carrying amount of the investment and is neither amortized and is not tested for impairment individually.

Other Assets

Other assets pertain to all other resources controlled by the Group as a result of past events and from which future economic benefits are probable to flow to the Group.

Impairment of Nonfinancial Assets

The Group assesses at each reporting date whether there is an indication that its nonfinancial assets (investment in joint venture, right-of-use assets, other current and noncurrent assets (except for financial asset at FVPL), and property, plant and equipment) may be impaired. If any such indication exists, or when an annual impairment testing for an asset is required, the Group makes an estimate of the asset's recoverable amount.

Investment in joint venture

The Group determines at each reporting date whether there is any objective evidence that the investment in joint venture is impaired. If this is the case, the Group calculates the amount of impairment as being the difference between the recoverable amount (i. e. higher between fair value less cost to sell and value in use) and the carrying value of the investee company and recognizes the difference in the consolidated statement of comprehensive income.

Property, plant and equipment, right-of-use assets and other current and noncurrent assets

An asset's recoverable amount is the higher of an asset's or cash generating unit's fair value less cost to sell and its value in use and is determined for an individual asset, unless the asset does not generate cash inflows that largely independent of those from other assets or group of assets. Where the carrying amount of an asset exceeds its recoverable amount, the asset is considered impaired and is written down to its recoverable amount. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. In determining fair value less costs to sell, an appropriate valuation model is used. These calculations are corroborated by valuation multiples or other available fair value indicators.

Impairment losses are recognized in the consolidated statement of comprehensive income in those expense categories consistent with the function of the impaired asset.

An assessment is made at each reporting date as to whether there is any indication that previously recognized impairment losses may no longer exist or may have decreased. If any such indication exists, the recoverable amount is estimated. A previously recognized impairment loss is reversed only if there has been a change in the estimates used to determine the asset's recoverable amount since the last impairment loss was recognized. If such is the case, the carrying amount of the asset is increased to its recoverable amount. That increased amount cannot exceed the carrying amount that would have been determined, net of depreciation or amortization, had no impairment loss been recognized for the asset in prior years.

For property, plant and equipment, right-of-use assets and other current and noncurrent assets, reversal is recognized in the consolidated statement of comprehensive income, unless the asset is carried at revalued amount, in which case, the reversal is treated as a revaluation increase. After such reversal, the depreciation charge is adjusted in future periods to allocate the asset's revised carrying amount, less any residual value, on a systematic basis over its remaining useful life.

Revenue and Income Recognition

Revenue from Contracts with Customers

The Group primarily derives its revenue from the sale of coal and power. Revenue from contracts with customers is recognized when control of the goods or services is transferred to the customer at an amount that reflects the consideration to which the Group expects to be entitled in exchange for those goods or services. The Group has generally concluded that it is acting as principal in all of its significant revenue arrangements since it is the primary obligor in these revenue arrangements.

The disclosures of significant accounting judgements, estimates and assumptions relating to revenue from contracts with customers are provided in Note 3.

Sale of coal

Revenue is recognized when control passes to the customer, which occurs at a point in time when the coal is physically transferred onto a vessel or other delivery mechanism. The revenue is measured at the amount to which the Group expects to be entitled, being the price expected to be received upon final billing, and a corresponding trade receivable is recognized.

Revenue from local and export coal sales are denominated in Philippine Peso and US Dollar (US$), respectively.

Contract energy sales

Revenue from contract energy sales are derived from providing and selling electricity to customers of the generated and purchased electricity. The Group recognizes revenue from contract energy sales over time, using an output method measured principally on actual energy delivered each month.

Spot electricity sales

Revenue from spot electricity sales are derived from the sale to the spot market of excess generated electricity over the contracted energy using price determined by the spot market, also known as Wholesale Electricity Spot Market (WESM), the market where electricity is traded, as mandated by Republic Act (RA) No. 9136 of the Department of Energy (DOE). Revenue from spot electricity sales is recognized over time using an output method measured principally on actual excess generation delivered to WESM.

Under PFRS 15, the Group has concluded that revenue should be recognized over time since the customer simultaneously receives and consumes the benefits as the seller supplies power. In this case, any fixed capacity payments for the entire contract period is determined at contract inception and is recognized over time. The Group has concluded that revenue should be recognized over time and will continue to recognize revenue based on amounts billed.

Dividend Income

Dividend income is recognized when the Group's right to receive payment is established, which is generally when shareholders approve the dividend.

Finance income

Finance income is recognized as it accrues (using the EIR method that is the rate that exactly discounts estimated future cash receipts through the expected life of the financial instrument to the net carrying amount of the financial assets).

Other income

Other income is recognized when receipts of economic benefits are virtually certain and comes in the form of inflows or enhancements of assets or decreases of liabilities that results in increases in equity, other than from those relating to contributions from equity participants.

Revenue Recognition (Prior to January 1, 2018)
Revenue is recognized to the extent that it is probable that the economic benefits will flow to the Group and the revenue can be reliably measured. Revenue is measured at the fair value of the consideration received or receivable, taking into account contractually defined terms of payment and excluding taxes or duty. The Group assesses its revenue arrangements against specific criteria in order to determine if it is acting as principal or agent. The Group has concluded that it is acting as principal in all of its significant revenue arrangements since it is the primary obligor in these revenue arrangements.

The following specific recognition criteria must also be met before revenue is recognized:

Sale of coal
Revenue from coal sales is recognized upon acceptance of the goods delivered when the significant risks and rewards of ownership of the goods have passed to the buyer and the amount of revenue can be measured reliably. Revenue from local and export coal sales are denominated in Philippine Peso and US$, respectively.

Contract energy sales
Revenue from contract energy sales are derived from providing and selling electricity to customers of the generated and purchased electricity. Revenue is recognized based on the actual energy received or actual energy nominated by the customer, net of adjustments, as agreed upon between parties.

Spot electricity sales
Revenue from spot electricity sales are derived from the sale to the spot market of excess generated electricity over the contracted energy using price determined by the spot market, also known as WESM, the market where electricity is traded, as mandated by RA No. 9136 of the DOE. Revenue is recognized based on the actual excess generation delivered to the WESM.

Cost of Sales
Cost of coal
Cost of coal includes directly related production costs such as materials and supplies, fuel and lubricants, outside services, depreciation and amortization, provision for decommissioning and site rehabilitation, direct labor and other related production overhead. These costs are recognized when the related revenue is recognized.

Cost of power
Cost of power includes costs directly related to the production and sale of electricity such as cost of coal, coal handling expenses, bunker, lube, diesel, depreciation and other related production overhead costs. Cost of power are recognized at the time the related coal, bunker, lube and diesel inventories are consumed for the production of electricity. Cost of power also includes electricity purchased from the spot market and its related market fees. These costs are recognized when the Group receives the electricity and simultaneously sells to its customers.

Operating Expenses
Operating expenses are expenses that arise in the course of the ordinary operations of the Group. These usually take the form of an outflow or decrease of assets or incurrence of liabilities that result in decrease in equity, other than those relating to distribution to equity participants. Expenses are recognized in the consolidated statement of comprehensive income as incurred.

Contract balances

Trade receivables

Trade receivables represent the Group's right to an amount of consideration that is unconditional (i.e., only the passage of time is required before payment of the consideration is due).

Contract fulfillment costs

The Group incurs shiploading costs for each coal delivery made under its contracts with customers. The Group has elected to apply the optional practical expedient for costs to fulfill a contract which allows the Group to immediately expense shiploading costs (presented as part of cost of sales under 'Hauling and shiploading costs') because the amortization period of the asset that the Group otherwise would have used is one (1) year or less.

Borrowing Costs

Borrowing costs directly relating to the acquisition, construction or production of a qualifying capital project under construction are capitalized and added to the project cost during construction until such time the assets are considered substantially ready for their intended use i.e., when they are capable of commercial production. Where funds are borrowed specifically to finance a project, the amount capitalized represents the actual borrowing costs incurred. Where surplus funds are available for a short term, out of money borrowed specifically to finance a project, the income generated from the temporary investment of such amounts is also capitalized and deducted from the total capitalized borrowing cost. Where the funds used to finance a project form part of general borrowings, the amount capitalized is calculated using a weighted average of rates applicable to relevant general borrowings of the Group during the period.

All other borrowing costs are recognized in the consolidated statement of comprehensive income in the period in which they are incurred.

Pension Cost

The Group has a noncontributory defined benefit plan. The net defined benefit liability or asset is the aggregate of the present value of the defined benefit liability at the end of reporting date reduced by the fair value of plan assets (if any), adjusted for any effect of limiting a net defined benefit asset to the asset ceiling. The asset ceiling is the present value of any economic benefits available in the form of refunds from the plan or reductions in future contributions to the plan.

The cost of providing benefits under the defined benefit plan is actuarially determined using the projected unit credit method.

Defined benefit costs comprise the following:

- Service costs
- Net interest on the net defined benefit liability or asset
- Remeasurements of net defined benefit liability or asset

Service costs which include current service costs, past service costs and gains or losses on non-routine settlements are recognized as expense in consolidated statement of comprehensive income. Past service costs are recognized when plan amendment or curtailment occurs. These amounts are calculated periodically by an independent qualified actuary.

Net interest on the net defined benefit liability or asset is the change during the period in the net defined benefit liability or asset that arises from the passage of time which is determined by applying the discount rate based on government bonds to the net defined benefit liability or asset. Net interest on the net defined benefit liability or asset is recognized as expense or income in the consolidated statement of comprehensive income.

Remeasurements comprising actuarial gains and losses, return on plan assets and any change in the effect of the asset ceiling (excluding net interest on defined benefit liability) are recognized immediately in OCI in the period in which they arise. Remeasurements are not reclassified to consolidated statement of comprehensive income in subsequent periods.

Plan assets are assets that are held by a long-term employee benefit fund or qualifying insurance policies. Plan assets are not available to the creditors of the Group, nor can they be paid directly to the Group. Fair value of plan assets is based on market price information. When no market price is available, the fair value of plan assets is estimated by discounting expected future cash flows using a discount rate that reflects both the risk associated with the plan assets and the maturity or expected disposal date of those assets (or, if they have no maturity, the expected period until the settlement of the related liabilities). If the fair value of the plan assets is higher than the present value of the defined benefit liability, the measurement of the resulting defined benefit asset is limited to the present value of economic benefits available in the form of refunds from the plan or reductions in future contributions to the plan.

The Group's right to be reimbursed of some or all of the expenditure required to settle a defined benefit liability is recognized as a separate asset at fair value when and only when reimbursement is virtually certain.

Termination benefit
Termination benefits are employee benefits provided in exchange for the termination of an employee's employment as a result of either an entity's decision to terminate an employee's employment before the normal retirement date or an employee's decision to accept an offer of benefits in exchange for the termination of employment.

A liability and expense for a termination benefit is recognized at the earlier of when the entity can no longer withdraw the offer of those benefits and when the entity recognizes related restructuring costs. Initial recognition and subsequent changes to termination benefits are measured in accordance with the nature of the employee benefit, as either post-employment benefits, short-term employee benefits, or other long-term employee benefits.

Employee leave entitlement
Employee entitlements to annual leave are recognized as a liability when they are accrued to the employees. The undiscounted liability for leave expected to be settled wholly within 12 months after the end of the annual reporting period is recognized for services rendered by employees up to the end of reporting date.

<u>Income Tax</u>
Current income tax
Current income tax assets and liabilities are measured at the amount expected to be recovered from or paid to the taxation authorities. The tax rates and tax laws used to compute the amount are those that are enacted or substantively enacted at the reporting date in the countries where the Group operates and generates taxable income.

Current income tax relating to items recognized directly in equity is recognized in equity and not in the consolidated statement of comprehensive income. Management periodically evaluates positions taken in the tax returns with respect to situations in which applicable tax regulations are subject to interpretation and establishes provisions where appropriate.

Deferred income tax
Deferred income tax is determined, using the liability method, on all temporary differences at the reporting date between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes.

Deferred income tax liabilities are recognized for all taxable temporary differences, with certain exceptions. Deferred income tax assets are recognized for all deductible temporary differences, carryforward of unused tax credits from the excess of minimum corporate income tax (MCIT) over the regular corporate income tax (RCIT), and unused net operating loss carryover (NOLCO), to the extent that it is probable that sufficient taxable income will be available against which the deductible temporary differences and carryforward of unused tax credits from MCIT and unused NOLCO can be utilized. Deferred income tax, however, is not recognized on temporary differences that arise from the initial recognition of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting income nor taxable income.

Deferred income tax liabilities are not provided on nontaxable temporary differences associated with investments in domestic subsidiaries and associates. With respect to investments in foreign subsidiaries and associates, deferred income tax liabilities are recognized, except where the timing of the reversal of the temporary difference can be controlled and it is probable that the temporary difference will not reverse in the foreseeable future.

The carrying amount of deferred tax assets is reviewed at each reporting date and reduced to the extent that it is no longer probable that sufficient taxable income will be available to allow all or part of the deferred tax assets to be utilized. Deferred income tax assets and liabilities are measured at the tax rates that are applicable to the period when the asset is realized or the liability is settled, based on tax rates (and tax laws) that have been enacted or substantively enacted at the reporting date.

Deferred tax relating to items recognized in OCI or directly in equity is recognized in the consolidated statement of comprehensive income and statement of changes in equity and not in profit or loss. Deferred tax assets and deferred tax liabilities are offset if a legally enforceable right exists to offset current tax assets against current tax liabilities and the deferred taxes relate to the same taxable entity and the same taxation authority.

For periods where the income tax holiday (ITH) is in effect, no deferred taxes are recognized in the consolidated financial statements as the ITH status of the subsidiary neither results in a deductible temporary difference or temporary taxable difference. However, for temporary differences that are expected to reverse beyond the ITH, deferred taxes are recognized.

Provisions
Provisions are recognized only when the Group has: (a) a present obligation (legal or constructive) as a result of a past event; (b) it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation; and (c) a reliable estimate can be made of the amount of the obligation. If the effect of the time value of money is material, provisions are determined by discounting the expected future cash flows at a pre-tax rate that reflects current market assessments of the time value of money and, where appropriate, the risks specific to the liability. Where discounting is used, the increase in the provision due to the passage of time is recognized as an

interest expense. Provisions are reviewed at each reporting date and adjusted to reflect the current best estimate.

Provision for decommissioning and site rehabilitation
The Group records the present value of estimated costs of legal and constructive obligations required to restore operating locations in the period in which the obligation is incurred. The nature of these restoration activities includes closure of plants, dismantling and removing of structures, backfilling, reforestation, rehabilitation activities on marine and rainwater conservation and maintenance of rehabilitated area.

The obligation generally arises when the asset is installed or the ground environment is disturbed at the production location. When the liability is initially recognized, the present value of the estimated cost is capitalized by increasing the carrying amount of the related mining assets and restoration of power plant sites. Over time, the discounted liability is increased for the change in present value based on the discount rates that reflect current market assessments and the risks specific to the liability. The periodic unwinding of the discount is recognized in the consolidated statement of comprehensive income as a finance cost. Additional disturbances or changes in rehabilitation costs will be recognized as additions or charges to the corresponding assets and rehabilitation liability when they occur. For closed sites, changes to estimated costs are recognized immediately in the consolidated statement of comprehensive income.

<u>Leases (Effective January 1, 2019)</u>
The Group assesses at the contract inception whether a contract is, or contains, a lease. That is, if the contract conveys the right to control the use of an identical asset for a period of time in exchange for consideration.

Group as a lessee
The Group applies a single recognition and measurement approach for all leases, except for short-term leases and leases of low-value assets. The Group recognizes lease liabilities to make lease payments and right-of-use assets representing the right to use the underlying assets.

Leases previously accounted for as operating leases
The Group recognized right-of-use assets and lease liabilities for those leases previously classified as operating leases, except for short-term leases and leases of low-value assets. The right-of-use assets for all leases were recognized based on an amount equal to lease liabilities and adjusted for any related prepaid, cost of dismantling and removing the underlying asset and accrued lease payments previously recognized, apart from the use of incremental borrowing rate at the date of initial application. Lease liabilities were recognized based on the present value of the remaining lease payments, discounted using the incremental borrowing rate at the date of initial application.

a) Right-of-use assets
   The Group recognizes right-of-use assets at the commencement date of the lease. Right-of-use assets are measured at cost, less any accumulated depreciation and impairment losses, and adjusted for any remeasurement of lease liabilities. The cost of right-of-use assets includes the amount of lease liabilities recognized, initial direct cost incurred, and lease payments made at or before the commencement date, less any lease incentives received. Right-of-use assets are depreciated on a straight-line basis over the shorter of the lease term and the estimated useful lives of the underlying assets (if depreciable).

   If ownership of the leased asset transfers to the Group at the end of the lease term or the cost reflects the exercise of a purchase option, depreciation is calculated using the estimated useful life of the asset.

The right-of-use assets are subject to impairment. Refer to the accounting policies on impairment of nonfinancial assets.

b) Lease liabilities
At the commencement date of the lease, the Group recognizes lease liabilities measured at the present value of lease payments to be made over the lease term. The lease payments include fixed payments (including in substance fixed payments), less any lease incentives receivable, variable lease payments that depend on an index or a rate, and amounts expected to be paid under residual value guarantees. The lease payments also include the exercise price of a purchase option reasonably certain to be exercised by the Group and payments of penalties for terminating a lease, if the lease term reflects the Group exercising the option to terminate. The variable lease payments that do not depend on an index or a rate are recognized as expense in the period on which the event or condition that triggers the payment occurs.

In calculating the present value of lease payments, the Group uses the incremental borrowing rate at the lease commencement date if the interest rate implicit in the lease is not readily determinable. After the commencement date, the amount of lease liabilities is increased to reflect the accretion of interest and reduced for the lease payments made. In addition, the carrying amount of lease liabilities is remeasured if there is a modification, a change in the lease term, a change in the in-substance fixed lease payments or a change in the assessment to purchase the underlying asset.

c) Short-term leases and leases of low value assets
The Group applies the short-term lease recognition exemption to its 12 months. It also applies the lease of low value assets recognition exemption to leases. Lease payments on short-term leases and leases of low-value assets are recognized as expense on a straight-line basis over the lease term.

<u>Leases (Prior to Adoption of PFRS 16)</u>
The determination of whether an arrangement is, or contains, a lease is based on the substance of the arrangement at inception date. It requires consideration as to whether the fulfillment of the arrangement is dependent on the use of a specific asset or assets or the arrangement conveys a right to use the asset.

A reassessment is made after inception of the lease only if one of the following applies:

a. There is a change in contractual terms, other than a renewal or extension of the arrangement;
b. A renewal option is exercised or extension granted, unless the term of the renewal or extension was initially included in the lease term;
c. There is a change in the determination of whether fulfillment is dependent on a specified asset; or
d. There is a substantial change to the asset.

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

Operating Lease - Group as a Lessee
Leases where the lessor retains substantially all the risks and benefits of ownership of the asset are classified as operating lease. Operating lease payments are recognized as an expense in the consolidated statement of comprehensive income on a straight-line basis over the lease term.

Foreign Currency-denominated Transactions and Translation
The consolidated financial statements are presented in Philippine Peso, which is also the Parent Company's functional currency. For each entity, the Group determines the functional currency and items included in the financial statements of each entity are measured using that functional currency. Transactions in foreign currencies are initially recorded at the functional currency rate prevailing at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies are translated at the functional currency closing rate at reporting date. All differences are taken to the consolidated statement of comprehensive income.

Equity
The Group records common stocks at par value and amount of contribution in excess of par value is accounted for as an additional paid-in capital. Incremental costs incurred directly attributable to the issuance of new shares are deducted from proceeds.

Retained earnings represent accumulated earnings of the Group less dividends declared, if any. Dividends on common stocks are recognized as a liability and deducted from equity when they are declared. Dividends for the year that are approved after reporting date are dealt with as an event after reporting date. Retained earnings may also include effect of changes in accounting policy as may be required by the standard's transitional provisions.

Earnings per Share (EPS)
Basic EPS is computed by dividing the consolidated net income for the year attributable to common shareholders (net income less dividends on convertible redeemable preferred shares) by the weighted average number of common shares issued and outstanding during the year and adjusted to give retroactive effect to any stock dividends declared during the period.

Diluted EPS is computed by dividing the net income for the year attributable to common shareholders by the weighted average number of common shares outstanding during the year adjusted for the effects of dilutive convertible redeemable preferred shares. Diluted EPS assumes the conversion of the outstanding preferred shares. When the effect of the conversion of such preferred shares is anti-dilutive, no diluted EPS is presented.

Treasury Shares
Treasury shares are recognized at cost and deducted from equity. No gain or loss is recognized in profit or loss on the purchase, sale, issue or cancellation of the Parent Company's own equity instruments. Any difference between the carrying amount and the consideration, if reissued, is recognized in additional paid-in capital. Voting rights related to treasury shares are nullified for the Group and no dividends are allocated to them. When the shares are retired, the capital stock account is reduced by its par value and the excess of cost over par value upon retirement is debited to additional paid-in capital when the shares were issued, and to retained earnings for the remaining balance.

Operating Segments
The Group's operating businesses are organized and managed separately according to the nature of the products and services provided, with each segment representing a strategic business unit that offers different products and serves different markets. The BOD is the chief operating decision maker. Segment assets and liabilities reported are those assets and liabilities included in measures that are used by the BOD. The Group generally accounts for intersegment revenues and expenses at agreed transfer prices. Income and expenses from discontinued operations are reported separate from normal income and expenses down to the level of income after taxes. Financial information on operating segments is presented in Note 33 to the consolidated financial statements.

Contingencies
Contingent liabilities are not recognized in the consolidated financial statements. These are disclosed in the notes to consolidated financial statements unless the possibility of an outflow of resources embodying economic benefits is remote. Contingent assets are not recognized in the consolidated financial statements but disclosed when an inflow of economic benefits is probable. Contingent assets are assessed continually to ensure that developments are appropriately reflected in the consolidated financial statements. If it has become virtually certain that an inflow of economic benefits will arise, the asset and the related income are recognized in the consolidated financial statements on the period in which the change occurs.

Events after Reporting Date
Post year-end events up to the date of the auditors' report that provides additional information about the Group's position at reporting date (adjusting events) are reflected in the consolidated financial statements. Any post year-end event that is not an adjusting event is disclosed when material to the consolidated financial statements.

3. Significant Accounting Judgments, Estimates and Assumptions

The preparation of the consolidated financial statements in conformity with PFRS requires management to make judgments, estimates and assumptions that affect the amounts reported in the financial statements and accompanying notes. The judgments, estimates and assumptions used in the consolidated financial statements are based upon management's evaluation of relevant facts and circumstances as of the date of the consolidated financial statements. Actual results could differ from such estimates.

Judgment
In the process of applying the Group's accounting policies, management has made the following judgments, apart from those involving estimations which have the most significant effect on the amounts recognized in the consolidated financial statements:

a. *Revenue recognition - method and measure of progress*
The Group applied the following judgements that significantly affect the determination of the amount and timing of revenue from contracts with customers:

The Group concluded that revenue from coal sales is to be recognized at a point in time as the control transfers to customers at the date of shipment, which is consistent with the point in time when risk and rewards passed under PAS 18.

On the other hand, the Group's revenue from power sales (both contract energy and spot electricity sales) is to be recognized over time because the customer simultaneously receives and consumes the benefits provided by the Group. The fact that another entity would not need to re-perform the delivery of power that the Group has provided to date demonstrates that the customer simultaneously receives and consumes the benefits as the Group performs its obligation.

The Group has determined that output method used in measuring the progress of the performance obligation faithfully depicts the Group's performance of its obligation to its customers, since the customer obtains the benefit from the Group's performance based on actual energy delivered each month.

b. *Determination of components of ore bodies and allocation measures for stripping cost*
The Group has identified that each of its two active minesites, Narra and Molave, is a one whole ore body and cannot be further subdivided into smaller components due to the nature of the coal seam orientation and mine plan.

Judgment is also required to identify a suitable production measure to be used to allocate production stripping costs between inventory and any stripping activity asset(s) for each component. The Group considers that the ratio of the expected volume of waste to be stripped for an expected volume of ore to be mined for a specific component of the coal body (i.e., stripping ratio) is the most suitable production measure. The Group recognizes stripping activity asset by comparing the actual stripping ratio during the year for each component and the component's mine life stripping ratio.

c. *Contingencies*
The Group is currently involved in various legal proceedings and other claims. The estimate of the probable costs for the resolution of these claims has been developed in consultation with internal and outside counsels handling the Group's defense in these matters and is based upon an analysis of potential results. The Group currently believes that these claims will not have a material adverse effect on its current financial position and results of operations. It is possible, however, that future results of operations and financial position could be materially affected by changes in the assessment or in the effectiveness of the strategies relating to these proceedings (see Note 29).

d. *Impairment assessment of nonfinancial assets*
The Group reviews its nonfinancial assets for impairment. This includes considering certain indicators of impairment such as the following:
- Significant or prolonged decline in the fair value of the asset;
- Increase in market interest rates or other market rates of return on investments have increased during the period, and those increases are likely to affect the discount rate used in calculating the asset's value-in-use and decrease the asset's recoverable amount materially;
- Significant underperformance relative to expected historical or projected future operating results;
- Significant changes in the manner of use of the acquired assets or the strategy for overall business;
- Significant negative industry or economic trends; or
- Significant changes with an adverse effect that have taken place in the technological, market, economic or legal environment where the Group operates.

In 2019, the Group has assessed that its ancillary gas turbine plant, originally intended to provide ancillary services to the National Grid Corporation of the Philippines (NGCP), has an indication of impairment due to its withdrawal on the ancillary service and procurement agreement with NGCP. However, no impairment was recognized by the Group since management estimated that the recoverable amount exceeds the carrying value of ancillary gas turbine plant as of December 31, 2019. The recoverable amount was computed using discounted cash flows approach and considered certain assumptions such as future electricity demand, electricity prices, diesel costs, inflation rate and discount rate. As of December 31, 2019 and 2018, the carrying values of ancillary gas turbine recorded as part of property, plant and equipment amounted to ₱1,286.70 million and ₱1,195.70 million, respectively (see Notes 10 and 29).

On the other hand, management recognized provision for impairment loss on other current assets amounting to ₱82.94 million in 2019, since management assessed that the carrying amount of these assets are not recoverable (nil in 2018 and 2017, see Notes 9 and 22). Allowance for impairment losses of the Group's nonfinancial assets amounted to ₱98.23 million and ₱15.29 million as of December 31, 2019 and 2018, respectively.

Management believes that no impairment indicator exists for the other nonfinancial assets of the Group. The information and related balances of these remaining nonfinancial assets are disclosed in Notes 8, 9, 10 and 12.

e. *Determination of lease term of contracts with renewal and termination options - Group as a lessee*
The Group has several lease contracts that include extension and termination options. The Group applies judgement in evaluating whether it is reasonably certain whether or not to exercise the option to renew or terminate the lease. That is, it considers all relevant factors that create an economic incentive for it to exercise either the renewal or termination. After the commencement date, the Group reassesses the lease term if there is a significant event or change in circumstances that is within its control and affects its ability to exercise or not to exercise the option to renew or to terminate (e.g., construction of significant leasehold improvements or significant customization to the leased asset).

The Group included the renewal period as part of the lease term for leases of land with longer non-cancellable periods (i.e., 10 to 15 years). The Group typically exercises its option to renew for these leases because there will be a significant negative effect on production if a replacement asset is not readily available. Furthermore, the periods covered by termination options are included as part of the lease term only when they are reasonably certain not to be exercised. However, for some lease contracts identified to be scoped under PFRS 16, the Group did not include the renewal and termination period of several lease contracts since the renewal and termination options is based on mutual agreement, thus not enforceable.

f. *Determination of taxable profit (tax loss), tax bases, unused tax losses, unused tax credits, and tax rates applying paragraph 122 of PAS 1, Presentation of Financial Statements*
Upon adoption of the Interpretation, the Group has assessed whether it has any uncertain tax position. The Group applies significant judgment in identifying uncertainties over its income tax treatments. The Group determined, based on its assessment, in consultation with its tax counsel, that it is probable that its uncertain income tax treatments (including those for the subsidiaries) will be accepted by the taxation authorities. Accordingly, the interpretation did not have an impact on the consolidated financial statements of the Group (see Note 29).

Management's Use of Estimates and Assumptions
The key assumptions concerning the future and other sources of estimation uncertainty at reporting date that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are discussed below.

a. *Estimating mineable ore reserves*
The Group uses the mineable ore reserve in the determination of the amount of amortization of mine properties using units-of-production method. The Group estimates its mineable ore reserves based on the assessment performed by the external and internal specialist engaged by the Group, who are professionally qualified mining engineers and geologists. These estimates on the mineable ore resource and reserves are determined based on the information obtained from activities such as drilling, core logging or geophysical logging, coal sampling, sample database encoding, coal seam correlation and geological modelling.

The carrying values of mine properties included as part of 'Mine properties, mining tools and other equipment' under 'Property, plant and equipment' amounted to ₱4,338.74 million and ₱4,341.36 million as of December 31, 2019 and 2018, respectively (see Note 10).

b. *Estimating provision for expected credit losses of trade and other receivables*
The Group uses a provision matrix to calculate ECLs for trade receivables. The provision rates are based on days past due for groupings of various customer segments that have similar loss patterns (i.e., by customer type).

The provision matrix is initially based on the Group's historical observed default rates. The Group will calibrate the matrix to adjust the historical credit loss experience with forward-looking information such as inflation and foreign exchange rates. At every reporting date, the historical observed default rates are updated and changes in the forward-looking estimates are analyzed.

The assessment of the correlation between historical observed default rates, forecast economic conditions, and ECL is a significant estimate. The amount of ECLs is sensitive to changes in circumstances and of forecast economic conditions. The Group's historical credit loss experience and forecast of economic conditions may also not be representative of customer's actual default in the future. The information about the ECLs on the Group's trade receivables is disclosed in Note 5.

c. *Estimating stock pile inventory quantities*
The Group estimates the coal stock pile inventory by conducting a topographic survey which is performed by in-house surveyors and third-party surveyors. The survey is conducted on a monthly basis. The process of estimation involves a predefined formula which considers an acceptable margin of error of plus or minus five percent (5%). Thus, an increase or decrease in the estimation threshold for any period would differ if the Group utilized different estimates and this would either increase or decrease the cost of sales for the year.

The amount of coal pile inventory is disclosed in Note 7.

d. *Estimating allowance for obsolescence in spare parts and supplies*
The Group provides 100% allowance for obsolescence on items that are specifically identified as obsolete. The amount of recorded inventory obsolescence for any period would differ if the Group made different judgments or utilized different estimates. An increase in the allowance for inventory obsolescence would increase the Group's recorded operating expenses and decrease its current assets.

The carrying amount of spare parts and supplies is disclosed in Note 7.

e. *Estimating recoverability of capitalized development costs*
Initial capitalization of costs is based on management's judgment that technological and economic feasibility is confirmed. In determining the amounts to be capitalized, management makes assumptions regarding the expected future cash generation of the project, discount rates to be applied and the expected period of benefits.

The information about the estimation of recoverability of capitalized development costs is discussed in Note 12.

f. *Estimating provision for decommissioning and site rehabilitation costs*
The Group is legally required to fulfill certain obligations under its Department of Environment and Natural Resources (DENR) issued Environmental Compliance Certificate when its activities end in the depleted mine pits. The Group also provides for decommissioning cost for the future clean-up of its Power Plant (PP) under Section 8 of the Land Lease Agreement (LLA) upon its termination or cancellation. Significant estimates and assumptions are made in determining the provision for decommissioning and site rehabilitation costs as there are numerous factors that will affect the ultimate liability. These factors include estimates of the extent and costs of rehabilitation activities given the approved decommissioning and site rehabilitation plan, technological changes, regulatory changes, cost increases, and changes in discount rates.

Those uncertainties may result in future actual expenditure differing from the amounts currently provided. An increase in decommissioning and site rehabilitation costs would increase the carrying amount of the related assets and increase noncurrent liabilities. The provision at reporting date represents management's best estimate of the present value of the future rehabilitation costs required. Assumptions used to compute the decommissioning and site rehabilitation costs are reviewed and updated annually.

Information with respect to the estimated provision for decommissioning and site rehabilitation cost are disclosed in Note 16.

g. *Estimating useful lives of depreciable property, plant and equipment*
The Group estimated the useful lives of its property, plant and equipment (except land, equipment in transit and construction in progress) based on the period over which the assets are expected to be available for use. The Group reviews annually the EUL of property, plant and equipment based on factors that include asset utilization, internal technical evaluation, and technological changes, environmental and anticipated use of the assets.

In 2017, the BOD approved the rehabilitation of the Group's Units 1 and 2 coal-fired thermal power plant. This resulted to the scheduled replacement of the significant components of the power plant over the next three years which resulted to the accelerated recognition of depreciation expense amounting to ₱549.93 million and ₱1,210.10 million in 2019 and 2018, respectively. The Group did not expect any salvage values for the parts to be replaced.

It is possible that future results of operations could be materially affected by changes in these estimates brought about by changes in the factors mentioned.

The carrying values and movements in property, plant and equipment are disclosed in Note 10.

h. *Deferred tax assets*
The Group reviews the carrying amounts of deferred tax assets at each reporting date. Deferred tax assets, including those arising from unutilized tax losses require management to assess the likelihood that the Group will generate taxable earnings in future periods and in reference to its income tax holiday status in order to utilize recognized deferred tax assets. Estimates of future taxable income are based on forecast cash flows from operations and the application of existing tax laws. To the extent that future cash flows and taxable income differ significantly from estimates, the ability of the Group to realize the net deferred tax assets recorded at reporting date could be impacted.

The deductible temporary differences and NOLCO for which deferred tax assets are not recognized are disclosed in Note 26.

i. *Estimating pension and other employee benefits*
The cost of defined benefit pension plan and the present value of the pension liabilities are determined using actuarial valuations. The actuarial valuation involves making various assumptions. These assumptions are described in Note 20 and include among others, the determination of the discount rates and future salary increases. Due to the complexity of the valuation, the underlying assumptions and its long-term nature, defined benefit liabilities are highly sensitive to changes in these assumptions. All assumptions are reviewed at each reporting date.

In determining the appropriate discount rate, management considers the interest rates of government bonds that are denominated in the currency in which the benefits will be paid, with extrapolated maturities corresponding to the expected duration of the defined benefit liability.

The mortality rate is based on publicly available mortality tables for the specific country and is modified accordingly with estimates of mortality improvements. Future salary and pension increases are based on management's assumption aligned with the future inflation rates.

j. *Estimating the incremental borrowing rate*
The Group cannot readily determine the interest rate implicit in the lease, therefore, it uses its incremental borrowing rate (IBR) to measure lease liabilities. The IBR is the rate of interest that the Group would have to pay to borrow over a similar term, and with a similar security, the funds necessary to obtain an asset of a similar value to the right-of-use asset in a similar economic environment. The IBR therefore reflects what the Group 'would have to pay', which requires estimation when no observable rates are available (such as for subsidiaries that do not enter into financing transactions) or when they need to be adjusted to reflect the terms and conditions of the lease. The Group estimates the IBR using observable inputs (such as market interest rates) by reference to its existing bank loans. This rate reflects the amount that the entity would need to borrow over the term of the lease.

The Group's lease liabilities discounted using the IBR amounted to ₱107.54 million as of December 31, 2019 (nil as of December 31, 2018, see Note 11).

k. *Fair value measurement of financial instruments*
When the fair values of financial assets and financial liabilities recorded in the consolidated statement of financial position cannot be measured based on quoted prices in active markets, fair value is measured using valuation techniques using the market data approach (i.e., Monte Carlo simulation). The inputs to these models are taken from observable markets where possible, but where this is not feasible, a degree of judgement is required in establishing fair values. Judgements include considerations of inputs such as liquidity risk, credit risk and volatility. Changes in assumptions relating to these factors could affect the reported fair value of financial instruments. The carrying amount and assumptions for the fair valuation of derivatives are disclosed in Note 6.

4. Cash and Cash Equivalents

This account consists of:

	2019	2018
Cash on hand and in banks	**₱1,949,681,971**	₱1,715,872,034
Cash equivalents	**4,507,402,738**	187,079,489
	₱6,457,084,709	₱1,902,951,523

Cash and cash equivalents comprise of cash in banks and on hand and short-term deposits but excludes any restricted cash that is not available for use by the Group and therefore is not considered highly liquid.

Cash in banks earn interest at the respective bank deposit rates. Cash equivalents include short-term placements made for varying periods of up to three (3) months, depending on the immediate cash requirements of the Group, and earn interest at the respective prevailing short-term placement rates ranging from 0.13% to 4.45%, 1.10% to 7.50% and 1.10% to 4.10% in 2019, 2018 and 2017, respectively.

In 2019, 2018 and 2017, total interest income earned from cash and cash equivalents amounted to ₱81.24 million, ₱128.65 million and ₱95.32 million, respectively (see Note 24).

5. Receivables

This account consists of:

	2019	2018
Trade receivables - outside parties	**₱4,951,021,542**	₱8,585,908,091
Trade receivables - related parties (Note 19)	**150,552,051**	47,521,278
Others (Note 25)	**110,181,932**	237,720,264
	5,211,755,525	8,871,149,633
Less allowance for impairment losses	**1,570,254,441**	1,570,254,441
	₱3,641,501,084	₱7,300,895,192

Trade receivables - outside parties
These are receivables from electricity sales and coal sales.

Receivables from electricity sales are claims from power distribution utilities, spot market operator and other customers for the sale of contracted energy and spot sales transactions. This also includes advances to Philippine Electricity Market Corporation (PEMC) for the adjustment of bills amounting to ₱888.22 million as of December 31, 2019 and 2018 (see Note 29). These are generally on a 30-day credit term and are carried at original invoice amounts less discounts and rebates.

Receivables from coal sales are noninterest-bearing and generally have 30 to 45 days credit terms. These receivables arise from export sales for coal sold to international market which are priced in US$ and local sales for coal sold to domestic market which are priced in Philippine Peso.

As of December 31, 2019, and 2018, trade receivables from outside parties also include claims from Power Sector Assets and Liabilities Management (PSALM) and National Power Corporation (NPC) for the recovery of amounts charged and withheld by PSALM for spot purchases of the Group in connection with NPC's over nomination of bilateral contracted capacity to a distribution utility company for the period January to June 2010. The Commission on Audit (COA) issued a Decision on April 22, 2019, granting the Petition for money claim against PSALM in the amount of ₱476.70 million, plus interest at the rate of six percent (6%) per annum computed from the time of extrajudicial demand up to the time of payment, less time when the ERC granted PSALM's Motion for reconsideration and required SCPC to file its money claim to COA. The amount, including the interest, was collected in full in 2019. The claim and the related interests amounting to ₱357.63 million (exclusive of VAT) and ₱180.19 million, respectively, were recognized by the Group as income in 2017 and 2019, respectively, after the Supreme Court has issued an Entry of Judgement in favor of the Group (see Notes 24, 25 and 29).

On November 26, 2018, SCPC entered into a Receivable Purchase Agreement with a local bank for the sale of receivables with recourse amounting to ₱1,272.23 million. Accordingly, a Master Deed of Assignment was executed by both parties on December 11, 2018 to transfer the rights over these receivables from SCPC to the local bank; however, in the event of default by SCPC's customer, the local bank has the right to collect from SCPC. Proceeds from the financing amounted to ₱1,268.03 million. Discount arising from this agreement was recognized as 'Finance cost' in the consolidated statement comprehensive income (see Note 23).

The carrying values of the assigned receivables and short-term loan amounted to ₱1,272.23 million as of December 31, 2018 (see Note 13). The Group has collected the assigned receivables and paid the short-term loan on January 2, 2019 and January 3, 2019, respectively.

Trade receivables - related parties
Receivables from related parties are noninterest-bearing and due and demandable. These are generally settled in cash.

Others
Others include advances to officers, employees and receivables from sale of fly ashes. These are generally noninterest-bearing. Advances to officers and employees are recovered through salary deduction and receivables from sale of fly ash are generally settled within the 30 to 45 days credit terms.

Movements in the allowance for impairment losses are as follows:

	Lifetime ECL credit impaired		
	Trade receivables - outside parties	Others	Total
December 31, 2017	**₱1,539,108,117**	**₱5,815,359**	**₱1,544,923,476**
Provision (Note 22)	25,330,965	–	25,330,965
December 31, 2018	**₱1,564,439,082**	**₱5,815,359**	**₱1,570,254,441**
Provision (Note 22)	–	–	–
December 31, 2019	**₱1,564,439,082**	**₱5,815,359**	**₱1,570,254,441**

6. Financial Asset at FVPL

In February 2017, the Group entered into a five-year option agreement (until December 2021) with a retail electricity supplier (RES) with respect to its exposure to the WESM, which agreement does not constitute the supply of power by the Group to the RES. The option agreement stipulates the rights and obligations of the Group which includes the right to receive a fixed ‘Exposure Guarantee Fee’ and the obligation to pay a variable ‘Exposure Adjustment’, depending on the behavior of the electricity spot price in the WESM against the agreed ‘Strike Price’, adjusted by the various indices and rates, as determined on a monthly basis. This qualified as a derivative but was not designated as a hedging instrument against the Group’s exposure in the WESM.

Significant inputs to the valuation are as follows:

	2019	2018
WESM prices per kilowatt hour (kWh)	**₱3.27 to ₱3.93**	₱2.63 to ₱3.63
Philippine Peso to US$ exchange rate	**₱49.77 to ₱54.34**	₱49.92 to ₱54.35
Consumer price index	**67.77**	101.81
Coal price index	**121.10**	119.60
Basis of risk-free rate as of December 31*	**3.74%**	6.94%

*Based on Bloomberg Valuation Service (BVAL)

The fair value of the derivative was determined using the market data approach, Monte Carlo simulation (MCS) valuation, which is categorized within Level 3 of the fair value hierarchy. Because of the complexities in the option agreement such as the optionality of the payoff and variability of strike price, the MCS methodology is deemed appropriate for the valuation. Management uses published BVAL reference rates by the Bankers Association of the Philippines (BAP) in interpolation of discount rate.

The Group is currently finalizing its discussions with the RES to pre-terminate the agreement (with expected effectivity on March 25, 2020). The pre-termination will not constitute any default of either party and shall not give rise to any termination fee.

Related balances as of and for the year ended December 31 are as follows:

	2019	2018
Financial asset at FVPL (Notes 9 and 12)	**₱–**	₱245,443,777
Realized (loss) gain (Note 25)	**(398,032,248)**	65,817,775
Unrealized (loss) gain (Note 25)	**(245,443,777)**	25,775,773

7. Inventories

This account consists of:

	2019	2018
Spare parts and supplies - at NRV	**₱7,995,986,192**	₱9,028,865,036
Coal pile inventory - at cost	**2,223,583,569**	3,334,517,844
	₱10,219,569,761	₱12,363,382,880

Coal pile inventory are stated at cost, which is lower than NRV. The cost of coal inventories recognized as ‘Cost of coal sales’ in the consolidated statement of comprehensive income amounted to ₱17,574.81 million, ₱12,238.21 million and ₱11,746.47 million in 2019, 2018 and 2017, respectively (see Note 21).

Coal pile inventory at cost includes capitalized depreciation of ₱443.04 million, ₱891.67 million and ₱273.41 million in 2019, 2018 and 2017, respectively (see Note 10).

Allowance for obsolescence amounted to ₱67.39 million as of December 31, 2019 and 2018. Provision for inventory obsolescence in 2017 amounted to ₱1.24 million (nil in 2019 and 2018, see Note 22).

8. Investment in Joint Venture

On September 10, 2013, St. Rafael Power Generation Corporation (SRPGC) was incorporated to acquire, construct, erect, assemble, rehabilitate, expand, commission, operate and maintain power-generating plants and related facilities for the generation of electricity. SRPGC is in the process of developing and constructing a proposed 2x350 MW, coal-fired power plant in Calaca, Batangas.

SRPGC has authorized capital stock of ₱50.00 million divided into 50.00 million shares with a par value of ₱1.00 per share, to which the Parent Company has subscribed 25% shares of the authorized capital stock and paid ₱3.13 million of said subscription. On October 11, 2016, SRPGC increased its authorized capital stock from 50.00 million shares with a par value of ₱1.00 per share to 1,100.00 million shares with a par value of ₱1.00 per share.

On April 27, 2016, Meralco PowerGen Corporation (MGen), a wholly owned subsidiary of Manila Electric Company (MERALCO), entered into a Joint Venture Agreement (JVA) with the Parent Company. The joint arrangement was structured through SRPGC. MGen obtained 50% ownership interest on SRPGC through subscription of the remaining unissued capital stock of SRPGC. This resulted to the Parent Company’s loss of control on SRPGC amounted to ₱6.11 million. The management assessed that SRPGC is jointly controlled by the Parent Company and MGen and accounted for SRPGC as a joint venture as each holds a 50% ownership interest in SRPGC which clearly demonstrates joint control over SRPGC and the equal representation of the Parent Company and MGen in SRPGC’s BOD further signifies that there should be a unanimous consent between the two parties in order for significant activities to be undertaken by SRPGC.

On April 28, 2016, the Parent Company paid the remaining ₱9.38 million of the previously subscribed 12.50 million shares of stock with a par value of ₱1.00 per share. On May 27, 2016, the Parent Company paid a total of ₱46.00 million as additional investment in SRPGC.

The Parent Company’s equity in net earnings (losses) of SRPGC in 2019, 2018 and 2017 amounted to ₱0.69 million, ₱0.38 million and (₱1.65 million), respectively, included under operating expenses (see Note 22). As of December 31, 2019 and 2018, carrying value of Parent Company’s investment in SRPGC amounted to ₱45.22 million and ₱51.11 million, respectively.

Even while in the development stage, SRPGC has signed a Power Supply Agreement (PSA) with MERALCO for 400MW of its total capacity which was filed for approval with the Energy Regulatory Commission (ERC) on April 29, 2016. However, on May 3, 2019, the Supreme Court ruled that all PSA should undergo a Competitive Selection Process (CSP) which affected SRPGC’s PSA with MERALCO. Thus, SRPGC had to withdraw its pending PSA with the ERC.

As of December 31, 2019, SRPGC intends to participate in the anticipated 2020 CSP of MERALCO for its power supply requirements for projects with commercial operations date in 2025 and still waiting for the terms and conditions of CSP to be provided by MERALCO.

As of December 31, 2019 and 2018, SRPGC has not yet started commercial operations.

9. Other Current Assets

This account consists of:

	2019	2018
Advances to suppliers and contractors (Note 12)	**₱555,780,413**	₱2,681,952,764
Creditable withholding tax	**518,887,403**	450,079,945
Input VAT - net (Note 12)	**206,301,898**	824,672,501
Financial asset at FVPL (Notes 6, 12 and 30)	**–**	81,814,592
Prepaid insurance	**28,778,738**	17,102,319
Prepaid rent (Notes 12 and 29)	**3,030,748**	7,499,183
Others	**55,139,483**	57,759,718
	1,367,918,683	4,120,881,022
Less allowance for impairment losses (Note 22)	**82,939,079**	–
	₱1,284,979,604	₱4,120,881,022

Advances to suppliers and contractors
Advances to suppliers and contractors represent prepayments for the acquisition of materials and supplies and is expected to be realized within one (1) year. In 2019, the Group recognized provision for impairment loss amounting to ₱82.94 million on advances which management expects to be unrecoverable (nil in 2018 and 2017, see Notes 3 and 22).

Creditable withholding tax
Creditable withholding tax pertains to the amount withheld by the Group's customers from their income payment. This will be claimed as tax credit and will be used against future income tax payable.

Input VAT- net
Input VAT represents VAT imposed on the Group by its suppliers and contractors for the acquisition of goods and services required under Philippine taxation laws and regulations. Input VAT is applied against output VAT. The balance is recoverable in future periods.

Financial asset at FVPL
Financial asset at FVPL pertains to an option agreement entered into by the Group in 2017 and is classified as derivative that is not designated as a hedging instrument (see Note 6).

Others
Others include prepayments on insurance and other charges.

10. **Property, Plant and Equipment**

The rollforward of this account follows:

	2019					
	Land	**Mine Properties, Mining Tools and Other Equipment**	**Power Plant and Buildings**	**Roads and Bridges**	**Equipment in Transit and Construction in Progress**	**Total**
Cost						
At January 1	**₱386,884,790**	**₱31,538,323,156**	**₱43,166,791,765**	**₱846,946,929**	**₱2,888,555,009**	**₱78,827,501,649**
Additions	**–**	**3,274,162,829**	**106,557,966**	**–**	**8,310,338,533**	**11,691,059,328**
Reclassifications (Notes 2 and 7)	**–**	**43,453,932**	**6,707,345,516**	**–**	**(6,938,914,100)**	**(188,114,652)**
Write-down (Note 22)	**–**	**(118,405,879)**	**–**	**–**	**–**	**(118,405,879)**
Disposals (Note 25)	**–**	**(23,824,727)**	**(549,947,008)**	**–**	**–**	**(573,771,735)**
Adjustment (Note 16)	**–**	**83,721,667**	**–**	**–**	**–**	**83,721,667**
At December 31	**386,884,790**	**34,797,430,978**	**49,430,748,239**	**846,946,929**	**4,259,979,442**	**89,721,990,378**
Accumulated Depreciation and Impairment						
At January 1	**–**	**22,430,340,913**	**12,297,245,128**	**580,191,575**	**₱–**	**35,307,777,616**
Depreciation and amortization (Notes 3, 7, 21 and 22)	**–**	**4,090,827,458**	**3,244,416,102**	**56,981,802**	**–**	**7,392,225,362**
Write-down (Note 22)	**–**	**(34,870,293)**	**–**	**–**	**–**	**(34,870,293)**
Disposals (Note 25)	**–**	**(23,824,727)**	**(549,947,008)**	**–**	**–**	**(573,771,735)**
At December 31	**–**	**26,462,473,351**	**14,991,714,222**	**637,173,377**	**–**	**42,091,360,950**
Net Book Value	**₱386,884,790**	**₱8,334,957,627**	**₱34,439,034,017**	**₱209,773,552**	**₱4,259,979,442**	**₱47,630,629,428**

	2018					
	Land	Mine Properties, Mining Tools and Other Equipment	Power Plant and Buildings	Roads and Bridges	Equipment in Transit and Construction in Progress	Total
Cost						
At January 1	₱386,884,790	₱27,046,920,289	₱40,631,356,664	₱825,426,050	₱2,166,248,988	₱71,056,836,781
Additions (Note 16)	–	4,747,700,987	970,251,710	–	3,810,519,146	9,528,471,843
Reclassifications	–	291,404,851	2,775,287,395	21,520,879	(3,088,213,125)	–
Disposals (Note 25)	–	(329,503,320)	(1,210,104,004)	–	–	(1,539,607,324)
Adjustment (Note 16)	–	(218,199,651)	–	–	–	(218,199,651)
At December 31	386,884,790	31,538,323,156	43,166,791,765	846,946,929	2,888,555,009	78,827,501,649
Accumulated Depreciation						
At January 1	–	17,875,732,159	9,649,965,459	517,091,142	–	28,042,788,760
Depreciation and amortization (Notes 3, 7, 21 and 22)	–	4,748,185,225	3,857,383,673	63,100,433	–	8,668,669,331
Disposals (Note 25)	–	(193,576,471)	(1,210,104,004)	–	–	(1,403,680,475)
At December 31	–	22,430,340,913	12,297,245,128	580,191,575	–	35,307,777,616
Net Book Value	₱386,884,790	₱9,107,982,243	₱30,869,546,637	₱266,755,354	₱2,888,555,009	₱43,519,724,033

‘Mine properties, mining tools and other equipment’ include the expected cost of decommissioning and site rehabilitation of mine sites and future clean-up of its power plants. The impact of annual re-estimation is shown in the rollforward as an adjustment (see Note 16).

‘Mine properties, mining tools and other equipment’ also includes the mining properties and stripping activity assets amounting to ₱4,388.74 million and ₱4,341.36 million as of December 31, 2019 and 2018, respectively.

‘Power Plant and Buildings’ includes the ancillary gas turbine plant which is subject to the Ancillary Services and Procurement Agreement with the NGCP. The carrying value of this plant amounted to ₱1,286.70 million and ₱1,195.70 million as of December 31, 2019 and 2018, respectively (see Notes 3 and 29).

Equipment in transit and construction in progress accounts mostly pertain to purchased mining equipment that are in transit and various buildings and structures that are under construction as of December 31, 2019 and 2018.

In 2019 and 2018, there were reclassifications from construction in progress to power plant and buildings in the amount of ₱6,712.74 million and ₱2,775.29 million, respectively, for the ongoing regular rehabilitation of the Group's coal-fired thermal power plant.

In 2019, the Group incurred a loss on write-down of property, plant and equipment amounting to ₱83.54 million due to the dismantling of the coal washing plant (see Note 22). In relation to the dismantling, the recovered parts and construction supplies in the amount of ₱182.72 million that are still usable were transferred to "Inventories" in the consolidated statement of financial position (see Note 7).

On January 1, 2019, upon adoption of PFRS 16, property, plant and equipment amounting to ₱5.39 million, representing the costs of dismantling and removing the underlying asset under lease, was reclassified and included in the right-of-use assets recognized (see Note 2).

In 2019, 2018 and 2017, the Group sold various equipment at a gain amounting to ₱12.00 million, ₱22.68 million and ₱126.23 million, respectively (see Note 25).

As security for timely payment, discharge, observance and performance of the loan provisions, the Group created, established, and constituted a first ranking real estate and chattel mortgage on present and future real estate assets and chattels owned by SLPGC in favor of the Security Trustee, for the benefit of all secured parties. The carrying values of these mortgaged assets amounted to ₱18,513.63 million as of December 31, 2018. In 2019, the Group was released on the real estate and chattel mortgage due to the prepayment of the loan (see Note 14).

Depreciation and amortization follow:

	2019	2018	2017
Included under:			
Inventories (Note 7)	**₱443,040,632**	₱891,667,535	₱273,405,238
Mine properties, mining tools and other equipment	**56,712,527**	–	–
Cost of coal sales (Note 21):			
Depreciation and amortization	**3,461,657,292**	3,276,055,748	2,775,248,241
Hauling and shiploading costs	**35,861,154**	22,831,289	57,125,284
Cost of power sales (Note 21):			
Depreciation and amortization	**2,483,914,467**	2,444,928,202	2,164,203,384
Cost of coal:			
Depreciation and amortization	**298,030,756**	752,611,208	672,061,538
Operating expenses (Note 22)	**643,580,370**	1,288,048,897	901,986,496
	₱7,422,797,198	₱8,676,142,879	₱6,844,030,181
Depreciation and amortization of:			
Property, plant and equipment	**₱7,392,225,362**	₱8,668,669,331	₱6,838,739,467
Right-of-use assets (Note 11)	**18,994,967**	–	–
Computer software (Note 12)	**11,576,869**	7,473,548	5,290,714
	₱7,422,797,198	₱8,676,142,879	₱6,844,030,181

Depreciation and amortization of 'Property, plant and equipment' includes amortization of stripping activity asset of ₱0.30 million, ₱7.27 million and ₱4.78 million in 2019, 2018 and 2017, respectively.

11. **Leases**

The Group as a Lessee (Upon adoption of PFRS 16)
The Group has lease contracts for various items of land, office spaces and foreshore leases used in its operations. Leases of land and foreshore generally have lease terms between five (5) and 15 years, while office spaces generally have lease terms of five (5) to seven (7) years. The Group also has certain leases of warehouse, and office spaces with lease terms of 12 months or less. The Group applies the 'short-term lease' recognition exemption for these leases.

Set out below the movement in the Group's right-of-use assets and lease liabilities during the year:

	Land and foreshore	Office space	Right-of-use assets
At January 1, 2019 upon adoption of PFRS 16 (Note 2)	₱158,275,884	₱32,348,195	₱190,624,079
Additions	–	4,350,574	4,350,574
Depreciation (Notes 21 and 22)	(10,593,194)	(8,401,773)	(18,994,967)
At December 31, 2019	₱147,682,690	₱28,296,996	₱175,979,686

	Lease liabilities
At January 1, 2019 upon adoption of PFRS 16 (Note 2)	₱114,055,187
Additions	4,350,574
Payments	(17,488,310)
Accretion (Note 23)	6,620,167
	₱107,537,618

In 2019, the Group recognized rent expense amounting to ₱13.27 million included under "Cost of Sales' and 'Operating Expenses' in the consolidated statement of comprehensive income in relation with the short-term leases where recognition exemption were availed upon adoption of PFRS 16 (nil in 2018 and 2017, see Notes 21 and 22).

The lease liabilities were measured at the present value of the remaining lease payments discounted at the Group's weighted average incremental borrowing rate of 7.77% as at January 1, 2019. Current and noncurrent portion of lease liabilities as of December 31, 2019 amounted to ₱14.17 million and ₱93.37 million, respectively.

The Group as a Lessee (Prior to Adoption of PFRS 16)

In 2018 and 2017, total rent expense recognized by the Group for all operating lease agreements under "Cost of Sales' and 'Operating Expenses' in the consolidated statements of comprehensive income amounted to ₱109.73 million and ₱100.75 million, respectively (see Notes 21 and 22).

As of December 31, 2019 and 2018, future minimum lease payments under operating leases are as follows:

	2019	2018
Within one year	**₱19,780,636**	₱32,411,912
After one year but not more than five years	**76,336,673**	76,336,673
More than five years	**49,988,453**	145,675,264
	₱146,105,762	₱254,423,849

12. **Other Noncurrent Assets**

This account consists of:

	2019	2018
Advances to suppliers and contractors (Note 9)	**₱1,581,931,705**	₱3,076,969,942
Input VAT - net (Note 9)	**936,080,223**	1,345,183,689
Claims for refunds and tax credits - net	**77,841,478**	175,208,925
Computer software	**15,802,660**	17,053,476
Financial asset at FVPL (Notes 6, 30 and 31)	–	245,443,777
Prepaid rent (Notes 2, 9 and 29)	–	71,176,666
Others (Notes 30 and 31)	**16,407,100**	16,779,311
	2,628,063,166	4,947,815,786
Less current portion of (Note 9):		
Advances to suppliers	**555,780,413**	2,681,952,764
Input VAT - net	**206,301,898**	824,672,501
Financial asset at FVPL (Note 6)	–	81,814,592
Prepaid rent	–	4,468,435
	762,082,311	3,592,908,292
	₱1,865,980,855	₱1,354,907,494

Advances to suppliers and contractors
Advances to suppliers and contractors under noncurrent assets represent prepayment for the acquisition and construction of property, plant and equipment.

Input VAT - net
Noncurrent portion of input VAT includes deferred input VAT, which is the unamortized portion of input VAT on purchase of capital goods spread evenly between the life of the capital goods or five years, whichever is shorter. The balance is recoverable in future periods.

Claims for refunds and tax credits - net
This amount pertains to claims for refund and issuance of tax credit certificates from BIR on erroneously withheld VAT on VAT-exempt coal sales which were ruled by the Supreme Court in favor of the Group. In 2019, the Group received collections from BIR amounting to ₱97.96 million related to these claims (nil in 2018 and 2017). The balance as of December 31, 2019 and 2018 is presented net of previously recognized allowance for impairment losses amounting to ₱15.29 million.

Computer software
Movements in computer software account follow:

	2019	2018
At Cost		
At January 1	**₱63,716,032**	₱53,075,630
Additions	**10,326,053**	10,640,402
At December 31	**74,042,085**	63,716,032
Accumulated Amortization		
At January 1	**46,662,556**	39,189,008
Amortization (Note 10)	**11,576,869**	7,473,548
At December 31	**58,239,425**	46,662,556
Net Book Value	**₱15,802,660**	₱17,053,476

Prepaid rent
Prepaid rent under other noncurrent assets pertains to the long-term portion of the advance rent payment of SCPC to PSALM which covers the 25-year land lease (see Note 29).

On January 1, 2019, upon adoption of PFRS 16, the outstanding balance of prepaid rent amounting to ₱71.18 million was adjusted against the amount of right-of-use assets recognized (see Note 2).

The Group applied the requirements of the new standard for this long-term lease and did not change the amount initially recognized as right-of-use asset at the date of initial application. No corresponding lease liability was recognized given the prepayment.

13. Short-term Loans

Short-term loans consist of the following borrowings of the Group as of December 31, 2019 and 2018 and their contractual settlement dates:

	2019	2018
Parent Company		
a. Unsecured 30-day loan obtained on December 7, 2018 with interest rate of 5.56% per annum.	**₱–**	₱1,500,000,000
b. Unsecured 90-day loan obtained on October 5, 2018 with interest rate of 5.90% per annum.	–	750,000,000
	–	2,250,000,000
SCPC		
c. Unsecured 39-day loan obtained on November 28, 2019 with interest rate of 4.95%	**1,620,000,000**	–
d. Unsecured 30-day loan obtained on December 18, 2019 with interest rate of 4.95%	**190,000,000**	–
e. Unsecured 46-day loan obtained on November 21, 2019 with interest rate of 4.95%	**150,000,000**	–
f. Unsecured 30-day loan obtained on December 9, 2019 with interest rate of 4.95%	**55,000,000**	–
g. Unsecured 30-day loan obtained on December 16, 2019 with interest rate of 4.95%	**55,000,000**	–
h. Unsecured 147-day loan obtained on August 8, 2018 with interest rate of 4.00% per annum.	–	2,000,000,000
i. Loan secured by receivables obtained on December 13, 2018 with discount rate of 5.40% per annum due on January 4, 2019	–	1,272,231,984
j. Unsecured 7-day loan obtained on December 26, 2018 with interest rate of 7.75% per annum.	–	350,000,000
	2,070,000,000	3,622,231,984
	₱2,070,000,000	₱5,872,231,984

In 2019, the Group paid all its outstanding short-term loans in 2018 amounting to ₱5,872.23 million.

During 2019 and 2018, the Group obtained various short-term loans from local banks primarily to finance its capital expenditures and working capital requirements amounting to ₱33,834.00 million, ₱31,764.00 million of which, were paid on the same year.

Interest expense on these short-term loans recognized under 'Finance costs' amounted to ₱582.21 million, ₱52.17 million and ₱56.97 million in 2019, 2018 and 2017, respectively (see Note 23).

14. Long-term Debt

This account consists of the following as of December 31:

	2019	2018
Bank loans	**₱16,527,035,004**	₱8,644,102,360
Mortgage payable	**–**	5,952,694,023
	16,527,035,004	14,596,796,383
Less current portion of:		
Bank loans	**3,459,433,544**	2,850,138,236
Mortgage payable	**–**	1,703,703,705
	3,459,433,544	4,553,841,941
	₱13,067,601,460	₱10,042,954,442

SLPGC

Mortgage Payable

On February 4, 2012, SLPGC entered into an ₱11,500.00 million Omnibus Loan Service Agreement (Omnibus Agreement) with BDO Unibank, BPI and China Banking Corporation (CBC) as Lenders. As security for the Omnibus Agreement, 67% of issued and outstanding shares of SLPGC owned by the Parent Company were pledged on this loan. The proceeds of the loan are used for the engineering, procurement and construction of 2x150 MW coal-fired thermal power plant. Breakdown of the original principal of project loan is as follows:

BDO	₱6,000,000,000
BPI	3,000,000,000
CBC	2,500,000,000
	₱11,500,000,000

Details of the loan follow:

a. Interest: At applicable interest rate, Philippine Dealing System Treasury-Fixing (PDST-F plus spread or BSP Overnight Rate, whichever is higher). Such interest shall accrue from and including the first day of each interest period up to the last day of such interest period. The Facility Agent shall notify all the Lenders of any adjustment in an interest payment date at least three banking days prior to the adjusted interest payment date.

b. Repayment: The principal amount shall be paid in 27 equal consecutive quarterly installments commencing on the 14th quarter from the initial borrowing date. Final repayment date is 10 years after initial borrowing which is on 2022.

On November 25, 2019, the Omnibus Agreement was pre-terminated with payment amounting to ₱4,739.64 million, releasing SLPGC on all related security arrangements (see Note 10).

Bank Loans
On November 28, 2019, November 29, 2019 and December 20, 2019, SLPGC availed of interest-bearing promissory notes with local banks amounting to ₱1,000 million, ₱2,000 million and ₱1,000 million, respectively. Interest is payable every three months at a fixed annual interest rate of 5.13%, 5.12% and 5.00% per annum, respectively. The principal amounts shall be payable from 17 to 20 equal consecutive quarterly installments with commencement ranging from the third month to one year from the initial borrowing date. Final repayment date is five (5) years after initial borrowing.

All outstanding bank loans are clean and are compliant with loan covenants.

Rollforward of the unamortized debt issue cost follows:

	2019	2018
At January 1	**₱10,268,940**	₱18,711,865
Additions	**30,000,000**	–
Amortization* (Note 23)	**(11,043,989)**	(8,442,925)
At December 31	**₱29,224,951**	₱10,268,940

**Includes the derecognition of the related deferred financing cost pertaining to the Omnibus agreement amounting to ₱10.27 million.*

In 2019, 2018 and 2017, interest expense incurred on this long-term debt amounted to ₱371.10 million, ₱319.91 million and ₱295.72 million, respectively (see Note 23).

The remaining borrowing facility that can be drawn as of December 31, 2019 and 2018 amounted to ₱3,758.62 million and ₱1,100.00 million, respectively.

As of December 31, 2019 and 2018, outstanding loan payable is ₱3,970.78 million and ₱5,952.69 million, respectively.

SCPC
Mortgage Payable
On May 20, 2010, SCPC entered into a ₱9,600.00 million Omnibus Loan Security Agreement (Omnibus Agreement) with BDO, BPI and PNB as Lenders, the Parent Company as Pledgor, BDO Capital and Investment Corporation as Lead Arranger and Sole Bookrunner, BPI Capital Corporation and PNB Capital and Investment Corp. as Arrangers, and BDO Unibank, Inc., Trust and Investments Group as Security Trustee, Facility Agent and Paying Agent. The loan was fully drawn by SCPC on the same date.

Mortgage payable by SCPC was collateralized by all monies in the Collateral accounts, supply receivables, proceeds of any asset and business continuity insurance, project agreements and first-ranking mortgage on present and future real assets. Further, 67% of issued and outstanding shares in SCPC owned by the Parent Company were also pledged on this loan. Such security arrangement was released in 2017.

Breakdown of the original principal of syndicated loan is as follows:

BDO Unibank	₱6,000,000,000
BPI	2,000,000,000
PNB	1,600,000,000
	₱9,600,000,000

The Agreement was entered into to finance the payments made to PSALM pursuant to the Asset Purchase Agreement (APA) and permanent working capital requirements.

Details of the loan follow:

a. Interest: At a floating rate per annum equivalent to the three (3) months PDST-F benchmark yield for treasury securities as published on the PDEx page of Bloomberg (or such successor electronic service provider) at approximately 11:30a.m. (Manila Time) on the banking day immediately preceding the date of initial borrowing or start of each interest period, as applicable, plus a spread of 175 basis points. Starting August 2015 amortization, interest is at floating rate per annum equivalent to three months BVAL plus a spread of 195 basis points.

b. Repayment: The principal amount shall be payable in 25 equal consecutive quarterly installments commencing on the 12th month from the initial borrowing date. Final repayment date is seven years after initial borrowing. The loan may be prepaid voluntarily provided the conditions in the Omnibus Agreement are satisfied. On February 29, 2017, SCPC prepaid the ₱1,600.88 million of the long-term portion of the debt. On May 30, 2018, SCPC has paid the last amortization of the Omnibus Agreement amounting to ₱128.00 million.

<u>Bank Loans</u>

Promissory Note of ₱3,000.00 million

On December 22, 2017, SCPC entered into a ₱3,000.00 million interest-bearing Promissory Note with BDO Unibank. Interest is payable every three (3) months at a fixed annual interest rate of 4.9% per annum. The principal amount shall be payable in 16 equal consecutive quarterly installments commencing on the 39th month from the initial borrowing date. Final repayment date is seven (7) years after initial borrowing.

Promissory Note of ₱2,000.00 million

On November 18, 2019, SCPC obtained a ₱2,000.00 million interest-bearing Promissory Note from PNB. Interest is payable every three months at 4.876% fixed annual interest rate for five (5) years to be repriced at the two (2)-year BVAL benchmark rate, plus 60 basis points for the remainder of its tenor. The principal amount shall be payable in 28 equal consecutive quarterly installments commencing on the third month from the initial borrowing date. Final repayment date is seven (7) years after initial borrowing.

Promissory Note of ₱2,700.00 million

On November 28, 2019, SCPC obtained a ₱2,700.00 million interest-bearing Promissory Note from Bank of the Philippine Islands. Interest is payable every three months at 4.877% fixed annual interest rate for five (5) years to be repriced at the two (2)-year BVAL benchmark rate plus 60 basis points for the remainder of its tenor. The principal amount shall be payable in 25 equal consecutive quarterly installments commencing on the 12th month from the initial borrowing date. Final repayment date is seven (7) years after initial borrowing.

Rollforward of the deferred financing cost follows:

	2019	2018
At January 1	**₱12,283,818**	₱14,935,928
Additions	**30,250,000**	−
Amortization (Note 23)	**(3,793,689)**	(2,652,110)
At December 31	**₱38,740,129**	₱12,283,818

In 2019, 2018 and 2017, interest expense incurred on this long-term debt amounting to ₱145.79 million, ₱148.23 million and ₱1.54 million, respectively (see Note 23).

The remaining borrowing facility that can be drawn as of December 31, 2019 amounted to ₱17,123.02 million (nil as of December 31, 2018).

As of December 31, 2019 and 2018, outstanding loan payable is ₱7,656.26 million and ₱2,987.72 million, respectively.

Parent Company
Bank Loans

	Year of	Outstanding Balance					
Loan Type	**Availment**	**2019**	2018	**Maturity**	**Interest Rate**	**Payment Terms**	**Covenants**
Peso loan 1	2019	**₱2,750,000,000**	₱–	Various quarterly maturities starting 2020 until 2027	Floating rate to be repriced every 3 years	Interest payable every 3 months, principal to be paid every 3 months	None
Peso loan 2	2017	**1,400,000,000**	1,400,000,000	2020	Floating rate to be repriced every 3 months based on 3-months "PDST-R2" plus a spread of one half of one percent (0.5%)	Interest payable every 3 months, principal to be paid on maturity date	Current Ratio not less than 1:1 and Debt-to-Equity Ratio not to exceed 2:1
Peso loan 3	2017	**750,000,000**	750,000,000	2020	Floating rate to be repriced every 3 months	Interest payable every 3 months, principal to be paid on maturity date	None
Peso loan 4	2016	–	1,181,250,000	Various quarterly maturities starting 2018 until 2021	Floating rate to be repriced every 3 months based on 3-month PDST-R2 plus a spread of one percent (1%)	Interest payable every 3 months, principal to be paid every 3 months	Current Ratio not less than 1:1 and Debt-to-Equity Ratio not to exceed 2:1
Dollar loan 1	2016	–	1,422,670,526	2019	Floating rate to be repriced every 3 months based on 3-months LIBOR plus a spread of 0.86%	Interest payable every 3 months, principal to be paid on maturity date	Current Ratio not less than 1:1 and Debt-to-Equity Ratio not to exceed 2:1
Dollar loan 2	2016	–	902,467,711	2019	Floating rate to be repriced every 3 months based on 3-months LIBOR plus a spread of 0.86%	Interest payable every 3 months, principal to be paid on maturity date	Debt Service Coverage Ratio not less than 1:1 and Debt-to-Equity Ratio not to exceed 2:1
		₱4,900,000,000	₱5,656,388,237				

All bank loans are clean and are compliant with loan covenants.

In 2019, 2018 and 2017, interest expense incurred on these long-term debt amounted to ₱21.31 million, ₱249.50 million and ₱196.71 million, respectively (see Note 23).

The remaining borrowing facility that can be drawn as of December 31, 2019 and 2018 amounted to ₱18,734.63 million and ₱9,050.00 million, respectively.

Future payments of long-term debt of the Group as of December 31, 2019 and 2018 follow:

	2019	2018
Within one year	**₱3,459,433,544**	₱4,553,841,940
After one year but not more than five years	**11,222,748,537**	9,293,468,405
More than five years	**1,844,852,923**	749,486,038
	₱16,527,035,004	₱14,596,796,383

15. **Trade and Other Payables**

This account consists of:

	2019	2018
Trade:		
Payable to suppliers and contractors	**₱5,747,420,342**	₱6,504,979,399
Related parties (Note 19)	**551,694,807**	865,029,191
Payable to DOE and local government units (LGU) (Note 28)	**855,901,861**	713,351,187
Accrued expenses and other payables	**669,752,488**	809,632,116
Output VAT - net	**626,323,547**	1,053,037,929
	₱8,451,093,045	₱9,946,029,822

Trade payable to suppliers and contractors
Trade payable to suppliers and contractors arise from progress billings of completed work as of year-end. The amount includes liabilities amounting to ₱2,280.32 million (US$45.03 million) and ₱3,342.45 million (US$63.57 million) as of December 31, 2019 and 2018, respectively, to various foreign suppliers for open account purchases of equipment and equipment parts and supplies (see Note 30).

Trade payables are noninterest-bearing and are normally settled on 30-day to 60-day credit terms.

Payable to DOE and LGU
Payable to DOE and LGU represent the share of DOE and LGU in the gross income of the Parent Company's coal production computed in accordance with the Coal Operating Contract (COC) between the Parent Company, DOE and LGU dated July 11, 1977 and as amended on January 16, 1981 (see Note 28).

Output VAT payable
Output VAT pertains to the VAT due on the sale of electricity, net of input VAT.

Accrued expenses and other payables
Accrued expenses and other payables are noninterest-bearing and are normally settled on a 30-day to 60-day credit terms. Details of this account follow:

	2019	2018
Taxes, permits and licenses	**₱407,490,743**	₱447,868,209
Interest	**56,435,200**	54,659,708
Financial benefit payable	**32,474,788**	32,474,788
Salaries and wages	**28,410,263**	13,160,826
Professional fees	**8,355,648**	18,234,660
Rental	**2,240,000**	9,976,089
Power spot purchases	**677,292**	154,152,794
Others	**133,668,554**	79,105,042
	₱669,752,488	₱809,632,116

Others include accruals on contracted services, utilities, supplies and other administrative expenses. This account also includes dividends payable amounting to ₱1.22 million and ₱1.33 million as of December 31, 2019 and 2018, respectively.

16. **Provision for Decommissioning and Site Rehabilitation Costs**

The rollforward of this account follows:

	2019	2018
At January 1	**₱423,397,560**	₱1,705,802,078
Additions (Note 21)	–	436,522,946
Effect of change in estimates (Note 10)	**83,721,667**	(218,199,651)
Usage	**(14,543,926)**	(1,598,420,875)
Accretion of interest (Note 23)	**30,229,558**	97,693,062
At December 31	**₱522,804,859**	₱423,397,560

The Group's provision for decommissioning and site rehabilitation costs relates to rehabilitation activities for the coal pits for its mining segment and dismantling and restoration activities for its power segment. Segment breakdown of provision for decommissioning and site rehabilitation costs follows:

	2019	2018
Mining	**₱500,085,766**	₱402,476,406
Power	**22,719,093**	20,921,154
	₱522,804,859	₱423,397,560

These provisions have been created based on the Group's internal estimates. Discount rates used by the Group to compute for the present value of liability for decommissioning and site rehabilitation cost range from 4.46% to 8.58%, 7.07% to 7.27% and 4.80% to 7.50% in 2019, 2018 and 2017, respectively. Assumptions based on current economic environment have been made, which management believes are reasonable bases upon which to estimate the future liability. These estimates are reviewed regularly to take into account any material changes to the assumptions. However, actual rehabilitation costs will ultimately depend upon future market prices for the necessary decommissioning works required which will reflect market conditions at the relevant time. Furthermore, the timing of rehabilitation is likely to depend on when the mines cease to produce at economically viable rates. This, in return, will depend upon future coal prices, which are inherently uncertain.

There are currently two mine sites identified with coal deposits which are currently operational, namely Molave and Narra. However, starting March 2019, Narra was non-operational to continue the implementation of geotechnical solutions on the continuous increase of water seepage in Narra pit. Panian minesite has been depleted and its operations was closed in September 2016. All minesites are located in Semirara Island in Antique Province.

In 2017, the rehabilitation plan to complete backfilling of Panian minesite for a period of nine (9) years was revised and accelerated to two (2) years, such that the entire open pit will be covered with overburden from Narra and Molave minesites. This resulted to the Group recognizing additional costs in 2018 with a significant increase on the actual rehabilitation activities of the same year (nil in 2019). These additional costs were mainly due to the incremental costs of moving the overburden from Narra and Molave mine sites. Moreover, considering the experience in the ongoing execution of the accelerated rehabilitation plan, management revisited certain procedures, practices and assumptions (e.g., movement of the overburden, backfill elevation level), which resulted to adjustments in the previously estimated provision for decommissioning and site rehabilitation costs.

Resulting changes in estimate pertaining to these minesites amounted to ₱83.72 million and (₱218.19 million), which was recognized as adjustment to 'Mine properties, mining tools and other equipment' under property, plant and equipment account in 2019 and 2018, respectively (see Note 10).

17. Capital Stock

The details of the Parent Company's capital stock as of December 31, 2019 and 2018 are as follows:

	2019	
	Shares	**Amount**
Authorized - ₱1 par value		
Balance at beginning and end of year	**10,000,000,000**	**₱10,000,000,000**
Issued and outstanding		
Capital stock		
Balance at beginning and end of year	**4,264,609,290**	**₱4,264,609,290**
Treasury shares		
Balance at beginning and end of year	**(14,061,670)**	**(739,526,678)**
	4,250,547,620	**₱3,525,082,612**

	2018	
	Shares	Amount
Authorized - ₱1 par value		
Balance at beginning and end of year	10,000,000,000	₱10,000,000,000
Issued and outstanding:		
Capital stock		
Balance at beginning and end of year	4,264,609,290	₱4,264,609,290
Treasury shares		
Balance at beginning of year	(6,198,670)	(487,919,538)
Treasury shares acquired	(7,863,000)	(251,607,140)
Balance at end of year	(14,061,670)	(739,526,678)
	4,250,547,620	₱3,525,082,612

On November 28, 1983, the SEC approved the issuance and public offering of 55,000.00 million common shares of the Parent Company at an offer price of ₱0.01 per share. Additional public offering was also approved by SEC on February 4, 2005 for 46.87 million common shares at an offer price of ₱36.00 per share.

On August 18, 2014, the SEC approved the increase in authorized capital stock of the Parent Company from ₱1,000.00 million to ₱3,000.00 million divided into 3,000.00 million common shares with a par value of ₱1 per share.

On August 18, 2017, the SEC approved the increase in authorized capital stock of the Parent Company from ₱3,000.00 million to ₱10,000.00 million divided into 10,000.00 million common shares with a par value of ₱1 per share.

Treasury shares
On December 7, 2017, the BOD approved the share buy-back program wherein the Parent Company will buy-back shares at prevailing market price not exceeding 2,000 million shares (or equivalent amount of ₱2,000.00 million) beginning December 8, 2017. In 2018, the Parent Company has bought-back a total of 7,863,000 shares for a total consideration of ₱251.61 million (nil in 2019).

As of December 31, 2019 and 2018, the Parent Company has bought-back a total of 7,863,000 shares for a total consideration of ₱739.53 million. This is presented as treasury shares in the consolidated statement of financial position.

The unappropriated retained earnings amounting to ₱7,899.81 million and ₱1,653.22 million as of December 31, 2019 and 2018, respectively, are restricted for the payment of dividends to the extent of the cost of the shares held in treasury, the undistributed earnings of the subsidiaries and joint venture, and recognized deferred tax assets which did not flow through profit or loss.

The Parent Company's track record of capital stock is as follows:

	Number of shares registered	Issue/offer price	Date of approval	Number of holders as of yearend
At January 1, 2001	1,630,970,000	₱1/share		
Add (deduct):				
Additional issuance	19,657,388	₱1/share	July 2, 2004	
Conversion of preferred shares to common shares	225,532	₱1/share	July 2, 2004	
Decrease in issued and outstanding common share from capital restructuring	(1,625,852,920)			
Share dividends	225,000,000	₱1/share	July 2, 2004	
Public offering additional issuance	46,875,000	₱36/share	February 4, 2005	
December 31, 2010	296,875,000			632
Add: Share rights offering	59,375,000	₱74/share	January 12, 2010	7
December 31, 2011	356,250,000			639
Add: Movement	–			24
December 31, 2012	356,250,000			663
Add: Movement	–			–
December 31, 2013	356,250,000			663
Add: Stock dividends	712,500,000		May 5, 2014	5
December 31, 2014	1,068,750,000			668
Add: Movement	–			9
December 31, 2015	1,068,750,000			677
Add: Movement	(3,463,570)		August 15, 2017	16
December 31, 2016	1,065,286,430			693
Add: Stock dividends	3,195,859,290		May 2, 2017	–
Add: Movement	(2,735,100)		December 7, 2018	1
December 31, 2017	4,258,410,620			694
Add: Movement	(7,863,000)		December 7, 2018	15
December 31, 2018	4,250,547,620			709
Add: Movement	–			22
December 31, 2019	4,250,547,620			731

18. Retained Earnings

As of December 31, 2019 and 2018, retained earnings amounted to ₱34,133.68 million and ₱29,768.07 million, respectively. The amounts include the accumulated equity in undistributed net earnings of subsidiaries which are not available for dividends until declared by the BOD of the respective subsidiaries. The retained earnings is also restricted to the extent of the cost of the treasury shares.

In accordance with SEC Memorandum Circular No. 11 issued in December 2008, the Parent Company's retained earnings available for dividend declaration as of December 31, 2019 and 2018 amounted to ₱14,288.07 million and ₱8,014.77, respectively.

Cash Dividends
On February 28, 2020, the Parent Company's BOD authorized the Parent Company to declare and distribute special cash dividends of ₱1.25 per share or ₱5,313.18 million to stockholders of record as of March 13, 2020 and payable on March 27, 2020.

On March 18, 2019, the Parent Company's BOD authorized the Parent Company to declare and distribute special cash dividends of ₱1.25 per share or ₱5,313.18 million to stockholders of record as of April 2, 2019. The said cash dividends were paid on April 26, 2019.

On November 7, 2018, the Parent Company's BOD authorized the Parent Company to declare and distribute special cash dividends of ₱1.00 per share or ₱4,250.55 million to stockholders of record as of November 21, 2018. The said cash dividends were paid on December 14, 2018.

On February 22, 2018, the Parent Company's BOD authorized the Parent Company to declare and distribute regular cash dividends of ₱1.25 per share or ₱5,320.16 million to stockholders of record as of March 8, 2018. The said cash dividends were paid on March 22, 2018.

On August 9, 2017, the Parent Company's BOD authorized the Parent Company to declare and distribute cash dividends of ₱5.00 per share or ₱5,326.43 million to stockholders of record as of April 11, 2017. The said cash dividends were paid on September 8, 2017.

On March 27, 2017, the Parent Company's BOD authorized the Parent Company to declare and distribute cash dividends of ₱5.00 per share or ₱5,326.43 million to stockholders of record as of August 25, 2017. The said cash dividends were paid on April 25, 2017.

Stock Dividends
On February 23, 2017, the stockholders of the Parent Company approved the 300% stock dividends amounting to ₱3,195.86 million, divided into 3,195.86 million shares at the par value of ₱1.00 per share, or three common shares for every one (1) common share held, from the unrestricted retained earnings of the Parent Company as of December 31, 2016, and to be issued from the increase in the authorized capital stock of the Parent Company. On August 30, 2017, SEC approved and fixed the record date on September 15, 2017.

Appropriations
On February 28, 2020, the BOD approved the reversal of the appropriation of ₱4,000.00 million to unappropriated retained earnings of the Group, representing the costs of equipment procured for mine site operations. The remaining appropriations as of December 31, 2019 amounting to ₱5,300.00 million are retained for the continuing capital expenditures for the coal mining operations and ongoing power plant expansion projects which are expected to be completed by 2023.

As of December 31, 2017, the 2013 appropriations of ₱1,600.00 million and ₱700.00 million for the power generation and coal mining operations, respectively, are retained for the continuing capital expenditure for the power and coal mining segment.

On March 27, 2017, in relation to the completion of the 2x150 coal-fired thermal power plant of SLPGC, the BOD approved the reversal of previously appropriated retained earnings of ₱3,000.00 million.

On February 23, 2017, the BOD approved the appropriation of ₱4,500.00 million from the unappropriated retained earnings as of December 31, 2016 for other investments of the Group. This appropriation is intended for the ongoing power capacity expansion project which are expected to be completed by 2023.

On November 8, 2016, the BOD approved the appropriation of ₱2,500.00 million from the unappropriated retained earnings as of December 31, 2015 as additional capital expenditure for the Phase 2 Power Plant expansion project under SRPGC which was initially expected to be completed in 2021 but has been moved to 2023.

On November 11, 2015, the BOD approved the appropriation of ₱3,000.00 million from the unappropriated retained earnings as of December 31, 2014 to be used for 2x150 coal-fired thermal power plant expansion of SLPGC. The said power plant started commercial operations in April 2016 and was able to obtain Certificate of Compliance (COC No. 17-05-M-00107L) from ERC in 2018 and Taking-Over Certificate was issued by SLPGC (Owner) to Engineering Procurement and Construction (EPC) Contractor on July 5, 2017.

On August 8, 2013, the BOD approved the appropriation of ₱1,600.00 million from the unappropriated retained earnings as of December 31, 2012, as additional capital expenditure and investment in power expansion projects of the Group which are expected to be completed by 2021.

On March 12, 2013, the BOD of the Parent Company ratified the remaining ₱700.00 million appropriations to partially cover new capital expenditures for the Group's mine operations.

19. Related Party Transactions

The Group in its regular conduct of business has entered into transactions with related parties. Parties are considered to be related if, among others, one party has the ability, directly or indirectly, to control the other party or exercise significant influence over the other party in making the financial and operating decisions, the parties are subject to common control or the party is an associate or a joint venture. The Group has affiliates enumerated below which are under common control of DMCI-HI and Consunji family.

The significant transactions with related parties follow:

	2019				
	Reference	**Amount/ Volume**	**Receivable (Payable)**	**Terms**	**Conditions**
Trade receivables (Note 5)					
Entities under common control					
Sale of coal	**(a)**	**₱29,992,618**	**₱29,992,618**	**Noninterest-bearing, due and demandable**	**Unsecured, no impairment**
Sale of materials, services and reimbursement of shared expenses	**(b)**	**170,077,389**	**120,559,433**	**Noninterest-bearing, due and demandable**	**Unsecured, no impairment**
			₱150,552,051		

(Forward)

	2019				
	Reference	**Amount/ Volume**	**Receivable (Payable)**	**Terms**	**Conditions**
Trade payables (Note 15)					
Entities under common control					
Operation and maintenance fees	**(c)**	**(₱12,113,882)**	**(₱26,802,437)**	**30 days, noninterest-bearing**	
Coal handling services	**(d)**	**35,118,853**	**(145,034,102)**	**30 days, noninterest-bearing**	**Unsecured**
Mine exploration and hauling services	**(e)**	**(311,041,399)**	**–**	**30 days, noninterest-bearing**	**Unsecured**
Construction and other outside services	**(f)**	**(201,208,133)**	**(339,950,509)**	**30 days for monthly billings and portion after expiration of, retention period, noninterest-bearing**	**Unsecured**
Retention payable		**(52,894,815)**	**(14,822,091)**	**30 days, noninterest-bearing**	**Unsecured**
Purchases of office supplies and refreshments	**(g)**	**(734,678)**	**(611,855)**	**30 days, noninterest-bearing**	**Unsecured**
Land and warehouse rental expenses	**(h)**	**(13,646,093)**	**(407,202)**	**30 days, noninterest-bearing**	**Unsecured**
Aviation services	**(i)**	**(130,426,947)**	**(22,444,550)**	**30 days, noninterest-bearing**	**Unsecured**
Arrastre and cargo services	**(j)**	**–**	**(1,620,561)**	**30 days, noninterest-bearing**	**Unsecured**
Others	**(b)**	**–**	**(1,500)**	**30 days, noninterest-bearing**	**Unsecured**
			(₱551,694,807)		

	2018				
	Reference	Amount/Volume	Receivable (Payable)	Terms	Conditions
Trade receivables (Note 5)					
Entities under common control					
Sale of materials, services and reimbursement of shared expenses	(a)	(₱193,531,095)	₱47,521,278	Noninterest-bearing, due and demandable	Unsecured, no impairment
Trade payables (Note 15)					
Entities under common control					
Operation and maintenance fees	(b)	(₱12,447,959)	(₱38,916,319)	30 days, noninterest-bearing	
Coal handling services	(c)	43,159,133	(109,915,249)	30 days, noninterest-bearing	Unsecured
Mine exploration and hauling services	(d)	(63,705,310)	(128,505,310)	30 days, noninterest-bearing	Unsecured
Construction and other outside services	(e)	387,519,102	(541,158,642)	30 days for monthly billings and portion after expiration of, retention period, noninterest-bearing	Unsecured
Retention payable		343,952,771	(11,742,740)	30 days, noninterest-bearing	Unsecured
Purchases of office supplies and refreshments	(f)	(211,614)	(735,075)	30 days, noninterest-bearing	Unsecured
Land and warehouse rental expenses	(g)	60,257,156	(6,628,795)	30 days, noninterest-bearing	Unsecured
Aviation services	(h)	(13,563,622)	(25,805,000)	30 days, noninterest-bearing	Unsecured
Arrastre and cargo services	(i)	102,346	(1,620,561)	30 days, noninterest-bearing	Unsecured
Others	(a)	32,000	(1,500)	30 days, noninterest-bearing	Unsecured
			(₱865,029,191)		

a. The Group has coal sales to DMCI Masbate Power Corporation (DMPC), an entity under common control of DMCI-HI.

b. The Group has receivables for services rendered, deliveries of goods and reimbursement of expenses advanced by the Group to its affiliates. This includes contracted services, share in rental expenses, office materials and supplies, and maintenance and renewal expenses of information systems.

c. SCPC engaged DMCI Power Corporation (DPC), for the management, operation and maintenance of the power plant.

d. SCPC and SLPGC entered into a voyage charter agreement with DMC Construction Equipment and Resources, Inc. (DMC CERI). SLPGC and SCPC hired St. John Bulk Handlers, Inc. (SJBHI) for its coal handling services. Cost of coal handling services for SCPC and SLPGC are included in the 'Cost of power sales' (see Note 21).

e. DMC-CERI had transactions with the Parent Company for services rendered relating to the Parent Company's coal operations. These include services for the confirmatory drilling for coal reserve and evaluation of identified potential areas, exploratory drilling of other minerals within Semirara Island, dewatering well drilling along cut-off wall of Panian mine and fresh water well drilling for industrial and domestic supply under an agreement. Expenses incurred for said services are included in cost of sales under 'Outside services' in the consolidated statement of comprehensive income (see Note 21).

   DMC-CERI operate, maintain and manage Parent Company's marine vessel for use in shiploading and delivery of coal to its various costumer. The coal freight billing is on a per metric ton basis plus demurrage charges for delays in loading and unloading of coal cargoes. Expenses incurred for these services are included in cost of sales under 'Hauling and shiploading costs' in the consolidated statement of comprehensive income (see Note 21).

   Effective 2018, the Parent Company amended its Operations and Maintenance agreement with DMC-CERI wherein, DMC-CERI will be credited for all the despatch for the early loading and unloading of coal cargos in the Semirara Port. In addition, demurrage charges shall be charged to the account of DMC-CERI or the customer on the basis of who is at fault to cause the laytime delay.

   Furthermore, DMC-CERI provides the Parent Company labor services relating to coal operations including those services rendered by consultants. Expenses incurred for said services are included in cost of sales under 'Direct labor' in the consolidated statement of comprehensive income (see Note 21).

   Labor costs related to manpower services rendered by DMC-CERI represent actual salaries and wages covered by the period when the services were rendered to Parent Company in its coal operations. Under existing arrangements, payments of said salaries and wages are given directly to personnel concerned.

f. The Group contracted DMCI for the construction of its 1x 5 MW Power Plant located at Semirara Island and the construction of SLPGC's 2x150 MW coal-fired thermal power plants in Batangas. Other services include ongoing rehabilitation of existing power plant, and other constructions in compliance with its Corporate Social Responsibility (CSR) such as construction of covered tennis courts, track and field, perimeter fence and others.

In addition, the Group have retention payable to DMCI which represents amounts withheld from payments to contractors as guaranty for any claims against them. These are noninterest-bearing and will be remitted to contractors at the end of the contracted work.

g. The Group engaged Sirawai Plywood & Lumber Corp. and South Davao Development Corporation to supply various raw materials, office supplies and refreshments.

h. DMC Urban Property Developers, Inc. (DMC-UPDI) had transactions with the Group representing long-term lease on land, warehouse space and other transactions rendered to the Parent Company necessary for the coal operations. Warehouse rental expenses are included in cost of sales under 'Outside services' while rental expenses related to land are included in cost of sales under 'Depreciation and amortization' upon adoption of PFRS 16 in the consolidated statement of comprehensive income (see Notes 2 and 21).

i. Royal Star Aviation Inc. provide maintenance services and hangarage for the Parent Company's aircraft use to transport supplies, employees and visitors in and out the minesite. The related expenses are included in cost of sales under 'Production overhead' in the consolidated statement of comprehensive income (see Note 21).

j. In 2019 and 2018, Vincent Arrastre and Cargo Services, Inc. had transactions with the Parent Company for shipsiding services.

k. Certain number of issued and outstanding shares of SLPGC held by the Parent Company were used as a security of the loan availed by SLPGC (see Note 14).

All outstanding balances from affiliates are included in receivables under 'Trade receivables - related parties' and 'Trade payables - related parties' in the consolidated statement of financial position (see Notes 5 and 15).

Terms and conditions of transactions with related parties
Except as indicated otherwise, the outstanding accounts with other related parties shall be settled in cash. The transactions are made at terms and prices agreed upon by the parties. The Group has approval process and established limits when entering into material related party transactions.

There have been no guarantees and collaterals provided or received for any related party receivables or payables. These accounts are noninterest-bearing and are generally unsecured. Impairment assessment is undertaken each financial year through a review of the financial position of the related party and the market in which the related party operates. As of December 31, 2019 and 2018, there were no impairment losses recognized on related party balances.

Compensation of key management personnel of the Group amounted to ₱122.13 million, ₱255.96 million and ₱217.84 million in 2019, 2018 and 2017, respectively.

There are no other agreements between the Group and any of its directors and key officers providing for benefits upon termination of employment, except for such benefits to which they may be entitled under the Group's pension plan.

20. **Pension Plan**

The Group has a funded, noncontributory defined benefit plan covering substantially all of its regular employees. The latest actuarial valuation is for the year ended December 31, 2019.

The Group accrues retirement costs (included in 'Pension liabilities' in the consolidated statement of financial position) based on an actuarially determined amount using the projected unit credit method.

The funds are administered by a trustee bank under the supervision of the BOD of the plan. The BOD is responsible for the investment of the assets. It defines the investment strategy as often as necessary, at least annually, especially in the case of the significant market developments or changes to the structure of the plan participants. When defining the investment strategy, it takes account of the plan's objectives, benefit obligation and risk capacity. The investment strategy is defined in the form of a long-term target structure (investment policy). The BOD delegates the implementation of the investment policy in accordance with the investment strategy as well as various principles and objectives to an Investment Committee, which also consists of members of the BOD, Vice-President for Treasury and Chief Finance Officer. The Vice-President for Treasury and Chief Finance Officer oversee the entire investment process.

Under the existing regulatory framework, Republic Act No. 7641 requires a provision for retirement pay to qualified private sector employees in the absence of any retirement plan in the entity, provided however that the employee's retirement benefits under any collective bargaining and other agreements shall not be less than those provided under the law. The law does not require minimum funding of the plan.

Provisions for pension liabilities are established for benefits payable in the form of retirement pensions. Benefits are dependent on years of service and the respective employee's final compensation. The Group updates the actuarial valuation every year by hiring the services of a third party professionally qualified actuary.

There are no plan amendments, curtailments or settlements in 2019, 2018 and 2017.

The cost of defined benefit pension plans and the present value of the pension liabilities are determined using actuarial valuations.

The actuarial valuation involves making various assumptions. The principal assumptions used in determining pension liabilities for the defined benefit plan are shown below:

	2019	2018	2017
Discount rate	**5.42% - 5.54%**	7.53% - 7.70%	5.77% - 6.22%
Salary increase rate	**3.00% - 6.00%**	3.00% - 6.00%	3.00%

The weighted average duration of significant defined benefit obligation per segment are as follows (average number of years) for 2019 and 2018:

	2019	2018
Mining	**4.6 years**	4.2 years
Power	**7.2-12.7 years**	7.45 years

The following table summarizes the components of pension expense in the consolidated statement of comprehensive income:

	2019	2018	2017
Current service cost	**₱38,099,335**	₱47,298,034	₱44,616,166
Interest expense related to the defined benefit liability	**21,948,856**	17,650,257	10,471,117
Interest income related to plan assets	**(5,355,656)**	(3,967,603)	(3,938,353)
	₱54,692,535	₱60,980,688	₱51,148,930

The above pension expense is included as 'Direct labor' under cost of sales and 'Personnel costs' under operating expenses in the consolidated statement of comprehensive income (see Notes 21 and 22).

The following tables provide analyses of the movement in the defined benefit liability, fair value plan assets and net pension liabilities recognized on consolidated statement of financial position:

	2019	2018
Defined benefit liability at beginning of year	**₱285,553,528**	₱302,974,522
Current service cost	**38,099,335**	47,298,034
Interest expense	**21,948,856**	17,650,257
Remeasurement losses (gains) arising from:		
Changes in financial assumptions	**45,295,373**	(35,493,526)
Experience adjustments	**45,709,352**	(39,458,345)
Benefits directly paid by the Group	**(11,071,731)**	(7,417,414)
Defined benefit liability at end of year	**₱425,534,713**	₱285,553,528

	2019	2018
Fair value of plan assets at beginning of year	**₱69,553,974**	₱68,762,612
Interest income	**5,355,656**	3,967,603
Contributions	**54,000,000**	–
Remeasurement losses arising from return on plan assets	**(1,871,686)**	(3,176,241)
Fair value of plan assets at end of year	**₱127,037,944**	₱69,553,974

	2019	2018
Net pension liability at beginning of year	**₱215,999,554**	₱234,211,910
Net pension expense	**54,692,535**	60,980,688
Actuarial losses (gains) recognized in OCI	**89,133,039**	(71,775,630)
Contributions	**(54,000,000)**	–
Benefit directly paid by the Group	**(11,071,731)**	(7,417,414)
Net pension liability at end of year	**₱294,753,397**	₱215,999,554

The Group does not expect any contribution into the pension fund for the next 12 months.

The composition and fair value of plan assets as at the end of reporting date are as follows:

	2019	2018
Cash and cash equivalents	**₱56,690,623**	₱3,632,656
Equity instruments		
Financial institutions	**1,650,991**	3,429,928
Real estate	**–**	4,990,000
Debt instruments		
Government securities	**59,147,376**	44,569,274
Unquoted debt securities	**8,896,349**	11,892,883
Receivables	**652,605**	1,039,233
	₱127,037,944	₱69,553,974

Trust fee in 2019 and 2018 amounted to ₱35,877 and ₱34,103, respectively.

The composition of the fair value of the plan assets includes:

Cash and cash equivalents - include savings and time deposit with banks and special deposit account with Bangko Sentral ng Pilipinas.

Investment in equity securities - includes investment in common and preferred shares of financial institutions traded in the Philippine Stock Exchange.

Investment in debt securities - government securities - include investment in Philippine Retail Treasury Bonds and Fixed Rate Treasury Notes.

Investments in unquoted debt securities - include investment in long-term debt notes and retail bonds.

Receivables - pertain to interest and dividends receivable on the investments in the fund.

The management performs a study of how to match its existing assets versus the pension liabilities to be settled. The overall investment policy and strategy of the Group's defined benefit plan is guided by the objective of achieving an investment return which, together with contributions, ensures that there will be sufficient assets to pay pension benefits as they fall due while also mitigating the various risks of the plan. The Group's current guiding strategic investment strategy consists of 47% and 81% of debt instruments, 45% and 5% of cash and cash equivalents, 1% and 12% of equity instruments and 7% and 2% of others for 2019 and 2018, respectively.

Each sensitivity analysis on the significant actuarial assumptions was prepared by remeasuring the Defined Benefit Obligation (DBO) at the reporting date after first adjusting one of the current assumptions according to the applicable sensitivity increment or decrement (based on changes in the relevant assumption that were reasonably possible at the valuation date) while all other assumptions remained unchanged. The sensitivities were expressed as the corresponding change in the DBO.

It should be noted that the changes assumed to be reasonably possible at the valuation date are open to subjectivity, and do not consider more complex scenarios in which changes other than those assumed may be deemed to be more reasonable.

	2019		2018	
	Increase (Decrease)	**Effect on Defined Benefit Liability**	Increase (Decrease)	Effect on Defined Benefit Liability
Discount rates	**+1%**	**(₱22,611,988)**	+ 1%	(₱4,499,231)
	-1%	**25,979,165**	- 1%	5,014,959
Future salary increases	**+1%**	**26,100,560**	+1%	5,151,066
	-1%	**(23,132,699)**	-1%	(4,693,554)

Shown below is the maturity analysis of the undiscounted benefit payment up to 10 years:

	2019	2018
Less than 1 year	**₱177,397,851**	₱120,876,357
More than 1 year to 5 years	**138,197,252**	107,789,070
More than 5 years to 10 years	**202,158,634**	169,791,029
	₱517,753,737	₱398,456,456

The Group has no other transactions with the fund.

21. Cost of Sales

Cost of coal sales consists of:

	2019	2018	2017
Cost of coal (Note 7)			
Materials and supplies (Note 19)	**₱5,112,461,962**	₱2,754,257,594	₱3,397,821,000
Fuel and lubricants	**4,831,590,762**	3,341,535,352	2,653,577,777
Depreciation and amortization (Notes 10, 11 and 12)	**3,461,657,292**	3,276,055,748	2,775,248,241
Production overhead (Note 19)	**1,593,169,230**	1,046,686,558	741,646,375
Direct labor (Notes 19 and 20)	**1,364,754,071**	856,743,901	896,317,627
Outside services (Note 19)	**1,211,178,162**	526,404,379	1,134,591,537
Provision for decommissioning and site rehabilitation (Note 16)	**–**	436,522,946	147,269,942
	17,574,811,479	12,238,206,478	11,746,472,499
Hauling and shiploading costs (Notes 10 and 19)	**208,974,190**	23,877,634	163,963,714
	₱17,783,785,669	₱12,262,084,112	₱11,910,436,213

Cost of power sales consists of:

	2019	2018	2017
Coal	**₱2,947,448,354**	₱4,321,480,004	₱4,399,206,475
Energy spot purchases	**2,790,441,203**	1,203,199,309	1,252,554,813
Depreciation and amortization (Note 10)	**2,483,914,467**	2,444,928,202	2,164,203,384
Coal handling expense (Note 19)	**217,012,723**	278,321,004	283,495,892
Diesel	**190,885,580**	164,674,176	133,883,247

(Forward)

	2019	2018	2017
Bunker	**₱97,391,081**	₱58,678,806	₱38,337,893
Market fees	**31,233,740**	55,504,243	31,173,053
Lube	**29,791,624**	37,695,635	20,471,045
Others	**75,254,559**	17,604,798	99,720,106
	₱8,863,373,331	₱8,582,086,177	₱8,423,045,908

The cost of coal on power sales consists of:

	2019	2018	2017
Materials and supplies (Note 19)	**₱946,901,917**	₱1,131,940,919	₱1,386,306,595
Fuel and lubricants	**894,880,508**	1,373,299,507	1,082,656,318
Depreciation and amortization (Notes 10 and 12)	**298,030,756**	752,611,208	672,061,538
Production overhead	**295,077,990**	430,165,773	362,676,714
Direct labor (Notes 19 and 20)	**252,772,198**	352,103,405	365,696,439
Outside services (Note 19)	**224,993,424**	273,787,618	462,911,887
Hauling and shiploading costs (Note 19)	**34,791,561**	7,571,574	66,896,984
	₱2,947,448,354	₱4,321,480,004	₱4,399,206,475

22. Operating Expenses

	2019	2018	2017
Government share (Note 28)	**₱3,927,055,360**	₱3,569,015,013	₱4,306,810,763
Depreciation and amortization (Notes 3, 10 and 11)	**643,580,370**	1,288,048,897	901,986,496
Taxes and licenses	**627,723,116**	609,610,558	755,955,043
Personnel costs (Notes 19 and 20)	**522,233,324**	476,886,202	417,678,271
Operation and maintenance (Note 19)	**455,298,286**	418,287,094	419,748,118
Insurance and bonds	**349,514,794**	161,958,470	149,429,339
Repairs and maintenance	**249,052,444**	402,427,446	435,377,879
Office expenses (Note 19)	**140,504,952**	252,947,300	286,175,538
Write-down of property, plant and equipment (Note 10)	**83,535,586**	–	–
Impairment loss	**–**	–	156,068,023
Professional fees	**82,956,495**	91,302,820	75,318,289
Provision for doubtful accounts (Notes 5 and 9)	**82,939,079**	25,330,965	151,886
Entertainment, amusement and recreation	**37,704,730**	73,506,431	67,439,681
Transportation and travel	**25,533,655**	25,685,337	37,708,369
Marketing	**6,821,665**	5,424,720	6,919,797
Others (Notes 7 and 10)	**130,467,320**	375,364,074	190,261,836
	₱7,364,921,176	₱7,775,795,327	₱8,207,029,328

Impairment loss in 2017 amounting to ₱156.07 million pertains to development costs for goods, commodities, wares and merchandise, including pottery earthenware, stoneware, bricks, tiles, roofs and other merchandise produce from clay initially capitalized but were assessed to be no longer recoverable.

Others pertain to various expenses such as advertising and utilities.

23. **Finance Costs**

	2019	2018	2017
Interest on:			
Long-term debt (Note 14)	**₱538,199,923**	₱717,642,152	₱493,971,277
Accretion of provision for decommissioning and site rehabilitation costs (Note 16)	**30,229,558**	97,693,062	85,620,498
Lease liabilities (Note 11)	**6,620,167**	–	–
Short-term loans (Note 13)	**582,205,604**	52,168,582	56,968,000
Amortization of debt issuance cost (Note 14)	**14,837,678**	11,095,035	8,283,385
Bank charges and others	**144,774,582**	64,336,144	73,225,296
	₱1,316,867,512	₱942,934,975	₱718,068,456

24. **Finance Income**

	2019	2018	2017
Interest on:			
Cash in banks (Note 4)	**₱5,057,250**	₱27,277,723	₱24,140,288
Cash equivalents (Note 4)	**76,183,958**	101,375,339	71,184,403
Investment in sinking fund	**–**	–	687,420
Others (Note 5)	**201,741,824**	515,305	384,687
	₱282,983,032	₱129,168,367	₱96,396,798

Interest on investment in sinking fund
In a special meeting of the BOD of SCPC held on March 9, 2010, the BOD authorized SCPC to establish, maintain, and operate trust and investment management accounts with BDO Unibank, Inc. - Trust and Investment Group. The Omnibus Agreement provided that the Security Trustee shall invest and reinvest the monies on deposit in Collateral Accounts. All investments made shall be in the name of the Security Trustee and for the benefit of the Collateral Accounts. BDO Unibank, Inc. - Trust and Investment Group made an investment in sinking fund amounting to ₱68.72 million. Such security agreement was released in 2017 as discussed in Note 14.

Others
Others primarily pertains to the interest received on the claims against PSALM (see Note 5).

25. **Other Income - Net**

	2019	2018	2017
Recoveries from insurance claims and claims from third party settlement (Notes 5 and 29)	**₱668,393,238**	₱287,765,808	₱514,088,242
Sale of fly ash	**166,120,069**	189,761,785	178,931,960
Gain (loss) on sale of equipment - net (Note 10)	**(10,632,904)**	22,683,458	126,227,184
Gain (loss) on financial asset at FVPL (Note 6)	**(643,476,025)**	91,593,548	256,269,156
Miscellaneous	**5,794,226**	16,607,255	98,545
	₱186,198,604	₱608,411,854	₱1,075,615,087

Recoveries from insurance claims and claims from third party settlement
Recoveries from insurance claims pertain to the amount reimbursed by the insurer on insured equipment that were damaged. In 2019 and 2018, the Group received insurance claims amounting to ₱699.69 million and ₱476.14 million, respectively, to cover the cost of repair for the unplanned shutdown of Unit 3 of SLPGC's 2x150 MW coal-fired power plant (nil in 2017). The amount of other income recognized from the insurance claims is net of related cost of repairs amounting to ₱23.69 million and ₱250.77 million in 2019 and 2018, respectively.

In 2017, the Group recognized recoveries from settlement agreement from the EPC contractor representing compensation for the delay in completion of construction 2x150 MW coal-fired thermal power plant and income from claims from PSALM and NPC as discussed in Note 5.

Gain (loss) on financial asset at FVPL
Net gain on financial asset at FVPL related to the fair value gain settle differences with a retail electricity supplier. This includes realized loss of ₱398.03 million in 2019 and realized gain of ₱65.82 million and ₱36.60 million in 2018 and 2017, respectively, (see Note 6).

Miscellaneous
Miscellaneous pertains to sale of sample products for its claystone business.

26. Income Tax

The provision for (benefit from) income tax consists of:

	2019	2018	2017
Current	**₱137,373,974**	₱704,272,857	₱1,079,306,693
Final	**16,228,957**	24,815,699	19,168,305
Deferred	**(448,728,617)**	412,402	156,853,425
	(₱295,125,686)	₱729,500,958	₱1,255,328,423

The reconciliation of the effective statutory income tax rate to the effective income tax rate shown in the consolidated statement of comprehensive income follows:

	2019	2018	2017
Statutory income tax rate	**30.00%**	30.00%	30.00%
Adjustments for:			
Nondeductible expense	**0.56**	0.29	0.16
Nondeductible interest expense	**0.10**	0.02	0.07
Movement in unrecognized deferred tax assets	**(0.16)**	0.24	0.48
Interest income already subject to final tax at a lower rate	**(0.09)**	(0.11)	(0.10)
Tax-exempt income	**(33.56)**	(24.72)	(22.49)
Effective income tax rate	**(3.15%)**	5.72%	8.12%

The components of net deferred tax assets as of December 31, 2019 and 2018 follow:

	2019	2018
Deferred tax assets (liabilities) on:		
Allowance for expected credit losses and impairment losses	**₱510,416,398**	₱485,534,674
NOLCO	**194,128,332**	–
Accrual of pension obligation	**104,636,520**	42,367,760
Allowance for inventory obsolescence	**20,218,166**	20,218,166
Provision for decommissioning and site rehabilitation	**4,791,123**	4,080,821
Unrealized foreign exchange loss (gain) - net	**41,767,971**	(16,109,834)
Claims from third party settlement	**–**	(99,695,533)
Others (Note 2)	**12,222,552**	(1,312,127)
	₱888,181,062	₱435,083,927

The components of net deferred tax liabilities as of December 31, 2018 (nil as of December 31, 2019 follow:

Deferred tax assets (liabilities) on:	
Unrealized gain from financial contract	(₱73,633,133)
Accrual of pension obligation	11,661,764
Provision for decommissioning and site rehabilitation	175,052
	(₱61,796,317)

Deferred tax assets are recognized only to the extent that taxable income will be available against which the deferred tax assets can be used.

The Group has the following deductible temporary differences that are available for offset against future taxable income or tax payable for which deferred taxes have not been recognized:

	2019	2018
NOLCO	**₱418,554**	₱1,809,786,446
Allowance for impairment losses	**156,068,023**	156,068,023
	₱156,486,577	₱1,965,854,469

Rollforward analysis of the Group's NOLCO follows:

	2019	2018
Balance at beginning of year	**₱1,809,786,446**	₱4,265,844,135
Addition	**647,094,440**	–
Expiration	**(1,809,367,892)**	(2,456,057,689)
Balance at the end of year	**₱647,512,994**	₱1,809,786,446

The Group did not recognize deferred tax assets on NOLCO incurred in 2017 amounting to ₱0.42 million which will expire by 2020.

Board of Investments (BOI) Incentives

Parent Company

In relation to the Parent Company's operation in Panian minesite, on September 26, 2008, the BOI issued in favor of the Parent Company a Certificate of Registration as an Expanding Producer of Coal in accordance with the provisions of the Omnibus Investments Code of 1987. Pursuant thereto, the Parent Company shall be entitled to the following incentives, among others:

a. Income tax holiday (ITH) for six years from September 2008 or actual start of commercial operations, whichever is earlier, but in no case earlier than the date of registration. For purposes of availment of ITH, a base figure of 2,710,091 MT representing the Parent Company's average sales volume for the past three (3) years prior to the expansion shall be used.

   The Parent Company shall initially be granted a four-year ITH. The additional two-year ITH shall be granted upon submission of completed or on-going projects in compliance with its CSR, which shall be submitted before the lapse of its initial four-year ITH. The Parent Company's ITH of six (6) years lapsed in September 2014.

   On May 1, 2014, BOI approved the Parent Company's additional year of ITH entitlement from September 2014 to September 2015, which was extended by the BOI to September 2016.

b. Employment of foreign nationals. This may be allowed in supervisory, technical or advisory positions for five years from the date of registration. The president, general manager and treasurer of foreign-owned registered companies or their equivalent shall not be subject to the foregoing limitations.

   Date of filing: Application shall be filed with the BOI Incentives Department before assumption to duty of newly hired foreign nationals and at least one (1) month before expiration of existing employment for renewal of visa.

c. Simplification of Customs procedures for the importation of equipment, spare parts, raw materials and supplies.

   On August 19, 2009, the BOI granted the Parent Company's request for a reduced base figure from 2,710,091 MT to 1,900,000 MT, representing the average sales volume for the past eight (8) years (2000 to 2007) prior to registration with BOI.

   The Parent Company's Certificate of Registration for Panian Minesite has expired on September 26, 2016 simultaneous to the full depletion of the mineable ore reserve.

   On August 31, 2012 and February 24, 2016, BOI has granted the Parent Company Certificates of Registration as New Producer of Coal in accordance with the provisions of the Omnibus Investments Code of 1987 in relation to the operation in Narra Minesite (formerly Bobog) (Certificate of Registration No. 2012-183) and Molave Minesite (Certificate of Registration No. 2017-042). Pursuant thereto, the Parent Company shall be entitled to the following incentives for the two Certificate of Registrations, among others:

   a. ITH for four years from January 2015 and January 2017 for Narra minesite and Molave minesite, respectively, or actual start of commercial operations, whichever is earlier, but in no case earlier than the date of registration.

b. Income qualified for ITH availment shall not exceed by more than 10% of the projected income represented by the Parent Company in its application provided the project's actual investments and employment match the Parent Company's representation in the application.

On October 24, 2019, the BOI approved the request for suspension of Narra Mine until the slope stability of the Narra mine to resume production is ensured, as follows:

a. the suspension of mining operation of Narra Mine under its Certificate of Registration No. 2012-183 dated August 31, 2012, subject to the capping of ITH incentive of Molave mine to 9,697,165 MT under BOI Certificate of Registration No. 2016-042 dated February 24, 2016, which is the highest attained production volume for the last three year of operation; and,

b. the suspension of the corresponding ITH under its Certificate of Registration No. 2012-183 dated 31 August 2012

On November 28, 2019, the BOI approved the Parent Company's application for extension for one (1) year for ITH incentive. The approved bonus year under Certificate of Registration No. 2016-042 is for the period October 15, 2020 to October 14, 2021 using the Indigenous Raw Material Criterion pursuant to Executive Order No. 226.

The Parent Company received a letter from the BOI dated February 28, 2020, stating that the BOI per Board Resolution No. 04-14, Series of 2020, approved the motion for reconsideration of the Parent Company and that the portion of BOI Board Resolution No. 31-07, Series of 2019, capping the incentive of Molave mine to 9,697,165 MT be amended. The annual coal production rate of 16 million metric tons as specified in the Amended Environmental Compliance Certificate issued by the Department of Environment and Natural Resources-Environmental Management Bureau (DENR-EMB) shall be imposed upon the Parent Company's two (2) projects under BOI Certificate of Registration No. 201-183 dated August 31, 2012 and BOI Certificate of Registration No. 2016-042 dated February 24, 2016 as New Producer of Coal, pursuant to the provisions under the Executive Order No. 226. Any revenue arising from the coal production in excess of 16 million metric tons annual production rate shall not be entitled to ITH incentive.

The Parent Company availed of incentive in the form of ITH on its income under registered activities amounting to ₱2,313.56 million, ₱2,992.59 million and ₱2,679.13 million in 2019, 2018 and 2017, respectively.

SLPGC
On June 21, 2012, the application for registration of SLPGC as new operator of 300 MW (Phase 1) Batangas Coal Fired Power Plant on a Non-Pioneer Status under the Omnibus Investments Code of 1987 (Executive Order No. 226) was approved. Pursuant thereto, SLPGC shall be entitled to the following incentives, among others:

a. ITH for four years from January 2015 or actual start of commercial operations, whichever is earlier, but in no case earlier than the date of registration.

b. For the first five (5) years from date of registration, the enterprise shall be allowed an additional deduction from taxable income of fifty percent (50%) of the wages corresponding to the increment in number of direct labor for skilled and unskilled workers in the year of availments as against the previous year if the project meets the prescribed ratio of capital equipment to the number of workers set by the Board and provided that this incentive shall not be availed of simultaneously with the ITH.

c. Importation of consigned equipment for a period of 10 years from date of registration, subject to posting of re-export bond.

d. Employment of foreign nationals. This may be allowed in supervisory, technical or advisory positions for five years from date of registration.

e. Simplification of customs procedures for the importation of equipment, spare parts, raw materials and supplies.

On June 19, 2015, SLPGC wrote the BOI informing the latter of the delay in the start of commercial operations of Units 1 & 2 of the 2x150 MW CFB Fired Power Plant Project citing as reason the delay in the substation interconnection of the plant due to legal and commercial issues between and among the National Power Corporation, National Transmission Corporation, First Gas Power Corporation, MERALCO, PSALM and National Grid Corporation.

On July 2, 2015, the BOI replied that the BOI may grant a request for deferment of start of commercial operations with justifiable cause for a maximum of one year. The BOI may also grant a second request for deferment for six months provided that the reason for the second request is different from the first. However, failure to start commercial operations as committed in a second request shall be a ground for automatic cancellation of registration without prejudice to filing a new application for registration.

On February 16, 2016, SLPGC informed the BOI that testing and commission commenced shortly after the interconnection issue was resolved on July 16, 2015. In said letter, SLPGC formally requested the BOI for extension of the reckoning period of ITH for the six months or up to June 2016.

On June 29, 2016, the BOI granted the request for the movement of the reckoning period for the ITH incentive from January 1, 2015 to January 1, 2016 due to the delay arising from interconnection issue which is considered as an operational force majeure. In 2019, 2018 and 2017, SLPGC availed of tax incentive in the form of ITH on its income under registered activities amounting to ₱834.33 million, ₱229.95 million, and ₱799.28 million, respectively.

On February 5, 2020, the BOI approved SLPGC's application for extension of ITH incentives for one (1) year for the period of January 1, 2020 to December 31, 2020, using the Indigenous Raw Material criterion pursuant to Executive Order No. 226.

27. Basic/Diluted Earnings Per Share

The following table presents information necessary to calculate earnings per share:

	2019	2018	2017
Net income	**₱9,678,790,811**	₱12,025,381,058	₱14,209,139,819
Divided by the weighted average number of common shares outstanding	**4,253,177,030**	4,253,177,030	4,261,034,460
Basic/diluted earnings per share	**₱2.28**	₱2.83	₱3.33

There have been no other transactions involving common shares or potential common shares between the reporting date and the date of authorization of these consolidated financial statements.

28. Coal Operating Contract with DOE

On July 11, 1977, the Government, through its former Energy Development Board, awarded a 35-year COC to a consortium led by Vulcan Industrial & Mineral Exploration Corporation and Sulu Sea Oil Development Corporation that subsequently assigned said COC to then Semirara Coal Corporation, now the Parent Company, on April 7, 1980. On July 27, 1977, Presidential Decree (PD) 972 was amended by PD 1174: (a) increasing coal operators' maximum cost recovery from an amount not exceeding 70% to 90% of the gross proceeds from production, and (b) increasing the amount of a special allowance for Philippine corporations from an amount not exceeding 20% to 30% of the balance of the gross income, after deducting all operating expenses. As a result, the Parent Company's COC was subsequently amended on January 16, 1981 reflecting said changes.

On May 13, 2008, the DOE granted the Parent Company's request for an extension of its COC for another 15-year or until July 14, 2027.

On November 12, 2009, the COC was amended further, expanding its contract area to include Caluya and Sibay Islands, Antique, covering an additional area of 3,000 hectares and 4,200 hectares, respectively.

On August 6, 2018, the COC was amended relinquishing the contract areas in Caluya and Sibay Islands, Antique. The contract areas under the COC was re-configured with an area of 13,000 hectares.

On April 29, 2013, the DOE issued a new COC to the Parent Company granting the Parent Company the exclusive right to conduct exploration, development and coal mining operations in the municipality of Bulalacao, province of Oriental Mindoro, up to a maximum of 36 years from its effective date. The COC covers two coal-bearing parcels of land covering areas of 2,000 and 5,000 hectares, respectively.

On June 7, 2013, the DOE issued a new COC to the Parent Company granting the Parent Company the exclusive right to conduct exploration, development and coal mining operations in the municipalities of Maitum and Kiamba, province of Sarangani, up to a maximum of 36 years from its effective date. The COC covers a coal-bearing parcel of land covering area of 5,000 hectares. On January 18, 2019, the old COC was voluntarily relinquished by the Parent Company.

In return for the mining rights granted to the Parent Company, the Government is entitled to receive annual royalty payments consisting of the balance of the gross income after deducting operating expenses, operator's fee and special allowance. The Parent Company's liability for DOE's share under this contract and to the different LGU in the province of Antique, under the provisions of the Local Government Code of 1991, amounted to ₱3,927.06 million, ₱3,569.02 million and ₱4,306.81 million in 2019, 2018 and 2017, respectively, included under 'Operating expenses' in the consolidated statement of comprehensive income (see Note 22). Payable to DOE and LGU, amounting to ₱855.90 million and ₱713.35 million as of December 31, 2019 and 2018, respectively, are included under the 'Trade and other payables' account in the consolidated statement of financial position (see Note 15).

The DOE, through the Energy Resources Development Bureau, approved the exclusion of coal produced and used solely by the Parent Company to feed its power plant used for mining operations in determining the amount due to DOE.

29. **Contingencies and Commitments**

SCPC

a. Provision for billing disputes

On October 20, 2010, SCPC filed a Petition for dispute resolution ("Petition") before the ERC against NPC and PSALM involving over-nominations made by NPC during the billing periods January to June 2010 beyond the 169,000 kW MERALCO allocation of SCPC, as provided under the Schedule W of the APA.

In its Petition, SCPC sought to recover the cost of energy (a) sourced by SCPC from WESM in order to meet NPC's nominations beyond the 169,000 kW MERALCO contracted demand, or (b) procured by NPC from the WESM representing energy nominated by NPC in excess of the 169,000 kW limit set in Schedule W, cost of which was charged by PSALM against SCPC. In relation to this, NPC withheld the payments of MERALCO and remitted to SCPC the collections, net of the cost of the outsourced energy.

SCPC has likewise sought to recover interest on the withheld MERALCO payments collected by PSALM that is unpaid to SCPC as of due date, to be charged at the rate of 6% computed from the date of SCPC's extrajudicial demand until full payment by PSALM.

During the preliminary conference scheduled on November 25, 2010, the ERC's hearing officer directed the parties to explore the possibility of settling the dispute amicably. As the parties failed to arrive at a compromise during the prescribed period, hearings resumed with the conduct of preliminary conference on February 23, 2011, without prejudice to the result of any further discussions between the parties for amicable settlement. The ERC set the next hearing for the presentation of witnesses on March 22 and 23, 2011.

In 2010, SCPC wrote-off the total amount withheld by NPC, which amounted to ₱383.29 million. Though a provision has already been made, SCPC has not waived its right to collect the said amount in case the outcome of the dispute resolution would be a favorable settlement for SCPC. The provision will be reversed and an income would be recognized in the 'Other income - net' account upon collection of the said receivable.

On July 6, 2011, the ERC rendered its Decision in favor of SCPC and directed the parties, among others to submit the reconciled computation of the over-nominations and other MERALCO payments withheld by PSALM during the periods January 2010 to June 2010, and for PSALM to return to SCPC the amount computed and reconciled, including the interests thereon a rate of 6% per annum. PSALM filed a Motion for Reconsideration on the Decision which was denied by ERC in an order dated February 13, 2012 for lack of merit.

On April 24, 2012, SCPC and PSALM each filed their Compliance submitting the reconciled computations of the over-nominations and other MERALCO payments withheld by PSALM, as agreed upon by the parties, in the principal amount of ₱476.00 million.

On December 4, 2013, SCPC filed a Motion for Issuance of Writ of Execution praying to direct PSALM to remit the Principal Amount, including interest of 6% per annum computed from August 4, 2010 until the date of actual payment, as well as the value added tax collected by PSALM from MERALCO, pursuant to the ERC's Decision dated July 6, 2011 and Order dated February 13, 2012.

On June 23, 2014, the ERC issued an Order granting the Writ of Execution in favor of SCPC and called a clarificatory conference on September 3, 2014 for the parties to discuss the details of the execution. PSALM filed a Motion for Reconsideration of the ERC's Order dated June 23, 2014.

On September 3, 2014 clarificatory conference, the ERC directed the parties to discuss how they could mutually carry out the execution granted by the ERC in favor of SCPC and likewise (1) granted SCPC 10 days to file its Comment/Opposition to PSALM's motion for reconsideration; and (2) ordered PSALM to file its Compliance and submit a copy of the 3rd Indorsement dated May 29, 2014 issued by the General Counsel of the Commission on Audit (COA) to PSALM.

On September 11, 2014, PSALM filed its Compliance and duly submitted the 3rd Indorsement. On September 15, 2014, SCPC filed its Opposition to PSALM's Motion for Reconsideration.

On July 18, 2017, the ERC issued an Order granting PSALM's Motion for Reconsideration (MR) and setting aside its Order dated June 23, 2014. In the said Order, the ERC stated that the grant of PSALM's motion is without prejudice to the filing of SCPC of the appropriate money claims with COA.

PSALM's Petition for Review before the Court of Appeals and Supreme Court of the Philippines
Meanwhile, PSALM filed a Petition for Review with Prayer for Temporary Restraining Order (TRO) and/or Preliminary Injunction with the Court of Appeals on March 30, 2012, questioning the ERC's decision dated July 6, 2011 and Order dated February 13, 2012. On September 4, 2012, the Court of Appeals rendered a Decision, denying PSALM's petition and affirming the related Decision and Order previously issued.

PSALM subsequently filed a Motion for Reconsideration dated September 26, 2012 and seeking the reconsideration of the Decision dated September 4, 2012. SCPC filed its Opposition to PSALM's Motion for Reconsideration on November 5, 2012.

Subsequently, the Court of Appeals issued a Resolution denying the Motion for Reconsideration filed by PSALM on November 27, 2012.

On December 27, 2012, PSALM filed a Petition for Review on Certiorari with Prayer for Issuance of Temporary Restraining Order and/or Preliminary Injunction with the Supreme Court (Court).

Subsequently the Court issued a Resolution dated January 21, 2013 requiring SCPC to file a Comment to PSALM's Petition. Thus, on March 25, 2013, SCPC filed its Comment.

PSALM filed a Motion for Extension to file reply on July 25, 2013, requesting for an additional period of 10 days from July 25, 2013, or until August 4, 2013, within which to file its Reply. PSALM subsequently filed its Reply on August 2, 2013.

In a Resolution dated September 30, 2013, the Court granted PSALM's Motion for Extension to File Reply and noted the filing of PSALM's Reply.

On December 16, 2016, the Court issued a Notice of Decision and Decision dated December 5, 2016. In said Decision, the Court denied PSALM's Petition for Review on Certiorari with Prayer for issuance of Temporary Restraining Order and/or Preliminary injunction and affirmed the ruling of the Court of Appeals.

PSALM filed its Motion for Reconsideration dated January 19, 2017. On February 13, 2017, the Supreme Court rendered Decision denying with finality PSALM's Motion for Reconsideration.

On February 22, 2017, due to the denial with finality of PSALM's MR by the Supreme Court, SCPC filed with the ERC an Urgent Motion for Resolution of PSALM's Motion for Reconsideration pending with the ERC. SCPC prayed that the MR be denied and a writ of execution be issued in favor of SCPC.

Petition for Money Claim versus PSALM before the Commission on Audit (COA)
On November 27, 2017, SCPC filed before the COA a Petition for Money Claim against PSALM for the enforcement of the Decision dated July 6, 2011 and Order dated February 13, 2012 issued by the ERC in ERC Case No. 2010-058MC, as affirmed by the Court of Appeals in its Decision dated September 4, 2012 in CA-C.R. No. 123997, and by the Supreme Court in its Decision dated December 5, 2017 in G.R. No. 204719.

On December 11, 2017, SCPC received a copy of the Order dated November 29, 2017 issued by COA directing PSALM to submit its answer to SCPC's Petition dated November 27, 2017 within 15 days from receipt thereof. Upon confirmation from the Philippine Post Office - Quezon City, PSALM received a copy of the foregoing Order on December 14, 2017. Hence, PSALM has until December 29, 2017 within which to file its answer.

As of December 31, 2017, since this case involves issues which have been settled by no less than the Supreme Court in a final and executory judgment, i.e., PSALM's liability in the principal amount of ₱476.70 million inclusive of VAT, the recovery of SCPC's money claim is certain. The filing of Petition with COA is for the purpose of executing the money judgment since the ERC refused to execute the same based on the rule that all money claims against the government must first be filed with the COA.

On February 7, 2018, SCPC filed with COA a Motion to Declare Respondent PSALM Corporation in Default in view of PSALM's failure to file Answer within the period provided by COA in the Order dated November 29, 2017. However, on February 15, 2018, SCPC received a copy of PSALM's Motion to Admit Attached Answer with Answer both dated February 12, 2018. In its Answer, PSALM confirmed that it had not made any payments in connection with the ERC Decision dated July 6, 2011 but contended that SCPC's prayer for payment of interest should be denied because allegedly, SCPC's Petition dated November 27, 2017 and the ERC decision failed to state as to when the interest should be counted from. On March 1, 2018, SCPC filed its Reply to PSALM's Answer and refuted PSALM's claim regarding imposition of interest.

On November 29, 2018, SCPC filed an Urgent Motion for Resolution with the COA praying for immediate resolution of the case. On December 14, 2018, PSALM filed its Comment to SCPC Urgent Motion for Resolution raising the same arguments raised in its Answer. On January 4, 2018, SCPC filed its Reply to PSALM's Comment to the Urgent Motion for Resolution.

On April 22, 2019, the COA issued its decision granting SCPC's money claim in the amount of ₱476.70 million, plus 6% interest. On June 28, 2019, PSALM paid the said amount in favor of SCPC (see Notes 5 and 24).

b. Operating Lease Commitment - as a Lessee (Prior to adoption of PFRS 16)

As discussed in Note 12, SCPC entered into an LLA with PSALM for the lease of land in which its plant is situated, for the period of 25 years, renewable for another 25 years, upon mutual agreement. In 2009, SCPC paid US$3.19 million or its Peso equivalent ₱150.57 million as advance rental for the 25-year land lease.

Provisions of the LLA include that SCPC has the option to buy the Option Assets upon issuance of an Option Existence Notice (OEN) by the lessor. Option assets are parcels of land that form part of the leased premises which the lessor offers for sale to the lessee.

SCPC was also required to deliver and submit to the lessor a performance security amounting to ₱34.83 million in the form of Stand-by Letter of Credits. The Performance Security shall be maintained by SCPC in full force and effect continuously without any interruption until the Performance Security expiration date. The Performance Security initially must be effective for the period of one (1) year from the date of issue, to be replaced prior to expiration every year thereafter and shall at all times remain valid.

In the event that the lessor issues an OEN and SCPC buy the option assets, the land purchase price should be equivalent to the highest of the following and/or amounts: (i) assessment of the Provincial Assessors of Batangas Province; (ii) the assessment of the Municipal or City Assessor having jurisdiction over the particular portion of the leased premises; (iii) the zonal valuation of BIR or, (iv) United States dollar (US$) 21.00 per square meter. Valuation basis for (i) to (iii) shall be based on the receipt of PSALM of the OEN.

The exchange rate to be used should be the Philippine Dealing Exchange rate at the date of receipt of PSALM of the OEN.

On July 12, 2010, PSALM issued an OEN and granted SCPC the "Option" to purchase parcels of land (Optioned Assets) that form part of the leased premises. SCPC availed of the "Option" and paid the Option Price amounting to US$0.32 million (₱14.72 million), exercisable within one (1) year from the issuance of the OEN.

On April 28, 2011, SCPC sent a letter to PSALM requesting for the assignment of the option to purchase a lot with an area of 82,740 sqm in favor of its Parent Company. On May 5, 2011, PSALM approved the assignment. On June 1, 2011, SCPC exercised the land lease option at a purchase price of ₱292.62 million and is included as part of 'Property, plant and equipment' (see Note 10). The 82,740 sqm lot was later assigned to and purchased by SLPGC.

On October 12, 2011, SCPC reiterated its proposal to purchase the remainder of the Leased Premises not identified as Optioned Assets. One of the salient features of the proposal included the execution of Contract to Sell (CTS) between SCPC and PSALM. This included the proposal of SCPC to assign its option to purchase and sub-lease in favor of SLPGC.

On February 13, 2012, PSALM held off the approval of the proposal to purchase the portion of Calaca Leased Premises not identified as Optioned Assets, subject to further studies. On the same date, PSALM Board has approved SCPC's request to sub-lease a portion of the Calaca Leased Premises to SLPGC for the purpose of constructing and operating a power plant.

On February 14, 2014, SCPC reiterated its proposal to purchase the Calaca Leased Premises not identified as Optioned Assets.

On February 1, 2017, SCPC again reiterated to PSALM its proposal to purchase the Calaca Leased Premises.

On September 24, 2019, PSALM informed SCPC regarding lots ready for OEN issuance. On February 11, 2020, SCPC wrote PSALM seeking clarifications on the status of lots available for OEN.

Foreshore lease
On April 2009, National Power Corporation (NAPOCOR or “NPC”) and the Department of Environment and Natural Resources -CENRO (DENR-CENRO) entered to a 25-year foreshore lease agreement. On July 29, 2009, DMCI Holdings, Inc. (DHI) won the open and competitive bidding of the 600MW Batangas Coal-Fired Thermal Power Plant. PSALM and SCPC executed the Deed of Sale on the power plant. On December 29, 2011, NPC transferred its rights over the foreshore lease with DENR-CENRO thru an execution of Deed of Assignment in which SCPC unconditionally agrees to assume all rights and obligations under the Foreshore Lease Contract. Lease payments is subject to reappraisal every 10 years of the contract. On the first 10 years of the lease, the rate is ₱2.65 million. The rate was reappraised in May 3, 2019. Starting April 2019, the rate will be ₱3.88 million until reappraised in 2029.

On January 1, 2019, upon adoption of PFRS 16, these two (2) operating leases were assessed to be scoped in in accordance with the new standard. The Group applied the requirements of the new standard for these leases with corresponding recognition of right-of-use assets and lease liabilities. Refer to Notes 2, 9 and 11 for the information and related disclosures.

c. Power Supply Agreement with MERALCO

On December 20, 2011, SCPC entered into a new power supply agreement with MERALCO which took effect on December 26, 2011 and shall have a term of (7) seven years, extendable upon mutual agreement by the parties for another three years. Based on this agreement, SCPC shall provide MERALCO with an initial contracted capacity of 210MW and shall be increased to 420MW upon commercial operation of the plant’s Unit 1. Commercial operation of plant’s Unit 1 started in June 2013. The contract upon mutual agreement was extended from December 26, 2018 to June 25, 2019 for 250MW. SCPC will be providing MERALCO with an initial contracted capacity of 210 MW and will be increased to 420 MW upon the commercial operation of the plant’s Unit 1.

On March 12, 2012, MERALCO filed an application for the *Approval of the PSA between MERALCO and SCPC, with a Prayer for Provisional Authority,* docketed as ERC Case No. 2011-037 RC.

In the said application, MERALCO alleged and presented on the following: a.) the salient provisions of the PSA; b.) payment structure under the PSA; c.) the impact of the approval of the proposed generation rates on MERALCO’s customers; and d.) the relevance and urgent need for the implementation of the PSA.

On December 17, 2012, the ERC issued a Decision approving the application with modification. On January 7, 2013, applicant MERALCO filed a Motion for Partial Reconsideration of the ERC Decision dated December 17, 2012 to introduce additional material evidence not available at the time of the filing of the application, in support of the reconsideration of the approved Fixed O&M (FOM) fee of ₱4,785.12/kW per year. On February 8, 2013, MERALCO filed its Supplemental Motion for Partial Reconsideration with Motion for Clarification (Supplemental Motion) to include the recovery of cost of diesel not as part of the variable O&M Fee.

On May 2, 2018, the ERC issued an Order of even date, requiring submission of documentary requirements to support its Motion for Partial Reconsideration and the Supplemental Motion. On May 23, 2018, SCPC submitted its Compliance with Motion for Early Resolution to the ERC. On May 29, 2018, SCPC received an Order from the ERC allowing recovery of the cost of diesel during Power Plant's Startup and Shutdown under Reimbursable Cost but deferred MERALCO's prayer to adjust the approved FOM fee of ₱4,785.12/kW-Year to ₱4,977.45/kW-Year.

On July 17, 2018, further to ERC Order dated May 29, 2018, SCPC issued a Debit Memo to MERALCO and MERALCO RES in the amounts of ₱1,170.44 million and ₱407.46 million, respectively.

On August 20, 2018, SCPC received a copy of MERALCO's Motion for Clarification with Manifestation seeking to clarify the details of the approved components of the FOM fee, including the amounts pertaining to diesel and bunker oil. MERALCO also sought to clarify that the ERC grant of the Power Plant's Startup and Shutdown under Reimbursable Cost refers to Component E of the Payment Structure discussed in Appendix E of the PSA to avert any erroneous/invalid billing from SCPC regarding Reimbursable Costs. On August 30, 2019 MERALCO filed with the ERC its Urgent Motion for Resolution of its earlier Motion for Clarification with Manifestation.

As of March 4, 2020, ERC has yet to resolve the pending motions filed by MERALCO.

d. Power Supply Agreement with MERALCO RES

On May 5, 2017, SCPC entered into a new power supply agreement with MERALCO through its retail electricity supply business segment which will take effect on June 26, 2019 and shall have a term of ten years extendable upon mutual agreement by the parties for another four years. SCPC will be providing MERALCO RES with an initial contracted capacity of 170MW from June 26, 2019 until December 25, 2019 and will be increased to 420MW from December 26, 2019 until the end of the term.

On February 24, 2020, SCPC and MERALCO RES amended the power supply agreement, reducing the contract capacity to 170MW and the term up to October 25, 2021.

e. Dispute Resolution Proceedings with MERALCO (Line Loss Rental)

On August 29, 2013, MERALCO filed a Petition for Dispute Resolution before the ERC against SCPC and other generating companies praying for refund of the amount of line loss allegedly collected by the said generating companies corresponding to 2.98% of the NPC-Time of Use (TOU) amounts paid to the generating companies as assignees of the portions of the contracted energy volume under the NPC-MERALCO Transition Supply Contract pursuant to the Orders dated March 4, 2013 and July 1, 2013 issued by the ERC in ERC Case No. 2008-083MC. The total amount claimed by MERALCO against SCPC representing line loss amounts allegedly received by SCPC beginning 2009 amounts to ₱265.54 million.

The ERC issued an Order dated September 10, 2013 for the generating companies to file comments on MERALCO's Petition and set the hearing on October 17, 2013.

On September 20, 2013, the generating companies filed a Joint Motion to Dismiss arguing that MERALCO's Petition failed to state a cause of action and the ERC has no jurisdiction over the subject matter of the case.

On September 25, 2013, the ERC directed MERALCO to file its comments on the Joint Motion to Dismiss. The ERC likewise set the hearing on the Joint Motion to Dismiss on October 14, 2013.

On October 14, 2013, during the hearing on the Joint Motion to Dismiss, ERC directed MERALCO to furnish the generating companies of its Comment and Pre-Trial Brief; granted MERALCO a period of three (3) days from receipt of the generating companies Reply within which to file a Rejoinder; granted the generating companies a period of five days from receipt of MERALCO's Rejoinder to file a Sur-Rejoinder.

The ERC denied the generating companies prayer to hold in abeyance the conduct of the initial hearing on October 17, 2013 and shall proceed on said date only insofar as the jurisdictional hearing is concerned without prejudice to the ERC's resolution of the Joint Motion to Dismiss.

The generating companies' Joint Motion to Dismiss has been submitted for resolution. As of March 4, 2020, the Joint Motion to Dismiss has yet to be resolved.

f. Contract for the Fly Ash of the Power Plant

After the expiration of the old Pozzolanic contract with National Power Corporation (NPC), which was inherited by SCPC, as new owner, sealed a new contract on April 30, 2012 with Pozzolanic, effective for a period of 15 years beginning February 1, 2012. Pozzolanic, as agreed, shall purchase 100% percent of fly ashes produced or generated by the Power Plant.

On February 24, 2015, SLPGC, owner of the 2x150 MW CFB Power Plant and Transpacific Resource Recovery Inc. executed a Contract for CFB fly ash valid until January 31, 2027.

g. Temporary Restraining Order on MERALCO

On December 23, 2013, the Supreme Court (SC) issued a temporary restraining order (TRO) to MERALCO enjoining it from increasing the generation rates it charges to its consumers arising from the increased generation costs from its suppliers for the supply month of November 2013. The said TRO also enjoined the ERC from implementing its December 9, 2013 Order authorizing MERALCO to stagger the collection of its increased generation costs for the supply month of November 2013. The TRO was for a period of 60 days from December 23, 2013 to February 21, 2014.

On January 10, 2014, the SC impleaded MERALCO's suppliers of generation costs, including PEMC, the operator of the WESM, as parties-respondents in the cases.

On February 18, 2014, the SC extended the TRO for another 60 days up to April 22, 2014.

On April 24, 2014, the SC issued a resolution and corresponding TRO, extending indefinitely the TRO issued on December 23, 2013 and February 18, 2014.

As a result of the TRO, MERALCO has not been able to fully bill its consumers for the generation costs for the supply month of November 2013; and in turn, it has not been able to fully pay its suppliers of generation costs, including PEMC.

On March 11, 2014, the ERC released its ERC Order (Case No 2014-021MC, dated March 3, 2014) voiding the Luzon WESM prices during the November and December 2013 supply months and declaring the imposition of regulated prices in lieu thereof. PEMC was hereby directed within seven days from receipt of the Order to calculate these regulated prices and implement the same in the revised WESM bills of the concerned Distribution Utilities (DUs) in Luzon for the November and December 2013 supply months for their immediate settlement, except for MERALCO whose November 2013 WESM bill shall be maintained in compliance with the TRO issued by the SC.

Several generation companies and distribution companies filed their respective Motions for Reconsideration of the March 3, 2014 ERC Order. SCPC filed its Motion for Reconsideration with Motion for Deferment of implementation of the Order dated March 3, 2014 on March 31, 2014. The said Motions were set for hearing on April 28, 2014.

In the meantime, PEMC issued the adjusted WESM bills to the market participants, including SCPC. In an Order dated March 27, 2014, the ERC directed PEMC to provide the market participants an additional period of 45 days from receipt of the Order within which to comply with the settlement of the adjusted WESM bills in view of the pendency of the various submissions before the ERC.

During the hearing held on April 28, 2014, the ERC directed the parties to submit their respective memoranda by May 2, 2014. In compliance with the directive, SCPC filed a Manifestation on May 2, 2014 that it is adopting its Motion for Reconsideration in lieu of filing a Memorandum. In an Order dated October 15, 2014, the ERC denied SCPC's Motion for Reconsideration.

On December 11, 2014, SCPC filed a Petition for Review with Prayer for Issuance of Temporary Restraining Order and/or Writ of Injunction with the Court of Appeals seeking reversal of the ERC Orders dated March 3, 2014 and October 15, 2014.

In a resolution dated April 30, 2015, SCPC's Petition was consolidated with other related cases filed by other generation companies before the Court of Appeals. PEMC and ERC filed their respective Consolidated Comments on the consolidated Petitions to which SCPC filed its Reply.

MERALCO filed its Consolidated Motion for Leave to Intervene with Opposition to Prayers for issuance of Temporary Restraining Order and/or Writ of Injunction. SCPC filed its Comment to MERALCO's Consolidated Motion on November 2, 2015.

Pending the finality of the ERC Order dated March 3, 2014 on recalculation of the WESM prices for the November and December 2013 supply months and its effect on each generation company that trade in the WESM, SCPC estimated its exposure to the said ERC order. In relation to the ERC Order, SCPC entered into a special payment arrangement with PEMC for the payment of the customer's reimbursement, through PEMC, in excess of the regulated price for the purchases through spot market in November and December 2013. The payments are over 24 months from June 2014 to May 2016. Total payments amounted to ₱674.00 million.

In a Decision dated November 7, 2017, the Court of Appeals granted SCPC's Petition and declared the ERC's Orders dated March 3, 2014, March 27, 2014 and October 15, 2014 in ERC Case No. 2014-021 as null and void for being issued in violation of the Constitution and the applicable laws.

On December 14, 2017, we received MERALCO's and ERC's Motion for Reconsideration of the Court Appeal's Decision dated December 8, 2017 and December 12, 2017, respectively. Likewise, we received Motions for Leave to Intervene with Motion to Admit Attach Motion for Reconsideration filed by several third parties such as Mercury Drug Corporation, Riverbanks Development Corporation, Philippine Steelmakers Association and Ateneo de Manila University, seeking intervention in the instant case and reconsideration of the Court of Appeal's Decision.

On July 30, 2018, SCPC filed its Consolidated Comment on MERALCO's and ERC's Motion for Reconsideration. On November 29, 2018, the CA directed SCPC to comment on the Motion for Leave to Intervene and to Admit Motion for Reconsideration in Intervention of the CA's decision filed by movant-intervenors PRHC Property Managers Inc. and the Philippine Stock Exchange Centre Condominium Corporation. On December 2018, SCPC instead submitted a Manifestation in lieu of a comment since the grounds relied upon by the movants are similar to the grounds to the other movants already addressed by SCPC in its Consolidated Comment and duly passed upon by the CA in its Resolution dated March 22, 2018.

As of March 4, 2020, the CA has yet to resolve ERC's and MERALCO's Motion for Reconsideration.

SLPGC

a. Construction contract

SLPGC entered into a construction contract with DMCI for the construction of its power plant. SLPGC is entitled to liquidating damages at the daily rate of 1/10 of 1% of the Contract Price which in no event shall exceed 10% of the Contract Price. In 2017, SLPGC and DMCI entered into settlement agreement which includes among others reciprocal concession, certain payments, reductions of the contract price and performance of other obligations. The settlement agreement resulted to the recognition by SLPGC of settlement income amounting to ₱133.04 million in 2017 (nil in 2019 and 2018, see Notes 19 and 25).

b. Application for Approval of the Ancillary Services Procurement Agreement (ASPA) between the NGCP and SLPGC, with Prayer for the Issuance of Provisional Authority

On July 12, 2018, SLPGC and NGCP filed an Application for approval of the Ancillary Services Procurement Agreement, with a Prayer for the Issuance of Provisional Authority, docketed as ERC Case No. 2018-074-RC, where NGCP agreed to procure and SLPGC agreed to supply Ancillary Services in the form of Regulating Reserve under a firm and non-firm arrangement and Contingency Reserve and Dispatchable Reserve under a non-firm arrangement.

Both SLPGC and NGCP filed their Joint Pre-trial brief and filed their Compliance with the Jurisdictional Requirements before the ERC. On October 11, 2018, the case was set for jurisdictional hearing, expository presentation, pre-trial conference and evidentiary hearing. ERC directed SLPGC and NGCP to submit additional documents to file its Formal Offer of Evidence.

On November 9, 2018, SLPGC and NGCP filed their Formal Offer of Evidence and Compliance.

On May 21, 2019 SLPGC received the ERC Order dated May 20, 2019 granting interim relief in favor of SLPGC and NGCP to implement the ASPA. The ERC Order, however, disallowed the recovery of the cost of minimum stable load (Pmin) Capacity of 2 MW.

On June 6, 2019, SLPGC filed a Motion for Partial Reconsideration with Manifestation of the Order dated May 20, 2019 praying for the recovery of the cost Pmin Capacity of 2 MW. On September 5, 2019, the ERC resolved to deny SLPGC's Motion for Partial Reconsideration with Manifestation for lack of merit.

On November 19, 2019, SLPGC and NGCP filed their Joint Manifestation with Motion to Withdraw in view of the decision to terminate the ASPA. As of March 4, 2020, ERC has yet to rule on the Joint Manifestation with Motion to Withdraw filed by SLPGC and NGCP.

SMPC

a. Operating Lease Commitment - as a Lessee (Prior to Adoption of PFRS 16)

The Parent Company leases land at the minesite and building as office space.

Refer to Note 11 for the future minimum rental payables as of December 31, 2019 and 2018 under this operating lease.

b. Effectivity of Revenue Regulations (RR) 1-2018

On January 5, 2018, RR 1-2018 took effect pursuant to the effectivity of the Tax Reform for Acceleration and Inclusion (TRAIN) law beginning January 1, 2018. Among others, the new tax law raised the excise tax rates on domestic and imported coal from ₱10.0 per metric ton (MT) to ₱50.0 per MT in the first year of implementation, ₱100.0/MT in the second year, and ₱150.0/MT in the third and succeeding years. Based also on the RR, coal produced under coal operating contracts entered into by the government pursuant to PD No. 972, as well as those exempted from excise tax on mineral products under other laws, shall now be subject to the applicable rates beginning January 1, 2018.

On February 21, 2018, SMPC requested for a clarification on this with the tax bureau and submitted a supplemental letter explaining why the excise tax provisions on coal under the TRAIN law will not apply to SMPC under the terms and conditions of its Coal Operating Contract (COC) with the Department of Energy. In response, on December 17, 2018, Revenue Memorandum Circular (RMC) No. 105-2018 was issued, clarifying the payment of excise tax on domestic coal sales and specifically identifying SMPC as merely a collecting agent (SMPC collected from customers and remitted to the tax bureau). The RMC did not provide for the excise tax treatment of coal export sales (per RMC, this will be tackled in a separate revenue memorandum issuance), but management believes that SMPC is similarly not liable for this under the terms of its existing COC. Given this, management believes that both the timing and the amount of excise tax on exported coal that will be due from SMPC, if any, are uncertain as of December 31, 2019 and 2018 and will only be confirmed when the said issuance will be issued by the tax bureau.

c. DOE Resolution on Violation of Accreditation of Coal Traders

On May 23, 2019, the trial shipment of 4,768.737 MT of SMPC was shipped and delivered to Gold Anchorage Stevedoring and Arrastre Services, Inc. (GASAI). On June 6, 2019, SMPC received an Order dated June 4, 2019 from the DOE directing SMPC to: (a) File a verified Answer within 30 days from receipt; and (b) cease and desist from doing coal trading activities and operations. Order also states that the coal trader accreditation of SMPC is suspended until further notice.

On July 5, 2019, SMPC filed its Verified Answer arguing that: (a) sale and delivery of coal to GASAI was done in good faith; (b) the cease and desist order (CDO) and suspension is disproportionately severe under the circumstances as it should only be directed to trading done with GASAI; and c) imposition of fines is only applicable to those entities who are not accredited.

On July 10, 2019, SMPC wrote the DOE requesting deferment of the that implementation of the CDO and/or suspension pending resolution of the DOE.

On July 12, 2019, the DOE held in abeyance the imposition of the implementation of the CDO subject to the following conditions:

a. Order of abeyance is effective only for 30 days or until resolution of the Answer, whichever comes earlier;
b. SMPC to continue with its existing coal contracts, but shall not enter as party to any new coal supply agreement; and,
c. SMPC should faithfully comply with its commitments and obligations as an accredited coal trader.

On November 19, 2019, SMPC received the DOE Resolution dated 15 October 2019 imposing the following penalties:

- Suspension of coal trading activities for 1 month, except to SMPC owned and other powerplants with existing coal supply agreements; and,
- Monetary penalty of ₱1.74 million.

On November 20, 2019, a motion for reconsideration to the Resolution dated October 15, 2019 was filed with the following prayer:

- The Resolution is null and void as it was issued in violation of the DOE Rules of Procedure; and,
- The CDO and Resolution are onerous and overbroad in scope as it was applied to unrelated transactions (not GASAI's) and inconsistent with the objectives of the Accreditation Guidelines.

On November 25, 2019, an amended motion for reconsideration was filed by SMPC.

On January 3, 2020, SMPC received letter from the DOE dated December 26, 2019 directing the former to file its position paper relative to the CDO in which SMPC filed on January 10, 2020.

As of March 4, 2020, the case is presently pending for decision with the DOE.

d. DOE Suspension of Mining Activities

On October 2, 2019, a mudflow incident in the Molave Pit South Wall transpired. On October 11, 2019, SMPC submitted to the DOE its Final Report on said incident.

Thereafter, on November 19, 2019, the DOE issued an Order dated November 14, 2019 suspending all mining activities at the site until compliance with certain conditions (hereafter "DOE Order").

In a series of submissions on November 25, 29 and December 6, 2019, SMPC submitted to the DOE a request to lift the suspension of mining operations and a list of compliances to the conditionalities required by the latter.

On December 26, 2019, the DOE, in a letter dated December 23, 2019, lifted the suspension order as SMPC substantially complied with the conditions for the lifting. As of December 31, 2019, all liquefiable materials in the concerned area have been removed and a Safety Consultant has been hired. Consequently, all mining operations at the mine site has resumed.

Group

The Group is contingently liable with respect to certain taxation matters, lawsuits and other claims which are being contested by management, the outcome of which are not presently determinable. Management believes that the final resolution of these claims will not have a material effect on the consolidated financial statements. The information usually required by PAS 37 is not disclosed as it will prejudice the outcome of the lawsuits and claims.

See related disclosures in Note 3.

30. **Financial Risk Management Objectives and Policies**

The Group has various financial assets such as cash and cash equivalents, receivables, and environmental guarantee fund, which arise directly from operations.

The Group's financial liabilities comprise trade and other payables, short-term loans, lease liabilities, and long-term debt. The main purpose of these financial liabilities is to raise finance for the Group's operations. The main risks arising from the Group's financial instruments are price risk, interest rate risk, liquidity risk, foreign currency risk and credit risk.

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

The sensitivity analyses have been prepared on the following basis:
- Price risk - movement in one-year historical coal prices
- WESM price risk - movement of WESM price for energy
- Interest rate risk - market interest rate on loans
- Foreign currency risk - yearly movement in the foreign exchange rates

The assumption used in calculating the sensitivity analyses of the relevant income statement item is the effect of the assumed changes in respective market risks. This is based on the financial assets and financial liabilities held at December 31, 2019 and 2018.

WESM Price risk

Price risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market prices (other than those arising from interest rate risk or currency risk), whether those changes are caused by factors specific to the individual financial instrument or its issuer, or factors affecting all similar financial instruments traded in the market.

The price that the Group can charge for its coal is directly and indirectly related to the price of coal in the world coal market. In addition, as the Group is not subject to domestic competition in the Philippines, the pricing of all of its coal sales is linked to the price of imported coal. World thermal coal prices are affected by numerous factors outside the Group's control, including the demand from customers which is influenced by their overall performance and demand for electricity. Prices are also affected by changes in the world supply of coal and may be affected by the price of alternative fuel supplies, availability of shipping vessels as well as shipping costs.

As the coal price is reset on a periodic basis under coal supply agreements, this may increase its exposure to short-term coal price volatility.

There can be no assurance that world coal prices will be sustained or that domestic and international competitors will not seek to replace the Group in its relationship with its key customers by offering higher quality, better prices or larger guaranteed supply volumes, any of which would have a materially adverse effect on the Group's profits.

To mitigate this risk, the Group continues to improve the quality of its coal and diversify its market from power industry, cement industry, other local industries and export market. This will allow flexibility in the distribution of coal to its target customers in such manner that minimum target average price of its coal sales across all its customers will still be achieved (i.e., domestic versus export). Also, in order to mitigate any negative impact resulting from price changes, it is the Group's policy to set minimum contracted volume for customers with long-term supply contracts for each given period (within the duration of the contract) and pricing is negotiated on a monthly basis to even out the impact of any fluctuation in coal prices, thus, protecting its target margin.

The excess volumes are allocated to spot sales which may command different price than those contracted already since the latter shall follow pricing formula per contract.

Nevertheless, on certain cases temporary adjustments on coal prices with reference to customers following a certain pricing formula are requested in order to recover at least the cost of coal if the resulting price is abnormally low vis-à-vis cost of production (i.e., abnormal rise in cost of fuel, foreign exchange).

Below are the details of the Group's coal sales to the domestic market and to the export market (as a percentage of total coal sales volume):

	2019	2018
Domestic market	**21.46%**	39.90%
Export market	**78.54%**	60.10%

The following table shows the effect on income before income tax should the change in the prices of coal occur based on the inventory of the Group as of December 31, 2019 and 2018 with all other variables held constant.

The change in coal prices used in the simulation assumes fluctuation from the lowest and highest price based on one (1)-year historical price movements in 2019 and 2018.

Change in coal price	Effect on income before income tax Increase (decrease) 2019	2018
Based on ending coal inventory		
Increase by 27% in 2019 and 21% in 2018	**₱302,989,128**	₱394,954,633
Decrease by 27% in 2019 and 21% in 2018	**(302,989,128)**	(394,954,633)
Based on coal sales volume		
Increase by 27% in 2019 and 21% in 2018	**₱3,422,916,272**	₱1,835,205,392
Decrease by 27% in 2019 and 21% in 2018	**(3,422,916,272)**	(1,835,205,392)

Price Risk
This is the risk relating to the movement of WESM and its impact to the derivatives arising from the Contract for Differences discussed in Note 6.

The following table demonstrates the sensitivity to a reasonably possible change in WESM prices compared to the strike price of ₱3.75 and ₱3.35 in 2019 and 2018, respectively, with all variables held constant of the Group's income before taxes (amounts in thousands).

	Movement in average WESM price	Increase (decrease) in financial assets at FVPL
2019	**+2%**	**(₱1,069,563)**
	-2%	**219,000**
2018	+2%	(481,800)
	-2%	219,000

Interest rate risk
The Group's exposure to the risk of changes in market interest rates relates primarily to the Group's long-term debt with floating interest rates. The Group's policy is to manage its interest cost using a mix of fixed and variable rate debts. The Group's policy is to maintain a balance of Philippine Peso-denominated and US$-denominated debts.

The following table shows the information about the Group's financial instruments that are exposed to cash flow (floating rate instrument) and fair value (fixed rate instrument) interest rate risks and presented by maturity profile:

		2019					
	Interest	**Within 1 year**	**More than 1 year to 2 years**	**More than 2 years to 3 years**	**More than 3 years to 4 years**	**More than 4 years**	**Carrying Value**
Cash in banks and cash equivalents	**0.13% to 4.45%**	**₱6,452,904,714**	**₱–**	**₱–**	**₱–**	**₱–**	**₱6,452,904,714**
Peso (PHP) long-term debt							
a. ₱1,400.00 million loan	**Floating rate to be repriced every 3 months**	**1,400,000,000**	**–**	**–**	**–**	**–**	**1,400,000,000**
b. ₱750.00 million loan	**Floating rate to be repriced every 3 months**	**750,000,000**	**–**	**–**	**–**	**–**	**750,000,000**
c. ₱2,750.00 million loan	**Fixed annual interest rate of 4.57% per annum to be repriced after 3 years**	**275,000,000**	**275,000,000**	**1,512,500,000**	**137,500,000**	**550,000,000**	**2,750,000,000**
d. ₱3,000.00 million loan	**Fixed annual interest rate of 4.9% per annum**	**–**	**744,312,226**	**747,968,040**	**748,719,092**	**749,506,109**	**2,990,505,467**
e. ₱4,000.00 million loan	**Fixed annual interest rate of 5.00% - 5.13% per annum**	**649,187,947**	**826,834,712**	**829,160,884**	**939,971,993**	**725,619,596**	**3,970,775,132**
f. ₱2,700.00 million loan	**Fixed annual interest rate of 4.88% per annum**	**104,330,139**	**428,824,374**	**429,340,650**	**429,883,811**	**1,293,200,201**	**2,685,579,175**
g. ₱2,000.00 million loan	**Fixed annual interest rate of 4.88% per annum**	**280,915,458**	**281,315,690**	**282,022,611**	**282,766,191**	**853,155,280**	**1,980,175,230**
		₱3,459,433,544	**₱2,556,287,002**	**₱3,800,992,185**	**₱2,538,841,087**	**₱4,171,481,186**	**₱16,527,035,004**

		2018					
	Interest	Within 1 year	More than 1 year to 2 years	More than 2 years to 3 years	More than 3 years to 4 years	More than 4 years	Carrying Value
Cash in banks and cash equivalents	1.10% to 7.50%	₱1,897,142,279	₱–	₱–	₱–	₱–	₱1,897,142,279
Foreign (US$) long-term debt at floating rate							
a. $27.06 million loan	Floating rate to be repriced every 3 months	₱1,422,670,526	₱–	₱–	₱–	₱–	₱1,422,670,526
b. $17.16 million loan	Floating rate to be reprice every 3 months based on 3 months LIBOR plus a spread of 0.86%	902,467,711	–	–	–	–	902,467,711
Peso (PHP) long-term debt at floating rate							
c. ₱2,100 million loan	Floating rate to be repriced every 3 months based on 3-months PDST-R2 plus a spread of one percent (1%)	525,000,000	525,000,000	131,250,000	–	–	1,181,250,000
d. ₱1,400.00 million loan	Floating rate to be repriced every 3 months	–	1,400,000,000	–	–	–	1,400,000,000
e. ₱750.00 million loan	Floating rate to be repriced every 3 months	–	750,000,000	–	–	–	750,000,000
f. ₱11,500.00 million loan	Floating rate to be repriced every 3 months	1,703,703,704	1,700,208,102	1,700,426,794	846,338,487	–	5,950,677,087
g. ₱3,000.00 million loan	Fixed annual interest rate of 4.9% per annum	–	–	741,871,802	748,115,120	1,499,744,137	2,989,731,059
		₱4,553,841,941	₱4,375,208,102	₱2,573,548,596	₱1,594,453,607	₱1,499,744,137	₱14,596,796,383

The following table demonstrates the sensitivity of the Group's income before income tax to a reasonably possible change in interest rates on December 31, 2019 and 2018, with all variables held constant, through the impact on floating rate borrowings (amounts in thousands):

	Effect on income before income tax Increase (decrease)	
Basis points	**2019**	2018
+100	**(₱10,438,127)**	(₱7,287,372)
-100	**10,438,127**	7,287,372

The assumed movement in basis points for interest rate sensitivity analysis is based on the Group's historical changes in market interest rates on bank loans.

There was no effect on the equity other than those affecting the income before tax.

Liquidity risk
Liquidity risk is the risk that an entity will encounter difficulty in meeting obligations associated with financial liabilities. The Group's objective is to maintain a balance between continuity of funding and flexibility through the use of bank loans. The Group's policy is to maintain a level of cash that is sufficient to fund its monthly cash requirements, at least for the next four to six months. Capital expenditures are funded through a mix of suppliers' credit, letters of credit, trust receipts and long-term debt, while operating expenses and working capital requirements are funded through cash collections. A significant part of the Group's financial assets that are held to meet the cash outflows include cash equivalents and trade receivables. Although trade receivables are contractually collectible on a short-term basis, the Group expects continuous cash inflows through continuous production and sale of coal and power generation. In addition, although the Group's short-term deposits are collectible at a short notice, the deposit base is stable over the long term as deposit rollovers and new deposits can offset cash outflows.

Moreover, the Group considers the following as mitigating factors for liquidity risk:

- It has available lines of credit that it can access to answer anticipated shortfall in sales and collection of receivables resulting from timing differences in programmed inflows and outflows.
- It has very diverse funding sources.
- It has internal control processes and contingency plans for managing liquidity risk. Cash flow reports and forecasts are reviewed on a weekly basis in order to quickly address liquidity concerns. Outstanding trade receivables are closely monitored.

As part of its liquidity risk management, the Group regularly evaluates its projected and actual cash flows. It also continuously assesses conditions in the financial markets for opportunities to pursue fund raising activities. Fund-raising activities may include obtaining bank loans.

The tables below summarize the maturity profile of the Group's financial assets and financial liabilities as of December 31, 2019 and 2018 based on contractual payments:

	2019					
	Less than 6 months	**More than 6 months to 12 months**	**More than 1 year to 2 years**	**More than 2 years to 3 years**	**More than 3 years**	**Total**
Financial Assets						
Cash in banks and cash equivalents	**₱6,452,904,714**	**₱–**	**₱–**	**₱–**	**₱–**	**₱6,452,904,714**
Receivables						
Trade:						
Outside parties	**1,852,135,996**	**–**	**–**	**–**	**1,564,439,082**	**3,416,575,078**
Related parties	**120,559,433**	**–**	**–**	**–**	**–**	**120,559,433**
Others*	**74,159,551**	**–**	**–**	**–**	**5,815,359**	**79,974,910**
Environmental guarantee fund	**–**	**–**	**–**	**–**	**3,520,000**	**3,520,000**
	8,499,759,694	**–**	**–**	**–**	**1,573,774,441**	**10,073,534,135**
Financial Liabilities						
Trade and other payables						
Trade:						
Payable to suppliers and contractors	**5,747,420,342**	**–**	**–**	**–**	**–**	**5,747,420,342**
Related parties	**551,694,807**	**–**	**–**	**–**	**–**	**551,694,807**
Accrued expenses and other payables**	**584,907,025**	**–**	**–**	**–**	**–**	**584,907,025**
Short term loans	**2,070,000,000**	**–**	**–**	**–**	**–**	**2,070,000,000**
Lease liabilities	**7,085,685**	**7,085,684**	**13,218,031**	**14,366,768**	**65,781,450**	**107,537,618**
Peso long-term debt with interest payable in arrears						
₱2,750.00 million loan	**137,500,000**	**137,500,000**	**275,000,000**	**1,512,500,000**	**687,500,000**	**2,750,000,000**
₱1,400.00 million loan	**1,400,000,000**	**–**	**–**	**–**	**–**	**1,400,000,000**
₱750.00 million loan	**–**	**750,000,000**	**–**	**–**	**–**	**750,000,000**
₱4,000.00 million loan	**324,593,974**	**324,593,974**	**826,834,711**	**829,160,884**	**1,665,591,589**	**3,970,775,132**
₱3,000.00 million loan	**–**	**–**	**744,312,226**	**747,968,040**	**1,498,225,201**	**2,990,505,467**
₱2,700.00 million loan	**52,165,070**	**52,165,070**	**428,824,374**	**429,340,650**	**1,723,084,012**	**2,685,579,176**
₱2,000.00 million loan	**140,457,729**	**140,457,729**	**281,315,690**	**282,022,610**	**1,135,921,471**	**1,980,175,229**
	₱11,015,824,632	**₱1,411,802,457**	**₱2,569,505,032**	**₱3,815,358,952**	**₱6,776,103,723**	**₱25,588,594,796**

**excludes nonfinancial assets*
***excludes statutory liabilities*

	2018					
	Less than 6 months	More than 6 months to 12 months	More than 1 year to 2 years	More than 2 years to 3 years	More than 3 years	Total
Financial Assets						
Cash in banks and cash equivalents	₱1,897,142,279	₱–	₱–	₱–	₱–	₱1,897,142,279
Receivables						
Trade:						
Outside parties	5,457,029,927	–	–	–	1,564,439,082	7,021,469,009
Related parties	47,521,278	–	–	–	–	47,521,278
Others*	219,911,886	–	–	–	5,815,359	225,727,245
Financial asset at FVPL	–	91,690,273	76,876,752	76,876,752	–	245,443,777
Environmental guarantee fund	–	–	–	–	3,520,000	3,520,000
	7,621,605,370	91,690,273	76,876,752	76,876,752	1,573,774,441	9,440,823,588
Financial Liabilities						
Trade and other payables						
Trade:						
Payable to suppliers and contractors	6,504,979,399	–	–	–	–	6,504,979,399
Related parties	865,029,191	–	–	–	–	865,029,191
Accrued expenses and other payables**	741,811,581	–	–	–	–	741,811,581
Short term loans	5,872,231,984	–	–	–	–	5,872,231,984
Long-term debt with interest payable in arrears						
$27.06 million loan (US$)	1,422,670,526	–	–	–	–	1,422,670,526
$17.16 million loan (US$)	902,467,711					902,467,711
₱11,500.00 million loan (PHP)	851,851,852	851,851,852	1,700,208,102	1,700,426,794	846,338,487	5,950,677,087
₱3,000.00 million loan (PHP)	–	–	–	741,871,802	2,247,859,257	2,989,731,059
₱2,100.00 million loan (PHP)	–	525,000,000	525,000,000	131,250,000	–	1,181,250,000
₱1,400.00 million loan (PHP)	–	–	1,400,000,000	–	–	1,400,000,000
₱750.00 million loan (PHP)	–	–	750,000,000	–	–	750,000,000
	₱17,161,042,244	₱1,376,851,852	₱4,375,208,102	₱2,573,548,596	₱3,094,197,744	₱28,580,848,538

**excludes nonfinancial assets*
***excludes statutory liabilities*

Foreign currency risk
Majority of the Group's revenue are generated in Philippine Peso, however, there are also significant export coal sales as well as capital expenditures which are in US$.

The Group manages this risk by matching receipts and payments in the same currency and monitoring. Approximately, 66.48% and 56.33% of the Group's sales in 2019 and 2018, respectively, were denominated in US$ whereas approximately 4.57% and 15.93% of debts as of December 31, 2019 and 2018, respectively, were denominated in US$.

Information on the Group's foreign currency-denominated monetary assets and liabilities and their Philippine Peso equivalents follow:

	December 31, 2019		December 31, 2018	
	US Dollar	**Peso Equivalent**	US Dollar	Peso Equivalent
Assets				
Cash and cash equivalents	**$44,695,558**	**₱2,263,383,058**	$3,685,520	₱193,784,642
Trade receivables	**3,935,590**	**199,298,266**	21,586,627	1,135,024,848
Liabilities				
Trade payables	**(45,030,082)**	**(2,280,323,347)**	(63,568,846)	(3,342,449,923)
Long-term debt	**–**	**–**	(44,220,963)	(2,325,138,235)
Net exposure	**$3,601,066**	**₱182,357,977**	($82,517,662)	(₱4,338,778,668)

The exchange rates used were ₱50.64 to $1 and ₱52.58 to $1 in 2019 and 2018, respectively.

The following table demonstrates the sensitivity to a reasonably possible change in foreign exchange rates, with all variables held constant, of the Group's income before income tax (due to changes in the fair value of monetary assets and liabilities) as of December 31, 2019 and 2018.

Reasonably possible change in the Philippine Peso-US$ exchange rate	Increase (decrease) in income before income tax **2019**	2018
₱2	**(₱7,202,132)**	(₱165,035,324)
(2)	**7,202,132**	165,035,324

There is no impact on the Group's equity other than those already affecting profit or loss. The movement in sensitivity analysis is derived from current observations on movement in dollar average exchange rates.

The Group recognized net foreign exchange losses (realized and unrealized) amounting to ₱8.67 million, ₱388.31 million and ₱392.45 million in 2019, 2018 and 2017, respectively, arising from the translation of the Group's cash and cash equivalents, trade receivables, trade payables, short-term loans and long-term debt.

Credit risk
Credit risk is the risk that counterparty will not meet its obligations under a financial instrument or customer contract, leading to a financial loss.

The Group manages and controls credit risk by doing business with recognized, creditworthy third parties, thus, there is no requirement for collateral. It is the Group's policy that all customers who wish to trade on credit terms are subject to credit verification procedures. The Group evaluates the financial condition of the local customers before deliveries are made to them.

On the other hand, export sales are covered by sight letters of credit issued by foreign banks subject for the Group's approval, hence, mitigating the risk on collection. In addition, receivable balances are monitored on an ongoing basis with the result that the Group's exposure to doubtful accounts is not significant. The Group generally bills 80% of coal delivered payable within 30 days upon receipt of billing and the remaining 20% payable within 15 days after receipt of final billing based on final analysis of coal delivered. The Group's exposure to credit risk from trade receivables arise from the default of the counterparty with a maximum exposure equal to their carrying amounts.

With respect to the credit risk arising from the other financial assets of the Group, which comprise cash and cash equivalents, other receivables, environmental guarantee fund and investment in sinking fund, the exposure to credit risk arises from default of the counterparty with a maximum exposure to credit risk equal to the carrying amount of the financial assets as of reporting date. The Group does not hold any collateral or other credit enhancement that will mitigate credit risk exposure. The Group transacts only with institutions or banks and third parties that have proven track record in financial soundness. The management does not expect any of these institutions to fail in meeting their obligations, however, due to the regulated environment that the Group operates in, collectability of financial assets is impacted by government regulations or actions.

The credit risk is concentrated to the following markets:

	2019	2018
Trade receivables - outside parties	**95.00%**	96.78%
Trade receivables - related parties	**2.89**	0.54
Others	**2.11**	2.68
	100.00%	100.00%

As of December 31, 2019 and 2018, the credit quality per class of financial assets is as follows:

	2019				
	Neither Past Due nor Impaired		**Substandard**	**Past due and/or Individually**	
	Grade A	**Grade B**	**Grade**	**Impaired**	**Total**
Cash in banks and cash equivalents	**₱6,452,904,714**	**₱–**	**₱–**	**₱–**	**₱6,452,904,714**
Receivables:					
Trade receivables - outside parties	**3,094,160,150**	**–**	**–**	**1,856,861,392**	**4,951,021,542**
Trade receivables - related parties	**150,552,051**	**–**	**–**	**–**	**150,552,051**
Others*	**79,974,910**	**–**	**–**	**5,815,359**	**85,790,269**
Environmental guarantee fund	**3,520,000**	**–**	**–**	**–**	**3,520,000**
	₱9,781,111,825	**₱–**	**₱–**	**₱1,862,676,751**	**₱11,643,788,576**

**excludes nonfinancial assets*

	2018				
	Neither Past Due nor Impaired		Substandard	Past due and/or Individually	
	Grade A	Grade B	Grade	Impaired	Total
Cash in banks and cash equivalents	₱1,897,142,279	₱–	₱–	₱–	₱1,897,142,279
Receivables:					
Trade receivables - outside parties	6,268,850,376	–	–	2,317,057,715	8,585,908,091
Trade receivables - related parties	47,521,278	–	–	–	47,521,278
Others*	213,165,530	–	–	6,746,356	219,911,886
Financial asset at FVPL	245,443,777	–	–	–	245,443,777
Environmental guarantee fund	3,520,000	–	–	–	3,520,000
	₱8,675,643,240	₱–	₱–	₱2,323,804,071	₱10,999,447,311

**excludes nonfinancial assets*

Cash in banks and cash equivalents are short-term placements and working cash fund placed, invested or deposited in foreign and local banks belonging to top ten banks in the Philippines in terms of resources and profitability. These financial assets are classified as Grade A due to the counterparties' low probability of insolvency. Trade receivables - related parties are apportioned between Grade A and Past due and/or individually impaired. Environmental guarantee fund is assessed as Grade A since this is deposited in a reputable bank, which has a low probability of insolvency.

Grade A are accounts considered to be of high credit rating and are covered with coal supply and power supply contracts. The counterparties have a very remote likelihood of default and have consistently exhibited good paying habits.

Grade B accounts are active accounts with minimal instances of payment default, due to collection issues. These accounts are typically not impaired as the counterparties generally respond to credit actions and update their payments accordingly. The Group determines financial assets as impaired when the probability of recoverability is remote evidenced by the counterparty's financial difficulty.

Substandard grade accounts are accounts which have probability of impairment based on historical trend. Accounts under this group show possible future loss to the Group as a result of default in payment of the counterparty despite of the regular follow-up actions and extended payment terms.

In the Group's assessment, there are no financial assets that will fall under the category substandard grade due to the following reasons:

- Receivables from electricity and local coal sales - transactions are entered with reputable and creditworthy companies.
- Receivables from export coal sales - covered by irrevocable letter of credit at sight from a reputable bank acceptable to the Group.

As of December 31, 2019 and 2018, the aging analyses of the Group's past due and/individually impaired receivables presented per class are as follows:

	2019			
	Past Due but not Impaired		**Impaired**	
	30 Days and Less	**More than 30 Days**	**Financial Assets**	**Total**
Receivables				
Trade receivables - outside parties	**₱146,337,901**	**₱146,084,409**	**₱1,564,439,082**	**₱1,856,861,392**
Others	**–**	**–**	**5,815,359**	**5,815,359**
Total	**₱146,337,901**	**₱146,084,409**	**₱1,570,254,441**	**₱1,862,676,751**

	2018			
	Past Due but not Impaired		Impaired	
	30 Days and Less	More than 30 Days	Financial Assets	Total
Receivables				
Trade receivables - outside parties	₱112,305,296	₱640,313,337	₱1,564,439,082	₱2,317,057,715
Others	–	930,997	5,815,359	6,746,356
Total	₱112,305,296	₱641,244,334	₱1,570,254,441	₱2,323,804,071

Capital management
The primary objective of the Group's capital management strategy is to ensure that it maintains a strong credit rating and healthy capital ratios in order to support its business and maximize shareholder value. The Group manages its capital structure and makes adjustments to it, in light of changes in economic conditions. To maintain or adjust the capital structure, the Group may adjust the dividend payment to shareholders or issue new shares.

No changes were made in the objectives, policies and processes from the previous years.

The Group manages its capital using debt-to-equity ratio, which is interest-bearing loans divided by equity, and EPS. The following table shows the Group's capital ratios as of December 31, 2019 and 2018.

	2019	2018
Interest-bearing loans	**₱18,704,572,622**	₱20,469,028,367
Total equity	**44,235,899,763**	39,932,686,604
Debt-equity ratio	**42.28%**	51.26%
EPS (Note 27)	**₱2.28**	₱2.83

The debt-to-equity ratio, expressed in percentage, is carefully matched with the strength of the Group's financial position, such that when a good opportunity presents itself, the Group can afford further leverage.

The Group considers short-term loans, lease liabilities and long-term debt as 'interest-bearing loans' in determining debt-to-equity ratio.

The following table shows the components of the Group's capital as of December 31, 2019 and 2018:

	2019	2018
Total paid-up capital	**₱10,940,136,701**	₱10,940,136,701
Acquisition of treasury shares	**(739,526,678)**	(739,526,678)
Net remeasurement losses on pension plan	**(98,388,949)**	(35,995,822)
Retained earnings – unappropriated	**28,833,678,689**	20,468,072,403
Retained earnings – appropriated	**5,300,000,000**	9,300,000,000
	₱44,235,899,763	₱39,932,686,604

The Group is not subject to any externally imposed capital requirements.

31. **Fair Values**

Fair Value Information
The fair values of cash and cash equivalents, receivables, environmental guarantee fund, trade payables, accrued expenses and other payables, and short-term loans approximate its carrying values since most of these financial instruments are relatively short-term in nature.

Financial asset at FVPL
The fair value of the derivative was determined using the market data approach, MCS valuation which is categorized within Level 3 of the fair value hierarchy.

Long-term debt and lease liabilities
The fair values approximated the carrying values because of recent and regular repricing of interest rates (e.g., monthly, quarterly, semi-annual or annual basis) based on current market conditions. In 2019 and 2018, interest rate ranges from 3.85% to 5.14% and 0.50% to 5.01%, respectively, for long-term debt, while 7.64% to 7.88% for lease liabilities (nil in 2018).

Fair Value Hierarchy
The Group uses the following hierarchy for determining and disclosing the fair value of financial instruments by valuation technique:

Level 1: quoted (unadjusted) prices in active markets for identical assets or liabilities
Level 2: other techniques for which all inputs which have a significant effect on the recorded fair value are observable, either directly or indirectly
Level 3: techniques which use inputs which have a significant effect on the recorded fair value that are not based on observable market data

There has been no reclassification from Level 1 to Level 2 or 3 category in 2019 and 2018.

32. Notes to Consolidated Statements of Cash Flow

Supplemental disclosure of noncash investing activities follows:

	2019	2018	2017
Depreciation capitalized as coal inventory (Note 10)	**₱443,040,632**	₱891,667,535	₱273,405,238
Transfers from property, plant and equipment to inventories (Notes 7 and 10)	**182,722,425**	–	–
Write-down of property, plant and equipment (Notes 10 and 22)	**83,535,586**	–	–

Changes in liabilities arising from financing activities in 2019 and 2018 follows:

	For the Year Ended December 31, 2019				
	January 1, 2019	**Net cash flows**	**Foreign exchange movement**	**Noncash**	**December 31, 2019**
Short-term loans (Note 13)	**₱5,872,231,984**	**(₱3,802,231,984)**	**₱–**	**₱–**	**₱2,070,000,000**
Long-term debt (Note 14)	**14,596,796,383**	**1,878,569,755**	**36,831,188**	**14,837,678**	**16,527,035,004**
Dividend payable (Note 15)	**1,329,303**	**(5,313,293,707)**	–	**5,313,184,525**	**1,220,121**
Lease liabilities (Notes 2 and 11)	**114,055,187**	**(10,868,143)**	–	**4,350,574**	**107,537,618**
	₱20,584,412,857	**(₱7,247,824,079)**	**₱36,831,188**	**₱5,332,372,777**	**₱18,705,792,743**

	For the Year Ended December 31, 2018				
	January 1, 2018	Net cash flows	Foreign exchange movement	Noncash	December 31, 2018
Short-term loans (Note 13)	₱–	₱5,872,231,984	₱–	₱–	₱5,872,231,984
Long-term debt (Note 14)	18,024,478,172	(3,539,074,467)	100,297,643	11,095,035	14,596,796,383
Dividend payable (Note 15)	1,977,388	(9,571,357,480)	–	9,570,709,395	1,329,303
	₱18,026,455,560	(₱7,238,199,963)	₱100,297,643	₱9,581,804,430	₱20,470,357,670

Noncash changes in pertain to amortization of deferred financing costs and cash dividend declaration by the Parent Company, recognition of lease liabilities as a result of adoption of PFRS 16 and subsequent additions thereto (see Notes 2 and 11).

33. Operating Segments

Segment Information
For management purposes, the Group is organized into business units based on their products and activities. Segment revenues, cost and operating expenses, profit or loss, segment assets and segment liabilities assume measurement under PFRS.

Reportable operating segments are as follows:

- Mining - engaged in surface open cut mining of thermal coal; and,
- Power - involved in generation of energy available for sale thru bilateral contracts, wholesale electricity market and trading.

No operating segments have been aggregated to form the above reportable operating segments.

The chief operating decision maker (CODM) monitors the operating results of the Group for the purpose of making decisions about resource allocation and performance assessment. Segment performance is evaluated based on revenue, operating profit and pretax income which are measured similarly in the consolidated financial statements. Transactions between operating segments are made at terms and prices agreed upon by the parties.

	2019 (In thousands)				
	Mining	Power	Others	Adjustments and Eliminations	Consolidated
Revenue					
Sales to external customers	₱29,085,433	₱15,166,672	₱–	₱–	₱44,252,105
Inter-segment sales	3,196,974	–	–	(3,196,974)	–
	32,282,407	15,166,672	–	(3,196,974)	44,252,105
Cost of sales*	(15,965,115)	(7,759,265)	–	3,356,685	(20,367,695)
Depreciation and amortization	(3,795,550)	(2,483,914)	–	–	(6,279,464)
Gross profit	12,521,742	4,923,493	–	159,711	17,604,946
Operating expenses*	(4,575,637)	(2,130,048)	(15,656)	–	(6,721,341)
Depreciation	(46,912)	(596,668)	–	–	(643,580)
Operating profit (loss)	7,899,193	2,196,777	(15,656)	159,711	10,240,025
Other income (expense) - net	(8,008)	193,946	338	(77)	186,199
Finance income	23,773	259,128	468	(386)	282,983
Foreign exchange loss - net	(6,922)	(1,752)	–	–	(8,674)
Finance costs	(534,900)	(781,968)	–	–	(1,316,868)
Pretax income (loss)	7,373,136	1,866,131	(14,850)	159,248	9,383,665
Benefit from (provision for) income tax	59,068	236,152	(94)	–	295,126
Net income	₱7,432,204	₱2,102,283	(₱14,944)	₱159,248	₱9,678,791
Segment assets	₱41,408,334	₱49,119,354	₱40,913	(₱19,247,658)	₱71,320,943
Deferred tax assets	196,973	691,208	–	–	888,181
	₱41,605,307	₱49,810,562	₱40,913	(₱19,247,658)	₱72,209,124
Segment liabilities	₱6,406,696	₱7,311,206	₱215,540	(₱2,487,253)	₱11,446,189
Long-term debt	4,900,000	11,627,035	–	–	16,527,035
	₱11,306,696	₱18,938,241	₱215,540	(₱2,487,253)	₱27,973,224
Cash flows arising from:					
Operating activities	₱13,251,420	₱9,063,685	₱24,903	₱1,798,051	₱24,138,059
Investing activities	(2,622,079)	(8,066,040)	2,784	(1,689,999)	(12,375,334)
Financing activities	(8,288,424)	1,040,600	–	–	(7,247,824)
Other disclosures					
Capital expenditures	₱3,328,138	₱8,354,746	₱8,175	₱–	₱11,691,059

**Excluding depreciation and/or amortization*

	2018 (In thousands)				
	Mining	Power	Others	Adjustments and Eliminations	Consolidated
Revenue					
Sales to external customers	₱23,185,658	₱18,782,855	₱–	₱–	₱41,968,513
Inter-segment sales	7,509,845	–	–	(7,509,845)	–
	30,695,503	18,782,855	–	(7,509,845)	41,968,513
Cost of sales*	(11,704,564)	(10,025,836)	–	7,382,656	(14,347,744)
Depreciation and amortization	(4,051,498)	(2,444,928)	–	–	(6,496,426)
Gross profit	14,939,441	6,312,091	–	(127,189)	21,124,343
Operating expenses*	(4,496,082)	(1,971,473)	(20,191)	–	(6,487,746)
Depreciation	(31,955)	(1,256,094)	–	–	(1,288,049)
Operating profit (loss)	10,411,404	3,084,524	(20,191)	(127,189)	13,348,548
Other income	2,036,953	571,412	47	(2,000,000)	608,412
Finance income	63,360	65,520	288	–	129,168
Foreign exchange loss - net	(365,574)	(22,736)	–	–	(388,310)
Finance costs	(425,147)	(517,788)	–	–	(942,935)
Pretax income (loss)	11,720,996	3,180,932	(19,856)	(2,127,189)	12,754,883
Provision for income tax	(19,906)	(709,577)	(18)	–	(729,501)
Net income	₱11,701,090	₱2,471,355	(₱19,874)	(₱2,127,189)	₱12,025,382
Segment assets	₱42,354,519	₱45,908,359	₱40,201	(₱17,689,225)	₱70,613,854
Deferred tax assets	66,828	368,256	–	–	435,084
	₱42,421,347	₱46,276,615	₱40,201	(₱17,689,225)	₱71,048,938
Segment liabilities	₱8,564,551	₱8,473,182	₱199,838	(₱779,912)	₱16,457,659
Deferred tax liability	–	61,796	–	–	61,796
Long-term debt	5,656,388	8,940,409	–	–	14,596,797
	₱14,220,939	₱17,475,387	₱199,838	(₱779,912)	₱31,116,252
Cash flows arising from:					
Operating activities	₱9,192,381	₱132,620	(₱14,381)	₱192,539	9,503,159
Investing activities	(7,539,776)	945,719	14,431	(1,992,612)	(8,572,238)
Financing activities	(6,636,935)	(2,852,992)	–	2,000,120	(7,489,807)
Other disclosures					
Capital expenditures	₱6,332,006	₱3,182,035	₱14,431	₱–	₱9,528,472

**Excluding depreciation and/or amortization*

	2017 (In thousands)				
	Mining	Power	Others	Adjustments and Eliminations	Consolidated
Revenue					
Sales to external customers	₱23,489,591	₱20,453,898	₱–	₱–	₱43,943,489
Inter-segment sales	6,177,652	–	–	(6,177,652)	–
	29,667,243	20,453,898	–	(6,177,652)	43,943,489
Cost of sales*	(11,636,080)	(9,125,500)	–	6,096,736	(14,664,844)
Depreciation and amortization	(3,504,435)	(2,164,203)	–	–	(5,668,638)
Gross profit	14,526,728	9,164,195	–	(80,916)	23,610,007
Operating expenses*	(4,978,463)	(2,304,386)	(22,194)	–	(7,305,043)
Depreciation	(21,721)	(880,265)	–	–	(901,986)
Operating profit (loss)	9,526,544	5,979,544	(22,194)	(80,916)	15,402,978
Other income	2,127,201	948,316	97	(2,000,000)	1,075,614
Finance income	51,469	44,697	231	–	96,397
Foreign exchange loss – net	(280,408)	(112,045)	–	–	(392,453)
Finance costs	(353,869)	(364,199)	–	–	(718,068)
Pretax income (loss)	11,070,937	6,496,313	(21,866)	(2,080,916)	15,464,468
Provision for income tax	(30,028)	(1,225,283)	(17)	–	(1,255,328)
Net income	₱11,040,909	₱5,271,030	(₱21,883)	(₱2,080,916)	₱14,209,140
Segment assets	₱42,104,629	₱44,887,733	₱39,884	(₱18,886,063)	₱68,146,183
Deferred tax assets	85,231	364,992	–	–	450,223
	₱42,189,860	₱45,252,725	₱39,884	(₱18,886,063)	₱68,596,406

(Forward)

	2017 (In thousands)				
	Mining	Power	Others	Adjustments and Eliminations	Consolidated
Segment liabilities	₱8,519,709	₱6,043,241	₱180,135	(₱1,905,527)	₱12,837,558
Deferred tax liability	–	54,991	–	–	54,991
Long-term debt	7,391,459	10,633,019	–	–	18,024,478
	₱15,911,168	₱16,731,251	₱180,135	(₱1,905,527)	₱30,917,027
Cash flows arising from:					
Operating activities	₱14,362,320	₱5,375,103	(₱155,756)	(₱7,888)	₱19,573,779
Investing activities	(3,863,818)	(2,980,558)	156,069	(1,960,357)	(8,648,664)
Financing activities	(8,993,792)	(2,446,704)	31,875	1,968,245	(9,440,376)
Other disclosures					
Capital expenditures	₱4,301,913	₱2,038,977	₱–	₱–	₱6,340,890

**Excluding depreciation and/or amortization*

Intersegment revenues, other income, cost and expenses are eliminated in the consolidation under adjustments and eliminations.

Significant noncash items charged to comprehensive income include change in rehabilitation plan in 2018, impairment of capitalized development cost for clay business in 2017, loss on property, plant and equipment write-down in 2016, and depreciation and amortization.

Segment assets exclude deferred tax assets amounting to ₱888.18 million, ₱435.08 million and ₱450.22 million in 2019, 2018 and 2017, respectively.

Capital expenditures consist of additions to property, plant and equipment, excluding reclassification of exploration and evaluation asset to ‘Property, plant and equipment’ in 2016.

All noncurrent assets other than financial instruments are located in the Philippines.

Disaggregation of Revenue Information

Set out below is the disaggregation of the Group’s revenue from contracts with customers:

Revenues from coal sales

	2019	2018	2017
Domestic market	**₱6,973,910,841**	₱10,125,347,705	₱7,871,248,442
Export market	**22,111,522,547**	13,060,310,428	15,618,342,110
	₱29,085,433,388	₱23,185,658,133	₱23,489,590,552

Substantially all revenues from external customer are from open cut mining and sales of thermal coal. Local and export classification above is based on the geographic location of the customer. Customers on the export sales are significantly from China.

All of the Group’s sales of coal are revenue from contracts with customers recognized at point in time.

Revenues from power sales

	2019	2018	2017
Bilateral contracts			
Distribution utility	**₱1,376,375,687**	₱8,409,364,280	₱8,769,162,155
RES	**6,222,128,463**	7,197,606,624	9,513,688,386
Others	**111,848,219**	30,228,640	19,309,747
	7,710,352,369	15,637,199,544	18,302,160,288
Spot sales			
WESM	**7,456,319,551**	3,145,655,146	2,151,738,379
	₱15,166,671,920	₱18,782,854,690	₱20,453,898,667

All revenues from power are derived from the Philippine market and are revenue from contracts with customers recognized over time.

Set-out below is the reconciliation of contracts with customers with the amounts disclosed in segment information:

	For the Year ended December 31, 2019				
	Domestic coal sales	**Export coal sales**	**Bilateral contracts**	**Spot sales**	**Total**
Revenue					
External customers	**₱6,973,910,841**	**₱22,111,522,547**	**₱7,710,352,369**	**₱7,456,319,551**	**₱44,252,105,308**
Inter-segment	**3,196,974,312**	**–**	**–**	**–**	**3,196,974,312**
	10,170,885,153	**22,111,522,547**	**7,710,352,369**	**7,456,319,551**	**47,449,079,620**
Inter-segment adjustments and eliminations	**(3,196,974,312)**	**–**	**–**	**–**	**(3,196,974,312)**
	₱6,973,910,841	**₱22,111,522,547**	**₱7,710,352,369**	**₱7,456,319,551**	**₱44,252,105,308**

	For the Year ended December 31, 2018				
	Domestic coal sales	Export coal sales	Bilateral contracts	Spot sales	Total
Revenue					
External customers	₱10,125,347,705	₱13,060,310,428	₱15,637,199,544	₱3,145,655,146	₱41,968,512,823
Inter-segment	7,509,844,508	–	–	–	7,509,844,508
	17,635,192,213	13,060,310,428	15,637,199,544	3,145,655,146	49,478,357,331
Inter-segment adjustments and eliminations	(7,509,844,508)	–	–	–	(7,509,844,508)
	₱10,125,347,705	₱13,060,310,428	₱15,637,199,544	₱3,145,655,146	₱41,968,512,823

34. **Other Matters**

a. *Electric Power Industry Reform Act (EPIRA)*
In June 2001, the Congress of the Philippines approved and passed into law R.A. No. 9136, otherwise known as the EPIRA, providing the mandate and the framework to introduce competition in the electricity market. EPIRA also provides for the privatization of the assets of NPC, including its generation and transmission assets, as well as its contract with Independent Power Producers (IPPs). EPIRA provides that competition in the retail supply of electricity and open access to the transmission and distribution systems would occur within three years from EPIRA's effective date. Prior to June 2002, concerned government agencies were to establish WESM, ensure the unbundling of transmission and distribution wheeling rates and remove existing cross subsidies provided by industrial and commercial users to residential customers. The WESM was officially launched on June 23, 2006 and began commercial operations for

Luzon. The ERC has already implemented a cross subsidy removal scheme. The inter-regional grid cross subsidy was fully phased-out in June 2002. ERC has already approved unbundled rates for Transmission Company (TRANSCO) and majority of the distribution utilities.

Under EPIRA, NPC's generation assets are to be sold through transparent, competitive public bidding, while all transmission assets are to be transferred to TRANSCO, initially a government-owned entity that was eventually being privatized. The privatization of these NPC assets has been delayed and is considerably behind the schedule set by the DOE. EPIRA also created PSALM, which is to accept transfers of all assets and assume all outstanding obligations of NPC, including its obligations to IPPs. One of PSALM's responsibilities is to manage these contracts with IPPs after NPC's privatization. PSALM is also responsible for privatizing at least 70% of the transferred generating assets and IPP contracts within three years from the effective date of EPIRA.

In August 2005, the ERC issued a resolution reiterating the statutory mandate under the EPIRA law for the generation and distribution companies, which are not publicly listed, to make an initial public offering (IPO) of at least 15% of their common shares. Provided, however, that generation companies, distribution utilities or their respective holding companies that are already listed in the Philippine Stock Exchange (PSE) are deemed in compliance. SCPC was already compliant with this requirement given that the Parent Company is a publicly listed company.

WESM

With the objective of providing competitive price of electricity, the EPIRA authorized DOE to constitute an independent entity to be represented equitably by electric power industry participants and to administer and operate WESM. WESM will provide a mechanism for identifying and setting the price of actual variations from the quantities transacted under contracts between sellers and purchasers of electricity.

In addition, the DOE was tasked to formulate the detailed rules for WESM which include the determination of electricity price in the market. The price determination methodology will consider accepted economic principles and should provide a level playing field to all electric power industry participants. The price determination methodology was subject to the approval of the ERC.

In this regard, the DOE created Philippine Electricity Market Corporation (PEMC) to act as the market operator governing the operation of WESM. On June 26, 2006, WESM became operational in the Luzon grid and adopts the model of a "gross pool, net settlement" electricity market.

In 2017, the Board of PEMC has approved the transition plan for the creation of an independent market operator (IMO), paving the way for the state firm to finally relinquish control of the WESM.

On February 4, 2018, the DOE published Department Circular No. DC2018-01-0002, "Adopting Policies for the Effective and Efficient Transition to the Independent Market Operator for the Wholesale Electricity Spot Market". This Circular shall take effect immediately after its publication in two newspapers of general circulation and shall remain in effect until otherwise revoked. Pursuant to Section 37 and Section 30 of the EPIRA, jointly with the electric power participants, the DOE shall formulate the detailed rules for the wholesale electricity spot market. Said rules shall provide the mechanism for determining the price of electricity not covered by bilateral contracts between sellers and purchasers of electricity users. The price determination methodology contained in said rules shall be subject to the approval of ERC. Said rules shall also reflect accepted economic principles and provide a level playing field to all electric power industry participants.

b. *Clean Air Act*
On November 25, 2000, the Implementing Rules and Regulations (IRR) of the Philippine Clean Air Act (PCAA) took effect. The IRR contains provisions that have an impact on the industry as a whole and on SCPC in particular, that need to be complied within 44 months (or until July 2004) from the effectivity date, subject to the approval by DENR. The power plant of SCPC uses thermal coal and uses a facility to test and monitor gas emissions to conform with Ambient and Source Emissions Standards and other provisions of the Clean Air Act and its IRR. Based on SCPC's initial assessment of its power plant's existing facilities, SCPC believes that it is in full compliance with the applicable provisions of the IRR of the PCAA.

c. *Competitive Selection Process (CSP)*
On June 11, 2015, DOE Circular No. DC2015-06-0008, "Mandating All Distribution Utilities to Undergo CSP In Securing PSAs", was signed, requiring all DUs to conduct a CSP in procuring PSAs. The CSP shall be conducted by a qualified third party duly recognized by the DOE and ERC and, in the case of Electric Cooperatives (ECs), shall be recognized by the National Electrification Administration (NEA). The CSP shall conform with aggregation of DU's un-contracted demand requirement, annual conduct of CSP, and a uniform PSA Template on the terms and conditions to be issued by the ERC and DOE. The circular does not apply to PSAs with tariff rates already approved and/or have been applied for approval by the ERC before the effectivity of the circular. The DOE shall enforce and monitor compliance and the penalty provision through ERC.

On October 20, 2015, the DOE and ERC released Joint Resolution No. 1 (2015), "A Resolution Enjoining All Distribution Utilities to Conduct Competitive Selection Process (CSP) in the Procurement of Supply for Their Captive Market". The DOE and ERC recognize that CSP in the procurement of PSAs by the DUs engenders transparency, enhances security of supply, and ensure stability of electricity prices to captive electricity end-users in the long-term.

On the same day, the ERC signed Resolution No. 13, Series of 2015, "A Resolution Enjoining All Distribution Utilities to Conduct Competitive Selection Process (CSP) in the Procurement of Supply for Their Captive Market". The resolution prescribes that all PSAs shall be awarded to the winning Generation Company following a successful transparent CSP, or by Direct Negotiation in the event of two failed CSPs, and that DUs may adopt any accepted form of CSP. This resolution does not apply to PSAs already filed with the ERC as of its effectivity.

On March 15, 2016, the ERC released Resolution No. 1 Series of 2016, "A Resolution Clarifying the Effectivity of ERC Resolution No.13, series of 2015". The resolution postponed the effectivity of ERC Resolution No.13, Series of 2015 to April 30, 2016. All PSAs executed on or after the said date shall be required, without exception, to comply with the provisions of the CSP resolution. There should be at least two qualified bids for the CSP to be considered as successful and lastly, the DU shall adopt the Terms of Reference prescribed in Section 2 of ERC Resolution No. 13, Series of 2015. On PSA's with provisions on automatic renewal or extension of term, it shall apply that PSA's approved by ERC or filed before the effectivity of Resolution No. 1, may have one automatic renewal or extension for a period not exceeding one year from the end of their respective terms. There will be no automatic renewal or extension of PSAs upon effectivity of Resolution No. 1.

d. *Retail Competition and Open Access (RCOA)*
Under Section 31 of the Electric Power Industry Reform Act (EPIRA) of 2001, RCOA shall be implemented. In Retail Competition, the Contestable Market are provided electricity by Retail Suppliers through Open Access, wherein qualified Persons are allowed to use the Transmission, and/or Distribution Systems and their associated facilities. The implementation of RCOA is subject to the following conditions; a. Approval of the unbundled transmission and distribution wheeling charges; b. initial implementation of the cross subsidy removal scheme;
c. Establishment of the WESM; d. Privatization of at least 70% of the total capacity of generating assets of NPC in Luzon and Visayas; and e. Transfer of the management and control of at least 70% of the total energy output of power plants under contract with NPC to the IPP Administrators.

Upon satisfying these conditions, the ERC declared December 26, 2012 as the Open Access Date where end-users who have an average monthly peak demand for the preceding 12 months, as indicated by a single utility meter, of at least 1MW (the threshold level) qualifies as Contestable Customers (CCs) making up the Contestable Market (Phase 1). After a six-month Transition Period, on June 26, 2013, Retail Supply Contracts (RSCs) entered into by and between the Ccs and their chosen Suppliers where implemented. Phase 2 implementation was set to begin two years after Phase 1. During Phase 2, the threshold level shall be reduced to 750 kW and Aggregators shall be allowed to supply electricity to End-users whose aggregate monthly average peak demand within a Contiguous Area is at least seven hundred fifty kilowatts (750 kW). Subsequently and every year thereafter, the ERC shall evaluate the performance of the market. On the basis of such evaluation, it shall gradually reduce the threshold level until it reaches the household demand level.

On May 12, 2016, ERC Resolution No. 10 (2016), "A Resolution Adopting the Revised Rules for Contestability", was signed. These revised rules aim to clarify and establish the conditions and eligibility requirements for End-users to be part of the Contestable Market; to set the threshold level for the Contestable Market; to ensure the efficient transition towards full contestability and to ensure consumer protection and enhance the competitive operation of the retail electricity market.

The Resolution states that the Threshold Reduction Date covering End-users with an average monthly peak demand of at least 750 kW for the preceding 12 months, is set to June 26, 2016. Thus, on such date, all End-users with an average monthly peak demand of at least 1 MW (1MW Customers) and 750 kW (750 kW Customers), which have been issued Certificates of Contestability by the ERC, shall be allowed to contract with any RES on a voluntary basis. Thereafter, an End-user with an average monthly peak demand of at least 1MW is hereby mandated to enter into RSC with a RES by its mandatory contestability date of December 26, 2016 (This was moved by the ERC to February 26, 2017 through ERC Resolution No. 28 (2016), "Revised Timeframe for Mandatory Contestability, Amending Resolution No. 10, series of 2016, entitled Revised Rules for Contestability" signed on November 15, 2017. Subsequently, an End-user with an average monthly peak demand of at least 750kW is hereby mandated to enter into an RSC with a RES by its mandatory contestability date of June 26, 2017. The lowering of the threshold to cover an end-user with an average monthly peak demand of at least 500kW is set on June 26, 2018, subject to the review of the performance of the retail market by the ERC. Corollary, in its review of the performance of the retail market, the ERC shall establish a set of criteria as basis for the lowering of the contestability threshold. Retail Aggregation shall subsequently be allowed on June 26, 2018. During this phase, suppliers of electricity shall be allowed to contract with end-users whose aggregate demand within a Contiguous Area is at least 750 kW. Retail Competition and Open Access shall be effective only in grids where the WESM is operational.

On February 21, 2017, the Supreme Court issued a Temporary Restraining Order (TRO), G.R. No. 228588, on the implementation of several ERC Resolutions and a DOE Circular concerning the RCOA. ERC Res 10 & 28, Series of 2016 were among them. In a joint advisory on February 24, 2018, the DOE, ERC and PEMC said that they are in a process of drafting a general advisory for the guidance of RCOA Stakeholders. Issues to be considered are: 1) those who have already executed RSCs and were already registered and switched shall continue to honor their respective RSCs; 2) ongoing applications for registration filed before the Central Registration Body (CRB) may proceed voluntarily; 3) applicants who wish to withdraw or defer their registration before the CRB may do so consistent with the Retail Market Rules provided that the CRB shall not be liable for any legal repercussions that may arise out of the contestable customers' contractual obligations; and 4) remaining contestable customers who have not yet secured their RSCs may continue to negotiate and exercise their power to choose.

e. *Renewable Portfolio Standards (RPS)*
The implementation of the RPS is an important development for the Renewable Energy (RE) Market, and impacts the public as a whole. Republic Act No. 9513 or the Renewable Energy Law gives both fiscal and non-fiscal incentives to investors in order to encourage the promotion and development of renewable energy in the Philippines. Toward this end, the RPS serves as a market-based policy mechanism which makes use of the RE Market to facilitate and commercialize trading in RE Certificates, the latter which are used to satisfy the RPS requirements and increases RE generation in the country.

On December 30, 2017, DOE Circular No. DC2017-12-0015, or the RPS On-Grid Rules, took effect, requiring DUs, electricity suppliers, generating companies supplying directly connected customers, and other mandated energy sector participants to source or produce a certain share of electricity from their Energy Mix from eligible RE resources. These eligible RE facilities include the following technologies: biomass, waste to energy technology, wind, solar, hydro, ocean, geothermal, and other RE technologies later identified by the DOE.

The RPS On-Grid Rules mandates energy sector participants to comply with the minimum annual RPS requirement in order to meet the aspirational target of thirty-five (35%) in the generation mix by 2030.

This minimum RE requirement, however, will not be imposed immediately but in 2020. The 2018 and 2018 years are considered transition years to help the mandated participants comply with the DOE Circular. Additionally, the RPS On-Grid Rules implements a Minimum Annual Incremental RE Percentage to be sold by mandated participants. It is initially set at a minimum of one percent (1%) and applied to net electricity sales or annual energy demand for the next 10 years and used to determine the current year's requirement for RE Certificates (RECs) of the Mandated Participant.

f. *COVID-19 outbreak*
Since the first reported case of COVID-19 in the Philippines is late January 2020, the disease has notably spread across the country. This virus outbreak may cause disruptions to businesses and economic activities, and the extent of its impact continues to evolve. The Group considers this outbreak as a non-adjusting subsequent event, which does not impact the consolidated financial position and performance as of and for the year ended December 31, 2019. However, the outbreak could have a material impact on the 2020 financial results and even periods thereafter. Considering the evolving nature of this outbreak, the Group cannot determine at this time the impact to its consolidated financial position, performance and cash flows. The Group will continue to monitor and assess the situation.

SGV
Building a better working world

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BOA/PRC Reg. No. 0001,
October 4, 2018, valid until August 24, 2021
SEC Accreditation No. 0012-FR-5 (Group A),
November 6, 2018, valid until November 5, 2021

INDEPENDENT AUDITOR'S REPORT ON COMPONENTS OF FINANCIAL SOUNDNESS INDICATORS

The Board of Directors and Stockholders
Semirara Mining and Power Corporation
2/F DMCI Plaza
2281 Don Chino Roces Avenue
Makati City

We have audited in accordance with Philippine Standards on Auditing, the consolidated financial statements of Semirara Mining and Power Corporation and its subsidiaries (the Group) as at December 31, 2019 and 2018, and for each of the three years in the period ended December 31, 2019, and have issued our report thereon dated March 4, 2020. Our audits were made for the purpose of forming an opinion on the basic consolidated financial statements taken as a whole. The Supplementary Schedule on Financial Soundness Indicators, including their definitions, formulas, calculation, and their appropriateness or usefulness to the intended users, are the responsibility of the Group's management. These financial soundness indicators are not measures of operating performance defined by Philippine Financial Reporting Standards (PFRS) and may not be comparable to similarly titled measures presented by other companies. This schedule is presented for the purpose of complying with the Revised Securities Regulation Code Rule 68 issued by the Securities and Exchange Commission, and is not a required part of the consolidated financial statements prepared in accordance with PFRS. The components of these financial soundness indicators have been traced to the Group's consolidated financial statements as at December 31, 2019 and 2018 and for each of the three years in the period ended December 31, 2019 and no material exceptions were noted.

SYCIP GORRES VELAYO & CO.

Dhonabee B. Señeres

Dhonabee B. Señeres
Partner
CPA Certificate No. 97133
SEC Accreditation No. 1196-AR-2 (Group A),
October 18, 2018, valid until October 17, 2021
Tax Identification No. 201-959-816
BIR Accreditation No. 08-001998-98-2018,
February 2, 2018, valid until February 1, 2021
PTR No. 8125303, January 7, 2020, Makati City

March 4, 2020

SEMIRARA MINING AND POWER CORPORATION AND SUBSIDIARIES
INDEX TO THE CONSOLIDATED FINANCIAL STATEMENTS AND SUPPLEMENTARY SCHEDULES

SUPPLEMENTARY SCHEDULES

- Report of Independent Auditor's on supplementary schedules
- Reconciliation of retained earnings available for dividend declaration (Part 1, 4C; Annex 68-C)
- Schedule of financial soundness indicators (Part 1, 4D)
- Supplementary schedules required by Annex 68-E

  Schedule A: Financial Assets

  Schedule B: Amounts Receivable from Directors, Officers, Employees, Related Parties and Principal Stockholder (Other Than Related Parties)

  Schedule C: Amounts Receivables/Payables from/to Related Parties Which are Eliminated During the Consolidation of Financial Statements

  Schedule D: Long-Term Debt

  Schedule E: Indebtedness to Related Parties

  Schedule F: Guarantees of Securities of other Issuers

  Schedule G: Capital Stock

- Map of the relationships of the companies within the group (Part 1, 4H)

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INDEPENDENT AUDITOR'S REPORT
ON SUPPLEMENTARY SCHEDULES

The Board of Directors and Stockholders
Semirara Mining and Power Corporation
2/F DMCI Plaza
2281 Don Chino Roces Avenue
Makati City

We have audited in accordance with Philippine Standards on Auditing, the consolidated financial statements of Semirara Mining and Power Corporation and its subsidiaries (the Group) as at December 31, 2019 and 2018, and for each of the three years in the period ended December 31, 2019, included in this Form 17-A, and have issued our report thereon dated March 4, 2020. 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 Group'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 financial information required to be set forth therein in relation to the basic consolidated financial statements taken as a whole.

SYCIP GORRES VELAYO & CO.

Dhonabee B. Señeres
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March 4, 2020

SEMIRARA MINING AND POWER CORPORATION

SCHEDULE OF RETAINED EARNINGS AVAILABLE FOR DIVIDEND DECLARATION

AS OF FOR THE YEAR ENDED DECEMBER 31, 2019

Unappropriated retained earnings, beginning		**₱8,775,323,336**
Adjustments:		
Deferred tax asset that reduced the amount of income tax expense of prior periods		**124,278,966**
Unrealized foreign exchange loss - net (except those attributable to cash and cash equivalents)		**(86,970,494)**
Treasury shares		**(739,526,678)**
Unappropriated retained earnings, as adjusted to available for dividend distribution, as at December 31, 2018		**8,073,105,130**
Net income actually earned/realized during the period:		
Net income during the period closed to retained earnings	**₱7,432,203,869**	
Less: Non-actual/unrealized income net of tax		
Equity in net income of associate/joint venture	–	
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 tax asset that increased the amount of income tax expense	**(68,259,266)**	
Add: Non-actual losses		
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 foreign exchange loss - net (except those attributable to cash and cash equivalents)	**164,206,661**	
Net income actually earned during the period	**7,528,151,264**	
Add (Less):		
Cash dividend declarations during the period	**(5,313,184,525)**	
Stock dividend declarations during the period	–	
Appropriations of retained earnings during the period	–	
Reversals of appropriations	**4,000,000,000**	
Effects of prior period adjustments	–	
Treasury shares	–	**6,214,966,739**
TOTAL RETAINED EARNINGS, END AVAILABLE FOR DIVIDEND DECLARATION		**₱14,288,071,869**

SEMIRARA MINING AND POWER CORPORATION AND SUBSIDIARIES

SCHEDULE OF FINANCIAL SOUNDNESS INDICATORS

FOR THE YEARS ENDED DECEMBER 31, 2019 and 2018

Financial Soundness Indicators

Below are the financial ratios that are relevant to the Group for the years ended December 31, 2019 and 2018:

Financial ratios		2019	2018
Current ratio	Current assets / Current liabilities	**1.54:1**	1.26:1
Acid-test ratio	Current assets less inventories / Current liabilities	**0.81:1**	0.65:1
Solvency ratio	Net income plus depreciation / Total liabilities	**0.59:1**	0.64:1
Debt to equity ratio	Interest-bearing loans / Total equity	**0.42:1**	0.51:1
Asset-to-equity ratio	Total assets / Total equity	**1.63:1**	1.78:1
Inventory turnover	Cost of sales / Average inventory	**2.36:1**	2.28:1
Accounts receivable turnover ratio	Net credit sales / Average accounts receivable	**8.09:1**	6.09:1
Interest rate coverage	Earnings before interest and taxes / Interest paid	**8.43:1**	16.27:1
Return on assets	Net income / Average total assets	**0.14:1**	0.17:1
Return on equity	Net income / Average total equity	**0.23:1**	0.31:1
Gross Margin ratio	Gross profit / Sales	**0.40:1**	0.50:1
Net profit margin ratio	Net income / Sales	**0.22:1**	0.29:1

SEMIRARA MINING AND POWER CORPORATION AND SUBSIDIARIES

SCHEDULE A: FINANCIAL ASSETS

DECEMBER 31, 2019

Name of issuing entity and association of each issue	Number of shares or principal amount of bonds and notes	Amount shown in the balance sheet	Income received and accrued

NOT APPLICABLE

SEMIRARA MINING AND POWER CORPORATION AND SUBSIDIARIES

SCHEDULE B: AMOUNTS RECEIVABLE FROM DIRECTORS, OFFICERS, EMPLOYEES, RELATED PARTIES AND PRINCIPAL STOCKHOLDER (OTHER THAN RELATED PARTIES)

DECEMBER 31, 2019

Name and Designation of debtor	Balance at beginning of period	Additions	Amounts collected	Amounts written off	Current	Not current	Balance at end of period

Not applicable. The Group's receivables from officers and employees pertain to ordinary purchases subject to usual terms, travel and expense advances and other transactions arising from the Group's ordinary course of business.

SEMIRARA MINING AND POWER CORPORATION AND SUBSIDIARIES

SCHEDULE C: AMOUNTS RECEIVABLES/PAYABLES FROM/TO RELATED PARTIES WHICH ARE ELIMINATED DURING THE CONSOLIDATION OF FINANCIAL STATEMENTS

DECEMBER 31, 2019

Name of Subsidiaries	Balance at beginning of period	Additions	Amounts collected	Amounts written off	Current	Not current	Balance at end of period
Sem-Calaca Power Corporation	**₱1,371,763,436**	**₱2,000,628,204**	**₱2,234,460,693**	**₱–**	**₱1,137,930,947**	**₱–**	**₱1,137,930,947**
Semirara Claystone, Inc.	**200,046,209**	**15,619,943**	**–**	**–**	**215,666,152**	**–**	**215,666,152**
Southwest Luzon Power Generation Corporation	**482,079,423**	**1,441,662,643**	**1,427,184,920**	**–**	**496,557,146**	**–**	**496,557,146**
Semirara Energy Utilities, Inc.	**538,845**	**35,121**	**–**	**–**	**573,966**	**–**	**573,966**
Southeast Luzon Power Generation Corporation	**17,542,224**	**31,416**	**–**	**–**	**17,573,640**	**–**	**17,573,640**
SEM-Cal Industrial Park Developers, Inc.	**201,360**	**36,960**	**–**	**–**	**238,320**	**–**	**238,320**
	₱2,072,171,497	**₱3,458,014,287**	**₱3,661,645,613**	**₱–**	**₱1,868,540,171**	**₱–**	**₱1,868,540,171**

SEMIRARA MINING AND POWER CORPORATION AND SUBSIDIARIES

SCHEDULE D: LONG-TERM DEBT

DECEMBER 31, 2019

Title of issue and type of obligation	Amount authorized by indenture	Interest rates	Maturity date	Number of periodic installments	Amount shown under caption "Current portion of long-term debt" in related balance sheet	Amount shown under caption "Long-term debt" in related balance sheet
Bank loans	₱3,000 million	Fixed Nominal Rate of 4.90%	Various quarterly maturities starting 2021 until 2024	Payable in 16 equal consecutive quarterly installments commencing in May 2011	–	2,990,505,467
Bank loans	₱2,700.00 million	Fixed Nominal Rate of 4.88%	Various quarterly maturities starting 2020 until 2026	Interest and principal payable every 3 months	104,330,139	2,581,249,036
Bank loans	₱1,400.00 million	Floating rate to be repriced every 3 months based on 3-Months "PDST-R2" plus a spread of one-half of one percent (0.5%)	February 2020	Interest payable every 3 months, principal to be paid on maturity date	1,400,000,000	–
Bank loans	₱750.00 million	Floating rate to be repriced every 3 months	September 2020	Interest payable every 3 months, principal to be paid on maturity date	750,000,000	–
Bank loans	₱2,750.00 million	Fixed annual interest rate of 4.57% per annum to be repriced after 3 years	Various quarterly maturities starting 2020 until 2027	Interest and principal payable every 3 months	275,000,000	2,475,000,000
Bank loans	₱2,000.00 million	Fixed Nominal Rate of 4.88%	Various quarterly maturities starting 2020 until 2026	Interest and principal payable every 3 months	280,915,458	1,699,259,772
Bank loans	₱4,000.00 million	Fixed Nominal Rate of 5.00%-5.13%	Various quarterly maturities starting 2020 until 2024	Interest and principal payable every 3 months	649,187,947	3,321,587,185
					₱3,459,433,544	₱13,067,601,460

SEMIRARA MINING AND POWER CORPORATION AND SUBSIDIARIES

SCHEDULE E: INDEBTEDNESS TO RELATED PARTIES

DECEMBER 31, 2019

Name of related party	Balance at beginning of period	Balance at end of period

Not applicable. The Company currently has no noncurrent indebtedness to related parties

SEMIRARA MINING AND POWER CORPORATION AND SUBSIDIARIES

SCHEDULE F: GUARANTEES OF SECURITIES OF OTHER ISSUERS

DECEMBER 31, 2019

Name of issuing entity of securities guaranteed by the company for which this statements is filed	Title of issue of each class of securities guaranteed	Total amount guaranteed and outstanding	Amount of owned by person for which statement is filed	Nature of guarantee

NOT APPLICABLE

SEMIRARA MINING AND POWER CORPORATION AND SUBSIDIARIES

SCHEDULE G: CAPITAL STOCK

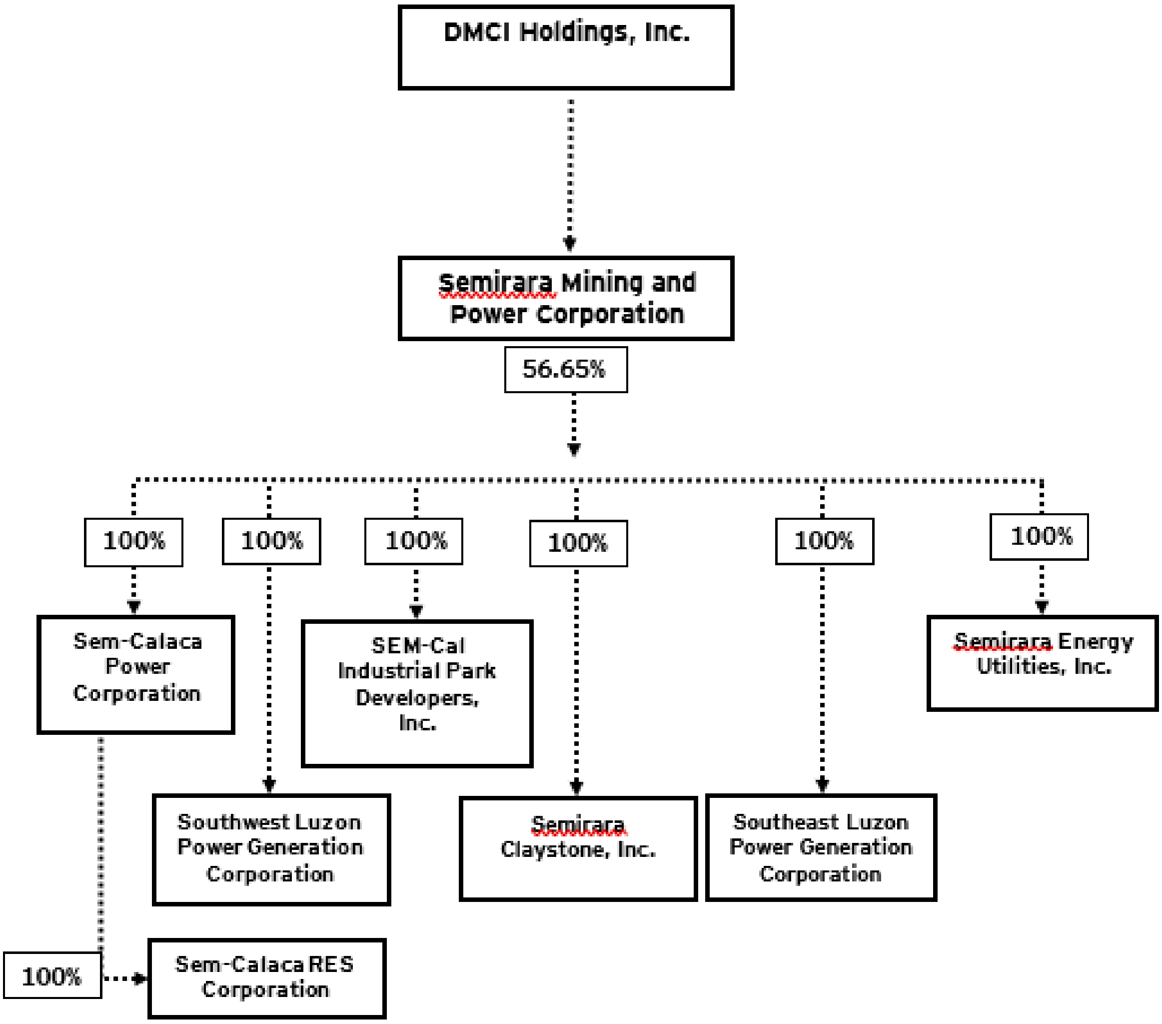
DECEMBER 31, 2019

Title of issue	Number of shares authorized	Number of shares issued and outstanding at shown under related balance sheet caption	Number of shares reserved for options, warrants, conversion and other rights	Number of shares held by		
				Related parties	Directors, officers and employees	Others
Common stock - ₱1 par value	10,000,000,000	4,250,547,620	–	2,944,688,744	42,748,484	1,263,110,392

SEMIRARA MINING AND POWER CORPORATION AND SUBSIDIARIES

MAP OF THE RELATIONSHIPS OF THE COMPANIES WITHIN THE GROUP

DECEMBER 31, 2019



SEMIRARA MINING AND POWER CORPORATION

SEC 17-A Annex A Reporting Template

Sustainability Reporting Guidelines for Publicly Listed Companies

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Annex A: Reporting Template

Contextual Information

Company Details	
Name of Organization	**Semirara Mining and Power Corporation**
Location of Headquarters	2F DMCI Plaza. 2281 Chino Roces Avenue Extension Makati City, Philippines 1231
Location of Operations	Semirara Island, Caluya Municipality, Antique, Philippines Calaca, Batangas, Philippines
Report Boundary: Legal entities (e.g. subsidiaries) included in this report*	This report covers the sustainability performance of Semirara Mining and Power Corporation and its operating power subsidiaries through the following business segments: • COAL – Semirara Mining and Power Corporation (SMPC) • POWER - SEM-Calaca Power Corporation (SCPC) and Southwest Luzon Power Generation Corporation (SLPGC)
Business Model, including Primary Activities, Brands, Products, and Services	Semirara Mining and Power Corporation is a leading vertically integrated power producer in the Philippines that owns and mines its own fuel source. As a base load power provider, we provide affordable energy in the Luzon-Visayas grid, whose combined regional output accounts for a large portion of the national economy. SMPC is the largest coal producer in the country, accounting for 99% of the country's total coal production. OUR STRATEGY SMPC's integration of coal mining activity and power generation resulted in greater value proposition and inclusive growth. This value chain incorporates optimizing the supply chain and cost efficiency, as well as aligning environmental responsibility, safety, risk management and good corporate governance within our operational structure for sustainability.
Reporting Period	January to December 2019
Highest Ranking Person responsible for this report	Maria Cristina C. Gotianun President and Chief Operating Officer

**If you are a holding company, you could have an option whether to report on the holding company only or include the subsidiaries. However, please consider the principle of materiality when defining your report boundary.*

Materiality Process

Explain how you applied the materiality principle (or the materiality process) in identifying your material topics.[1]

SMPC adopted the Global Reporting Initiative (GRI) Standards as its sustainability reporting framework. In 2018, we commissioned a third-party sustainability reporting specialist to conduct the stakeholder engagement and materiality processes in accordance with the requirements of the GRI Standards.

Stakeholder Engagement

We identified and engaged stakeholder groups through various consultations. The survey questionnaire was designed to identify the GRI disclosures and topics that may or may not be material to our stakeholders in terms of (1) influence on stakeholder assessments and decisions, and (2) significance of economic, environmental and social impacts. Respondents were asked to identify the impact of the disclosure to them as well as determine the influence that they have on a particular disclosure~~.~~ Focus group discussions (FGDs) were conducted to encourage the stakeholders to share their interests and concerns arising from the impact of our operations that were not covered by the survey questionnaire.

Through these various consultations, we were able to determine the interests and concerns of key stakeholders due to the impact of our business.

Our Stakeholder Groups Consulted

- Shareholders
- Employees
- Customers
- Suppliers, Contractors and Business Partners
- Government – Regulators, Local Government Units
- Community – Leaders and Residents

MATERIALITY

After the stakeholder consultations, our 3rd party specialist conducted a statistical analysis to determine which topics and disclosures are material based on an agreed materiality threshold. Furthermore, we accorded due significance to the directives and regular progress monitoring of the Department of Energy regarding our accelerated mine rehabilitation. We considered that 18 out of the 33 GRI topics have the greatest impact and influence to our stakeholders and, therefore, material to the Company.

Our Material Topics Identified

ECONOMIC	ENVIRONMENTAL	SOCIAL
Economic Performance	Energy	Employment
Market Presence	Water	Training and Education
Indirect Economic Performance	Materials	Labor/Management Relations
	Biodiversity	Occupational Health & Safety
	Emissions	Local Community
	Effluents & Wastes	Customer Health & Safety
	Supplier Environmental Assessment	Socio-economic Compliance
	Mine Rehabilitation	

[1] See *GRI 102-46* (2016) for more guidance.

ECONOMIC

Economic Performance

Semirara Mining and Power Corporation delivers shareholder value and inclusive growth. We produce affordable fuel and energy to support the nation's growth. We nurture our host communities by delivering real economic benefits through employment, royalties, access to vital infrastructure and social development programs towards their self-sufficiency.

Direct Economic Value Generated and Distributed *(201-1)*

Disclosure	PHP mil
Direct economic value generated (revenue)	44,732
Direct economic value distributed:	
a. Operating costs	26,849
b. Employee wages and benefits	2,037
c. Dividends given to stockholders and interest payments to loan providers	6,597
d. Taxes given to government	5,283
e. Investments to community (e.g. donations, CSR)	42

What is the impact and where does it occur? What is the organization's involvement in the impact?	Which stakeholders are affected?	Management Approach
SMPC creates and shares value towards the inclusive growth of its stakeholders through: • Providing energy that meets the requirement of customers; • Providing fair compensation and benefits and talent development to employees; • Honoring timely payments and contract terms to suppliers and business partners; • Sharing profit through dividends to our shareholders; • Timely payments of appropriate taxes to the government; and • Implementing meaningful social development programs for the host communities.	• Customers • Employees • Suppliers, Contractors and Business Partners • Shareholders • Government and regulators • Environment and Community a. Semirara Island, Caluya, Antique b. Calaca, Batangas	SMPC's commitment to sustainable corporate governance ensures long-lasting value for its stakeholders. • Customers We conduct our operations with the end goal of safely delivering the coal based on the agreed quality and customer specifications, and affordable energy for the industry requirements. • Employees We provide career opportunities for growth and development, as well as competitive rewards and benefits that are aligned with individual performance and strategic business performance. • Suppliers, Contractors and Business Partners We engage in competitive sourcing and pricing of high-quality goods and services. Procurement procedures include accreditation, evaluation of

		new suppliers, and annual evaluation of performance of accredited suppliers to ensure consistent quality. Payments and covenant agreements with capital providers are honored. • Shareholders Based on business performance and availability of cash flow generated, SMPC's Board of Directors approves the declaration of dividends. • Government and regulators We work closely with the government and regulators to achieve the business objective of providing affordable energy for the nation's economic progress. • Environment and Community We integrate responsible mining and environmental stewardship in our value chain processes *Environmental Management* We conduct monitoring of its emissions to ensure compliance with the standards and regulatory limits. Leading practices are implemented to mitigate the impact of our operations. Proactive engagement and communication with our community and other stakeholders provide timely feedback of our sustainability impact, concerns and resolution if any. *Social Development* Our Social Development Program aims to provide lasting and positive contribution to our host communities. Strong community, public and private partnerships are fostered. SMPC collaborates and works with regulators and local leaders in planning and implementing social development programs that contribute towards community self-sufficiency and sustainable development.

		We prioritize employment of qualified talent from host communities and the nearby municipalities.
What are the Risk/s Identified?	**Which stakeholders are affected?**	**Management Approach**
Safety	• Employees • Customers • Suppliers, Contractors and Business Partners • Government and regulators • Community	Risk management includes, among others: • Proactive hazard identification and risk reduction • Continual calibration of occupational safety & health practices • Slope Management • Mine planning and operations management • Incident Management
Compliance & Reputation	• Employees • Customers • Suppliers, Contractors and Business Partners • Shareholders • Government and regulators • Community	Risk management includes, among others: • Impact assessment and implementation of new or emerging rules & regulations • Compliance monitoring and reporting • Proactive stakeholder engagement, including concerns and resolutions thereof
People & Talent	• Employees • Government and regulators • Community	Risk approach considers: • Talent management and retention program • Regular review of succession management • Calibrated Learning and Development program
Coal and Power Market and Commodity Prices	• Customers • Suppliers, Contractors and Business Partners • Government and regulators	Risk approach ensures: • Delivery of coal quality at better prices or larger guaranteed supply volumes to achieve customer satisfaction • Minimum contracted volume for customers with long-term supply contracts for each given period (within the contract duration) and monthly re-pricing • Diversified customer base
Asset Performance and Production Efficiency	• Employees • Customers • Suppliers, Contractors and Business Partners • Shareholders • Government and regulators	Power plant operations management includes: • Asset Management Program • Implementation Life Extension Program in power plant operations • Continual improvement of maintenance program, desired equipment availability and reliability

		• Fuel management and other cost savings initiatives • Close coordination with grid operator for potential issues affecting power plant operations • Project Management
Natural Hazard & Physical Security	• Employees • Customers • Suppliers, Contractors and Business Partners • Shareholders • Government and regulators • Environment and Community	• Strong partnerships with government and private institutions • Disaster resilience program • Climate related monitoring tools (e.g. weather stations, weather bureau historical data) • Insurance risk transfer of capital assets
What are the Opportunity/ies Identified?	**Which stakeholders are affected?**	**Management Approach**
Market opportunities through WESM; Improved operational and cost efficiency	• Employees • Customers • Suppliers, Contractors and Business Partners • Shareholders • Government and regulators	Optimization through robust monitoring of market conditions Innovation and technology for cost optimization and reliability

Market Presence *(202)*

Our total workforce is 3,684 in 2019. We prioritize sourcing and hiring qualified talent regardless of gender from surrounding communities.

As the single biggest employer in Semirara Island, SMPC provides employment to 3,073 employees, with 1,505 or 49% from Semirara Island and/or the Municipality of Caluya.

More than 57% of our Coal Mine Site employees are from the provinces of Aklan, Antique, Capiz, Iloilo, and Mindoro, while 75.49% of our Power Plant Site employees are from the two host Municipalities, Calaca and Balayan and from other municipalities Batangas.

Since 2006, SMPC has partnered with the Semirara Training Center, Inc. in providing TESDA-certified skilled manpower for employees and local resident to support the Company's operations. Graduates are trained in the fields of automotive servicing, shielded metal arc welding, machine shop practice and electrical installation and maintenance. In 2019, there were 138 students enrolled in this program.

Standard Entry Level Wage by Gender Compared to Local Minimum Wage *(202-1)*

Our organization complies with the mandated wage in the areas where we operate, with average pay ratio at 1:1 compared to local minimum wage.

Proportion of Senior Management Hired from the Local Community *(202-2)*

20 out of 34, or 59% our Power operations management positions are held by local residents of Batangas province. 100% of our Board of Directors and key officers are Filipino citizens.

<table>
<tr><th>What is the impact and where does it occur? What is the organization's involvement in the impact?</th><th>Which stakeholders are affected?</th><th>Management Approach</th></tr>
<tr><td>SMPC is the single biggest employer in Semirara Island. It provides employment to 3,073 Mine Site employees, with 1,505 or 49% from Semirara Island and/or the islands comprising the Municipality of Caluya.

75.49% of our Power Plant Site employees are from the two host Municipalities, Calaca and Balayan and from other municipalities Batangas.</td><td>• Employees
• Government
• Host Community
a. Semirara Island, Caluya, Antique
b. Calaca, Batangas</td><td rowspan="5">We prioritize employment of qualified talent from host communities and the nearby municipalities, as well as engage local contractors.

We provide access to skills enhancement through partnership with TESDA-certified Semirara Technical Center, Inc. for sustainable local talent. We also provide cadetship and leadership trainings as part of our Learning and Development programs.</td></tr>
<tr><td>What are the Risk/s Identified?</td><td>Which stakeholders are affected?</td></tr>
<tr><td>Sustainable Talent</td><td>• Employees
• Host Community
a. Semirara Island, Caluya, Antique
b. Calaca, Batangas</td></tr>
<tr><td>What are the Opportunity/ies Identified?</td><td>Which stakeholders are affected?</td></tr>
<tr><td></td><td></td></tr>
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Indirect Economic Performance *(203)*

Our economic impact is significantly felt in Semirara Island, Caluya Municipality. Through our strong partnerships with the Department of Energy and local government units, we provide high-impact infrastructure and invest in social programs which enable our communities to transform their own lives and progress towards self-sufficiency.

Local small and medium-sized enterprises (SMEs) thrive in a robust economy driven by our mining and related activities. Barangay Semirara, a direct impact community, accounted for the majority of the total registered business establishments at Semirara Island in 2019, with 283 renewal permits and 181 new permits, a total of 464 or 85% SMEs. From a low of 60 registered businesses in 1999 to as high of 545 establishments now operates in Semirara Island.

Significant Indirect Economic Impacts *(203-2)*

2019 Highlights our socio-economic programs are:

Electricity Subsidy. SMPC continues to provide electricity subsidy of P 2.50/KwH through the Antique Electric Cooperative, Inc. (ANTECO), thus local residents are able to enjoy an affordable electricity rate of P 5.00/KwH. In 2019, total 4,028,657 Kilowatt-Hours of electricity sold were sold to ANTECO.

Infirmary Services. We built and operate the Semirara Infirmary which provides primary health care needs and services of our workforce and surrounding communities. Ultrasound service for the employees, their dependents and the community is also provided through monthly visits of radiologists to the Mine Site. The infirmary employs four physicians, two dentists, three medical technologists, one radiologic technologist, one midwife, and 11 nurses. 6,488 community patients were served in 2019. SMPC's Infirmary registered 28,735 patient services, of which approx. 49% were for employees, while 28% were for employee dependents.

Infrastructure. SMPC has allotted Php 7.1 million to build or maintain infrastructure in Semirara Island such as a 31-km main road network and flyover. SMPC also provided dredging works for the completion of the Pinagpala Public Seaport facility which is now used by passenger boats and fishing vessels plying to and from Semirara Island. This project provides easier sea transportation access to the community.

Access to Transportation. SMPC's bus transport services provides free transportation to the employees, students, and community members in Semirara Island. Around 1,600 personnel utilize the bus service daily. It spends more than Php 500,000 annually. There are eight bus trips scheduled at regular intervals to ply the 22km Semirara – Alegria route daily.

Access to Masteral Education. SMPC's Master of Arts in Education Program for public and private school teachers program for the local and nearby communities in Semirara Island started in 2019. It aims to improve the teachers' competency and to continue their professional development. 183 teachers from 10 public and private schools have completed the program and have applied their learnings in improving their teaching methods and curriculum to their respective schools. SMPC invested Php 1.8 million.

What is the impact and where does it occur? What is the organization's involvement in the impact?	**Which stakeholders are affected?**	**Management Approach**

<table>
<tr>
<td>SMPC serves as a catalyst for economic development in the areas it operates. We operate responsibly on behalf of our employees, customers, communities and all other stakeholders.

We continue to provide electricity subsidy through the local electric cooperative thus providing the local residents of Semirara Island with one of the country’s lowest electricity rate of P 5/KWH.</td>
<td>• Employees
• Government
• Host Community
a. Semirara Island, Caluya, Antique
b. Calaca, Batangas</td>
<td rowspan="5">SMPC’s Social Development Program is approved by the DOE and aims to provide lasting and positive contribution to our host communities. Strong community, public and private partnerships are fostered. SMPC collaborates and works with regulators and local leaders in planning and implementing social development programs that contribute towards community self-sufficiency and sustainable development. This includes access to vital infrastructure and services such as transportation, roads and bridges.

Through collaboration with other business partners and the academic institutions, we also provided or facilitated access to quality education, primary health care services and telecommunication facilities and solutions in Semirara Island.

We engage in business with local contractors and SMEs.</td>
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<tr>
<td>What are the Risk/s Identified?</td>
<td>Which stakeholders are affected?</td>
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<tr>
<td>What are the Opportunity/ies Identified?</td>
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SEMIRARA MINING & POWER CORPORATION

Climate-related risks and opportunities[2]

Governance	Strategy	Risk Management	Metrics and Targets
Disclose the organization's governance around climate-related risks and opportunities	Disclose the actual and potential impacts[3] of climate-related risks and opportunities on the organization's businesses, strategy, and financial planning where such information is material	Disclose how the organization identifies, assesses, and manages climate-related risks	Disclose the metrics and targets used to assess and manage relevant climate-related risks and opportunities where such information is material
Recommended Disclosures			
We recognize climate change is a cross-cutting issue and a challenge that affects all sectors globally. Our integrated Governance, Risk and Compliance (GRC) framework is aligned with the pillars of the Financial Stability Board's Task Force on Climate-related Financial Disclosures (TCFD). Our Board, Board Committees and Management regularly discuss and evaluate the impact of climate-related risks and opportunities relevant to our strategies to ensure the long-term sustainability of our business.	Our organization aims to develop and improve its adaptive capacity to respond to climate-related risks to better manage the associated risks and seize opportunities, including the ability to respond to transition risks and physical risks. This includes improving our communication of key climate-related material information to our stakeholders. We also recognize the climate-related opportunities to engage in resource efficiency and cost savings and building resilience through our supply chain.	Our GRC framework enables a proactive identification, assessment, monitoring and evaluation of climate-related and associated risks related to the transition to a lower-carbon economy and those related to the physical impacts of climate change. Our risk process involves risk information updates, controls, and mitigation. Risk reporting is made through regular Management Committee meetings and to the Board on a timely basis. Our disaster resilience program consists of regular drills and trainings in strong collaboration with the different government agencies, local government units and host communities.	Our adoption of the GRI-based Reporting Standards assists the organization in developing a system of reporting metrics and targets to manage sustainability impacts and to enhance stakeholder communication of our material issues, including climate-related metrics such as our GHG emissions, energy use and water withdrawal, among others.

[2] 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.
[3] For this disclosure, impact refers to the impact of climate-related issues on the company.

Relevant TCFD Recommended Disclosures

<table>
<tr><th>Type</th><th>Climate-Related Risks</th><th>Potential Financial Impact</th></tr>
<tr><td rowspan="4">Transition Risks</td><td>Policy and Legal
• Mandates and regulations
• Increased pricing
• Enhanced energy and emissions-reporting obligations</td><td>• Republic Act 10963 Tax Reform for Acceleration and Inclusion

Increased excise taxes on coal to P 100/MT on January 1, 2019, and P150MT on January 1, 2020.

• Republic Act 9513 Renewable Energy Act of 2008, Department of Energy (DOE) Circular No. DC2017-12-0015 Renewable Portfolio Standards (RPS) Rules for On-Grid Areas.

Anchored on the country's aspirational target of 35% Renewable Energy (RE) share in the energy mix by 2030. The two-year transition period ended in 2019. Effective 2020, the minimum RE sourcing will be imposed immediately to mandated participants. At least 1% percent of annual energy demand must be sourced from eligible RE sources.

• Republic Act 11285 Energy Efficiency Law.

Higher compliance costs – hiring of energy technical and management levels, annual assurance.

• Stranded coal plant assets</td></tr>
<tr><td>Technology</td><td>• Costs to adopt low-carbon technology and processes.</td></tr>
<tr><td>Market
• Change in power market and customer behavior</td><td>• Reduction or restriction in capital availability</td></tr>
<tr><td>Divestment and Reputation
• Stigmatization of sector
• Global shift of investors and capital market from coal energy investments
• Negative stakeholder feedback</td><td>• Negative impacts on workforce talent attraction
• Negative share price impact from divestment
• Incremental cost in capex and working capital financing</td></tr>
<tr><td>Physical Risks</td><td>Acute and Chronic</td><td></td></tr>
</table>

	• Increased severity of extreme weather events, e.g. cyclones, floods • Variability in weather patterns	• Increased capital costs – damage to capital assets, facilities and telecommunications infra • Reduced revenue from reduced production and lower sales • Reduced revenue and higher costs from negative impacts on workforce – safety, health, absenteeism • Increased insurance premiums and potential for reduced or limited cover of assets
Resource Efficiency	• Use of more efficient mine equipment and modes of transport • Use of more efficient equipment • Use of recycling • More efficient buildings • Reduced water usage and consumption • Use of eco-friendly buildings	• Increased revenues through operational efficiency • Republic Act 11285 Energy Efficiency Law. Reduced operating costs through efficiency gains and cost reductions.

ENVIRONMENT

Resource Management

Through judicious use of the natural resources and balancing the interests of its stakeholders, SMPC conducts its operations responsibly and embed environmental stewardship in its environmental management systems. Our continuing conformance to the global ISO 14001:2015 Standards demonstrates our commitment and adaptability to continually improve effectiveness in managing environmental impacts and risks.

While our obligations preclude us from committing to a low carbon future, SMPC aims to contribute to sustainable development by integrating and aligning environmental responsibility within its operational structure. We have approved comprehensive environmental management plans that cover every stage of our coal and power operations, from impact monitoring to rehabilitation.

Energy Consumption within the Organization *(302-1)*

The nature of our business necessarily entails the utilization of non-renewable resources such as coal, diesel and gasoline to support operations. The bulk of the energy requirements of our Coal segment comes from the Mine, Truck, and Shovel processes. We maintain and operate a modern fleet of heavy equipment that runs on diesel fuel which are fuel-efficient and conforms with standards of performance.

Disclosure	Quantity	Units
Energy consumption (renewable sources)	-	GJ
Energy consumption (gasoline)	489	GJ
Energy consumption (LPG)	120	GJ
Energy consumption (diesel)	6,200,242	GJ
Energy consumption (electricity)	471,437,985	kWh

Reduction of energy consumption

Disclosure	Quantity	Units
Energy reduction (gasoline)	0	GJ
Energy reduction (LPG)	0	GJ
Energy reduction (diesel)	0	GJ
Energy reduction (electricity)	0	kWh
Energy reduction (gasoline)	0	GJ

What is the impact and where does it occur? What is the organization's involvement in the impact?	Which stakeholders are affected?	Management Approach
	• Customers	• Coal is mined, processed and fed as fuel for thermal power plants.

• SMPC coal accounted for 99% of the country's coal production. while 21% of our domestic coal shipments were delivered to Philippine thermal power plants per DOE 2018 statistics. • In 2019, our Power segment's gross generation produced more than 3,500 GWH of electricity. • More than 4 million kilowatt-hours of electricity were shared to host communities in Semirara Island in 2019.	• Suppliers, contractors and business partners • Environment and Community	• Electricity generated by SMPC power plant units are utilized as station load for operations. • Bottom ash generated from 2x7.5 MW power plants are fed into the 1x15 MW power plant unit to maximize coal utilization. • Used oil is fed for power plant start-up. SMPC commits to develop and implement an energy conservation and efficiency program across the organization.
What are the Risk/s Identified?	**Which stakeholders are affected?**	**Management Approach**
Emerging laws and regulations towards renewable sources of energy	• Customers • Community	SMPC supports the Energy Efficiency and Conservation Act (RA 1128) to promote and encourage the development and utilization of efficient renewable energy technologies and systems to ensure optimal use and sustainability of the country's energy resources. Our Coal segment's fuel requirements come from the Mine, Truck, and Shovel processes. We maintain and operate a modern fleet of heavy mining equipment that run on diesel fuel. Our regular fleet upgrade enables more fuel-efficient models that deliver optimum performance.
What are the Opportunity/ies Identified?	**Which stakeholders are affected?**	**Management Approach**
• Business sustainability • Operational excellence	• Customers • Environment and Community	Through the Life Extension Program of our Power segment's Units 1 & 2, innovative technology provides an opportunity for business sustainability and improved plant efficiency.

Water and Effluents *(303)*

Water Consumption within the Organization

Water is essential in every step of our operations. We convert river water into steam, which drives our turbines to generate power. The majority of the abstracted water resource is returned to the sea after treatment of the waste water. We also use seawater as cooling water.

As we share water resources with our host community in Semirara Island, we take steps towards equitable extraction of this resource. We tap sources other than surface and groundwater such as impounded water and desalination of seawater to meet our Coal segment's water requirements.

Disclosure	Quantity	Units
Water withdrawal *(303-3)*	922,593,803	Cubic meters
Water consumption *(303-5)*	44,487,941	Cubic meters
Water recycled and reused	39,576	Cubic meters

What is the impact and where does it occur? What is the organization's involvement in the impact?	**Which stakeholders are affected?**	**Management Approach**
Utilization of water from the following sources: 1. Surface water a. Semirara Island i. Sanglay lake b. Calaca & Balayan Batangas i. Dacanlao & Cawong River 2. Groundwater a. Semirara Island i. Puntod, Unong & Fresh Water Well b. Calaca & Balayan Batangas 3. Seawater a. Semirara Island i. Ilugao Bay b. Calaca & Balayan Batangas i. Balayan Bay	• Environment and Community	Withdrawal We withdraw water from the adjacent surface water bodies such as seas, rivers, springs, and lakes. Majority of water withdrawal is from seawater. River and spring water are converted to steam that drives our turbine to generate power, while seawater is used to cool our power plant units. We also source groundwater for use in our housing and other industrial needs. Consumption We tap sources other than surface and groundwater such as impounded water and desalination of seawater to meet our water requirements. Our desalination plant in Semirara Island provides an alternate water source for our industrial operations as well as employees' household needs. In 2019, the desalination plant produced more than 1.3 million cubic meters of water. Recycle

		Although large quantities of seawater are withdrawn, the majority of its volume is returned to the sea after treatment.
What are the Risk/s Identified?	**Which stakeholders are affected?**	**Management Approach**
• Water availability, quality and accessibility	• Environment and Community	Effluent is treated prior to discharge. We install and operate pollution control facilities in point and potential non-point sources, such facilities ensure that all applicable parameters meet the required standard levels set by Republic Act 9275 or the Clean Water Act. Majority of our water discharge represents cooling water returned to Balayan Bay and Ilugao Bay in Batangas. Effluents of our coal segment came from our Desalination Plant in Semirara Island.
What are the Opportunity/ies Identified?	**Which stakeholders are affected?**	**Management Approach**
Potential to reduce water impact through alternative water sources.	• Coal and Power operations • Environment and Community	Water management includes pilot projects on rainwater collection to support facilities requirements.

Materials Used by the Organization *(301)*

Our business processes require the utilization of non-renewable resources such as coal (that we mine), diesel, and gasoline to produce energy for our operations, sell to customers and share with our mining host communities. Diesel and gasoline inventory are forecasted and stored in our own fuel depot in Semirara Island to ensure a stable inventory for our mining equipment with minimal fuel supply interruption.

Our Power operations implement coal stocking measures to mitigate spontaneous combustion and dust controls. Coal stock is maintained at a minimum inventory level to mitigate supply chain risk.

Disclosure	Quantity	Units
Materials used by weight or volume *(301-1)*		
• renewable	0	kg/liters
• non-renewable	2,582,596,000 183,598,073	Kg liters
Percentage of recycled input materials used to manufacture the organization's primary products and services	0	%

What is the impact and where does it occur? What is the organization's involvement in the impact?	Which stakeholders are affected?	Management Approach
Utilization of non-renewable resources such as diesel, and gasoline to support coal production and coal as fuel source for power generation for our core business.	• Environment and Community • Customers	Among our waste management measures: • Bottom ash generated may be used as backfilling materials; • Fly ash is recycled as additive by cement making plants. • Waste segregation is implemented at source through the deployment of colored and labeled bins in strategic location sites across our operations. • Recyclable material is transferred and temporarily stored in Material Recovery Facilities (MRF) and sold to recyclers while biodegradable waste is diverted to the composting facility. Hazardous waste is segregated and stored in temporarily on-site facilities. The remaining hazardous waste is transported, treated, & disposed of by DENR EMB-accredited Transport Storage and Disposal facilities.
What are the Risk/s Identified?	**Which stakeholders are affected?**	**Management Approach**
Emerging laws and regulations towards renewable sources of energy	• Customers • Government and regulators • Community	SMPC supports the Energy Efficiency and Conservation Act (RA 1128) to promote and encourage the development and utilization of efficient renewable energy technologies and systems to ensure optimal use and sustainability of the country's energy resources.
What are the Opportunity/ies Identified?	**Which stakeholders are affected?**	**Management Approach**

• Improved energy efficiency	• Customers • Suppliers, contractors and business partners • Government and regulators • Environment and Community	Green supply chain and Waste management programs

Ecosystems and Biodiversity (Upland/Watershed or Coastal/Marine) *(304)*

Our environmental stewardship commitment is to mitigate the negative impact of our operations and enhance the biodiversity of Semirara Island by transforming it into a thriving showcase of land restoration and marine protection efforts. We continue to collaborated and partner with local government units, the academe and host communities to nurture and expand our various biodiversity programs and advocacies.

Disclosure	Quantity	Units
Operational sites owned, leased, managed in, or adjacent to, protected areas and areas of high biodiversity value outside protected areas	None	
Habitats protected or restored	*	ha
IUCN[4] Red List species and national conservation list species with habitats in areas affected by operations	**(list)	

**See table 1 for details*
***See table 2 for details*

Table 1: Summary of Protected Areas Established in Semirara Island and Balayan Batangas

Location	Hectares
Semirara Island, Antique	
Marine Sanctuary (Semirara Marine Hatchery and Laboratory)	150
Marine Protected Area (MPA) Barangay Tinogboc, Caluya, Antique	49.77
Marine Protected Area (MPA) Barangay Alegria, Caluya, Antique	87.95
Total	**287.72**
Calaca & Balayan, Batangas	
Dacanlao & Cawong Rivers (1600 square meters)	*0.16
Grand Total	**287.88**

*****_Estimated, adopted river bank is 3 kilometers_

[4] International Union for Conservation of Nature

Table 2: IUCN Red List species and national conservation list species with habitats in areas affected by operations – Semirara Island, Caluya, Antique

IUCN Red List	COMMON NAME	SCIENTIFIC NAME
Least Concern	Agoho	Casuarina equisetifolia
Vulnerable	Molave	Vitex parviflora
Vulnerable	Kalingag	Cinnamomum mercadoi
Vulnerable	Philippine duck	Anas luzonica
Least Concern	Philippine hanging parrot	Loriculus philippensis
Near Threatened	Long-tailed macaque	Macaca fascicularis ssp. philippensis

What is the impact and where does it occur? What is the organization's involvement in the impact?	Which stakeholders are affected?	Management Approach
SMPC's coal mining operations affect the marine and terrestrial flora and fauna due to vegetation removal and earth moving activities in Semirara Island. We work closely with regulators, local government and host communities to mitigate the environmental impact through compliances, community consultations and • More than 1,013,141 trees planted, in approx. 634.23 hectares of mined areas, to date. • More than 644,063 mangroves planted in 196.43 hectares in Semirara Island to date.	• Government and regulators • Environment and Community	Responsible mining and environment stewardship are the key pillars to our sustainability principles and strategy to mitigate our negative impact on the environment. • Mine rehabilitation • Reforestation within and outside the mining complex • Public private partnerships and collaboration with the local government, Bureau of Fishery and Aquatic Resources, host communities, and the community, for the protection and management of the MPAs and awareness seminars on sustainable fishing practices, among others. • Information, Education, and Communication campaigns • Giant clams propagation project through the Semirara Marine Hatchery and Laboratory

		• Science-based approach - Restoration Beyond Compliance program, which considers, among others : a. Flora and Fauna Biodiversity Assessment; b. Carbon stocking assessment in the rehabilitation areas; c. Assessment of the ecosystem using Landscape Function Analysis (LFA). • Dacanlao & Cawong rivers clean up, and Balayan Bay coastal cleanup • Tree planting in Calaca and local communities in Batangas
What are the Risk/s Identified?	**Which stakeholders are affected?**	**Management Approach**
Climate-related risks	• Government and regulators • Environment and Community	Our science-based restoration program includes the monitoring and assessment of resilient flora and fauna species adaptive to adverse weather conditions.
What are the Opportunity/ies Identified?	**Which stakeholders are affected?**	**Management Approach**
• Healthy ecosystem functions • Carbon sequestration • Enhanced corporate reputation	• Government and regulators • Environment and Community	Our science-based restoration program includes carbon stocking through reforestation of mangroves and trees, and land function analysis, among others, which aims to restore biodiversity in Semirara Island. We also engage in public and private partnerships of our sustainability initiatives.

Mine Rehabilitation

Site rehabilitation involves the restoration of the mined-out land to its natural state. This is done through science-based revegetation and regeneration of natural ecosystems.

SMPC readily answered the Department of Energy’s directive to accelerate the rehabilitation of the South Panian pit in Semirara Island from a five-year program to 1 ½ years. The Panian mine was closed in September 2016 following the depletion of its mineable coal reserves.

SEMIRARA MINING & POWER CORPORATION

In June 2019, we accomplished the fastest large-scale open pit rehabilitation in the country with 100% backfilling of the South Panian mine from -260 meters (equivalent to a 78-storey building) to a rolling elevation of +5 to +11 meters above sea level. In September 2019, together with the DOE officials, we launched the second phase of the approved mine rehabilitation plan, i.e. reforestation with endemic and resilient tree species to restore biodiversity in the area. Total spend for Phase 1 backfilling of the accelerated South Panian mine rehabilitation amounted to P2.9 B.

What is the impact and where does it occur? What is the organization's involvement in the impact?	**Which stakeholders are affected?**	**Management Approach**
The entire Semirara Island is declared a coal reservation area by the Philippine government. As a contractor of the government, SMPC's coal mining operations affect the marine and terrestrial flora and fauna due to vegetation removal and earth moving activities in the mined areas. • In 2019, the fastest open pit mine rehabilitation in the country - 100% accomplishment Phase 1 Backfilling of the South Panian Pit's accelerated rehabilitation from a five-year program to 1 ½ years. Phase 2 reforestation is in progress.	• Government and regulators • Environment and Community	Responsible mining and environment stewardship are the key pillars to our sustainability principles and strategy to mitigate our negative impact on the environment. • Public private partnerships towards effective land restoration • Deployed dedicated resources such as heavy equipment and manpower • Progressive backfilling and tree planting of the mined-out areas
What are the Risk/s Identified?	**Which stakeholders are affected?**	**Management Approach**
Climate-related	• Government and regulators • Environment and Community	We adopt a science-based approach on mine rehabilitation that considers climate resilience in our restoration efforts. We establish public private partnerships towards effective land restoration beyond compliance.
What are the Opportunity/ies Identified?	**Which stakeholders are affected?**	**Management Approach**
Enhanced corporate reputation of corporate citizenship through responsible mining.	• Government and regulators • Environment and Community	We work closely with the Department of Energy to showcase the South Panian mine as a model for open mine rehabilitation program.

Environmental Impact Management

The coal-fired power generation process generally produces emissions consisting of greenhouse gas (GHG), NOx, Sox and other particulates and. We employ various technologies, pollution control facilities, and measures in our power plant units such as the Electrostatic Precipitator and limestone injection, among others. We conduct regular monitoring of our emissions and compliances with the Clean Air Act and related regulations of the Department of Natural Environment and Natural Resources.

Dust emissions are managed to comply with applicable regulatory laws. Fugitive dust from our coal stockpiles, transfer and transport are mitigated by controls such as watering and compaction of stockpiles, water sprinklers along coal conveyor lines, deployment of mobile water trucks for hauling roads and water atomizer/cannons during bucketwheel operation.

Our GHG emissions are calculated with reference to ISO 14064-01:2006 standards, the Greenhouse Gas Protocol Standards, and guidelines issued by the International Panel on Climate Change (IPCC).

Air Emissions

GHG

Disclosure	Quantity	Units
Direct (Scope 1) GHG Emissions *(305-1)*	4,790,330	Tonnes CO_2e
Energy indirect (Scope 2) GHG Emissions *(305-2)*	15,940	Tonnes CO_2e
Emissions of ozone-depleting substances (ODS)	880	Tonnes

What is the impact and where does it occur? What is the organization's involvement in the impact?	Which stakeholders are affected?	Management Approach
Operation of stationary, mobile, and fugitive pollution sources from coal mining and power plant facilities. The coal-fired power generation process generally produces emissions consisting of greenhouse gas (GHG), NOx, Sox and other particulates.	• Government and regulators • Environment and Community	• Use of various technologies, pollution control facilities, and measures in our power plant units such as the Electrostatic Precipitator and limestone injection, among others • Regular monitoring through the Continuous Emission Monitoring System (CEMS) Closed-Circuit Television (CCTV), Stack Emission Monitoring, and Ambient Air Monitoring which are routinely checked by the Department of Natural Environment and Natural Resources

		• Progressive upgrading of our fleet of dump trucks and excavators for better fuel efficiency and cleaner burn • Fugitive dust from coal stockpiles, transfer and transport mitigating measures, e.g. watering and compaction of coal stockpiles, water sprinklers along coal conveyor lines, etc. • GHG emissions accounting and monitoring
What are the Risk/s Identified?	**Which stakeholders are affected?**	**Management Approach**
Legal and regulatory risks: • RA 9513 Renewable Energy Act of 2008 Chapter 3, Section 9 Green Energy Option a. End-users have an option to choose RE as their source of energy • House Bill 1245: An Act Imposing Climate Tax on Electric Power Consumption (Filled in the house of Representatives) a. Once promulgated end users can opt to choose RE over coal power to save on the cost of Climate Tax on Electricity (CTE).	• Customers • Government and regulators • Environment and Community	We are studying opportunities to further reduce our GHG emissions, which include innovation updates on clean coal technology and refleeting of our mining equipment. We continue to upgrade our fleet of dump trucks and excavators for higher fuel efficiency and cleaner burn.
What are the Opportunity/ies Identified?	**Which stakeholders are affected?**	**Management Approach**
• Based on DOE Energy Demand and Supply Outlook 2017-2040 coal consumption for industry demand is seen to expand by an average of 3.5% per year up to 2040. • Carbon stocking and offsetting	• Customers • Government and regulators • Environment and Community	• Continue to operate based on the requirements and directions of the coal operating contract and ERC regulations. • Carbon stocking Through our mine rehabilitation restoration, we aim to offset and enhance carbon sinks from upland to coastal ecosystems as part of our

		sustainability strategy for combating climate change. In 2019, we accounted for our carbon stock potential and sequestered through our mine rehabilitation efforts, and their potential economic value.

Effluents and Wastes *(306)*

Our environmental management includes treatment and waste management programs in accordance with the applicable laws such as RA 9003 (Ecological Solid Waste Management Act of 2000) and RA 6969 (Toxic Substances and Hazardous and Nuclear Wastes Control Act of 1990). These include Material Recovery Facilities, waste treatment facility, recycling and transportation and treatment of waste through DENR-accredited haulers and treaters. Our environmental performance targets include zero environmental incident and early resolution of stakeholder concerns, if any.

Waste by Type and Disposal Method *(306-2)*

Disclosure	Quantity	Units
Total solid waste generated	1,284,918	kg
Reusable	0	kg
Recyclable	1,078,953	kg
Composted	14,465	kg
Incinerated	0	kg
Residuals/Landfilled	191,500	kg

What is the impact and where does it occur? What is the organization's involvement in the impact?	Which stakeholders are affected?	Management Approach
Generation of solid waste from coal and power operations, and support facilities.	• Customers • Government and regulators • Environment and Community	Recyclable material is transferred and temporarily stored in Material Recovery Facilities (MRF) and sold to recyclers while biodegradable waste is diverted to the composting facility. Hazardous waste is segregated and stored in temporarily on-site facilities. The remaining hazardous waste is transported, treated, & disposed of by DENR EMB-accredited Transport Storage and Disposal facilities.

		Generated fly ash is sold as additive in the cement making business of a customer. Coal spillage, if any, from the conveyor lines is collected and reused to create claystone products and building materials.
What are the Risk/s Identified?	**Which stakeholders are affected?**	**Management Approach**
Health	• Employees • Government and regulators • Environment and Community	• Compliance monitoring • Partnerships and adoption of technology to improve waste disposal • Access to Sanitary landfill
What are the Opportunity/ies Identified?	**Which stakeholders are affected?**	**Management Approach**
Potential livelihood program for a local cooperative	• Government and regulators • Environment and Community • Customers	Subject to the DENR parameters and testing analysis, bottom ash may be used for backfilling and donated for concrete hollow block making project of a local cooperative in Calaca, Batangas.

Transport of Hazardous Wastes *(306-4)*

Disclosure	Quantity	Units
Total weight of hazardous waste generated	*196,879	kg
Total weight of hazardous waste transported	59,320	kg

**Excludes used oil which is used as fuel during power plant startup*

What is the impact and where does it occur? What is the organization's involvement in the impact?	Which stakeholders are affected?	Management Approach
Generation of hazardous waste from coal mining, power plant and infirmary operations.	• Employees • Government and regulators • Environment and Community	• Hazardous waste is segregated and stored in temporarily onsite facilities. • Waste oil which makes up the bulk of the coal segment's waste is transferred to the fuel depot. Waste oil is used as fuel during power plant startup.

		• Remaining hazardous waste is transported, treated, & disposed of by a DENR EMB accredited facility.
What are the Risk/s Identified?	**Which stakeholders are affected?**	**Management Approach**
• Regulatory compliance • Environmental • Health	• Employees • Government and regulators • Environment and Community	• Regular risk assessment • Implementation of controls, protocols and measures • Strict adherence to compliance requirements and proper segregation of hazardous waste • External and internal assurance activities to monitor effectiveness.
What are the Opportunity/ies Identified?	**Which stakeholders are affected?**	**Management Approach**
Improvement of hazardous waste management and facilities	• Employees • Government and regulators • Environment and Community	• Continual review of processes.

Water and Effluents (303)

Effluent is treated prior to discharge. Our water resource management includes implementation of mitigating measures and leading practices to ensure that all applicable parameters meet the required standard levels set by Republic Act 9275 or the Clean Water Act and to address the needs of relevant interested parties associated with our operations.

Water Discharge *(303-4)*

Disclosure	Quantity	Units
Total volume of water discharges *(303-4)*	*878,105,860	Cubic Meters
Percent of wastewater recycled	0.005	%

**Majority represents cooling water returned to Balayan and Ilugao Bay. Also includes effluents from the desalination plant in Semirara Island.*

What is the impact and where does it occur? What is the organization's involvement in the impact?	**Which stakeholders are affected?**	**Management Approach**
Generation of effluents from power plant and mining operations, and support facilities.	• Government and regulators • Environment and Community	Effluent is treated prior to discharge. We install and operate pollution control facilities in point and potential non-point sources to ensure that all applicable

		parameters meet the required standard levels set by Republic Act 9275 or the Clean Water Act. We maintain wastewater treatment facilities such as the Pocket Stump, Settling Ponds, and Cooling Canal for our Coal segment, and the Neutralization Pond, Oil-water Separator Pond, and Coal Sedimentation Pond for our Power segment. To monitor the effectiveness of the controls, we conduct monthly and external effluent quality monitoring, external marine ecology assessment and thermal plume modeling, among others. As part of our water resource management in Semirara Island, we implement mitigating measures and leading practices such as: • Adequate drainage systems to minimize the siltation of rivers and coastal waters within and around the mining sites • Pocket sumps and settling ponds to mitigate potential siltation of water bodies that are adjacent to the mine pit • Impounding dikes strategically built in locations where potential sediments could be entrained by overland flow • Compacting of roads to minimize road surface erosion • Slope stabilization on steep slopes to prevent erosion and siltation of coastal waters • Regular monitoring of turbidity streamflow to protect marine ecosystems
What are the Risk/s Identified?	**Which stakeholders are affected?**	**Management Approach**

• Regulatory compliance • Health	• Government and regulators • Environment and Community	• Strict adherence to the Clean Water Act and applicable regulatory rules. • Stakeholder issues and resolution through Multi-partite Monitoring Team meeting and consultations.
What are the Opportunity/ies Identified?	**Which stakeholders are affected?**	**Management Approach**
Wastewater recycling	• Government and regulators • Environment and Community	We aim to reduce water impact caused by operations through sustainability initiatives.

Supplier Environmental Assessment *(308)*

Sustainability forms an integral part of our business strategy. We operate towards achieving a rational and disciplined balance between business sustainability and inclusive growth.

Our stakeholders expect us to uphold the high standards of responsible and ethical corporate citizenship and to encourage a similar commitment by suppliers, contractors and business partners with which we do business. We have communicated this commitment and expectations to our business partners to respect our corporate values and to demonstrate responsible supply chain management. SMPC may elect to not work with or cease business relationships with business partners who do not meet our expectations or are unwilling to take corrective action on noncompliance to ensure we do business the right sustainable way.

Our supplier accreditation includes assessment of our critical suppliers' waste management practices, waste reduction activities, material procurement procedures, energy efficiency technologies, and efforts to mitigate or reduce environmental footprint across the supply chain.

New Suppliers Screened Using Environmental Criteria *(308-1)*

There were 393 new suppliers screened using Environmental criteria as part of our supplier accreditation process in 2019.

Do you have a supplier accreditation policy? If yes, please attach the policy or link to the policy:
http://www.semiraramining.com/corporate_governance/content/Supplier_and_Contractor_Policy

Do you consider the following sustainability topics when accrediting suppliers?

Disclosure	Y/N	If Yes, cite reference in the supplier policy
Environmental performance	Y	• Criteria per Supplier Accreditation • Our Expectations of Suppliers, Contractors and Business Partners
Forced labor	Y	
Child labor	Y	
Human rights	Y	
Bribery and corruption	Y	

What is the impact and where does it occur? What is the organization's involvement in the impact?	Management Approach
Supply chain issues may lead to potential higher cost and financial losses and reputational backlash due to supplier's poor practices and non-compliance with labor laws, corruption, and poor environmental performance. SMPC may elect to not engage or cease business relationships with business partners who do not meet our expectations or are unwilling to take corrective action on noncompliance to ensure we do business the right sustainable way.	Our supplier accreditation includes assessment of our critical suppliers' waste management practices, waste reduction activities, material procurement procedures, energy efficiency technologies, and efforts to mitigate or reduce environmental footprint across the supply chain. We proactively engage and communicate our expectations and norms of behavior through: • Vendor accreditation, monitoring and performance evaluation • Code of Conduct and Business Ethics • Supplier's Commitment to Our Expectations of Suppliers, Contractors and Business Partners
What are the Risk/s Identified?	**Management Approach**
Procurement and inventory management	Strengthening our supply chain and associated risk management will minimize disruption in meeting our operational requirements.
What are the Opportunity/ies Identified?	**Management Approach**
• Greening the supply chain • Enhanced corporate reputation	SMPC may elect to not engage with or cease business relationships with business partners who do not meet our expectations or are unwilling to take corrective action on noncompliance to ensure we do business the right sustainable way.

SOCIAL

Employee Management

Our employees are our most valuable asset. Our human resources strategy is focused on developing our people to lead, excel, and deliver. We aim to empower and equip our workforce with the relevant competencies to achieve our business objectives.

We maintain an employee value proposition of providing career opportunities for growth and development in our organization, as well as competitive rewards and benefits that are aligned with individual performance and business performance.

We enable our people to perform consistently and competently in a competitive landscape by fostering a fair, judicious, and merit-based work culture that is inclusive and collaborative. We recruit, train, and compensate our workforce to strengthen organizational efficiency, accelerate skills development, and enhance employee performance.

Employment *(401)*

Employee Data (102-8)

Disclosure	Quantity	Units
Total number of employees[5]	3,684	
a. Number of female employees	247	#
b. Number of male employees	3,437	#
Attrition rate[6]	1%	rate
Ratio of lowest paid employee against minimum wage	1:1	ratio

New Employee Hires and Employee Turnover *(401-1)*

	New Employee Hires	Employee Turnover
By Age Group		
Under 30 years old	267	225
30-50 years old	326	106
Over 50 years old	2	6
Total	**595**	**337**
By Gender		
Male	535	309

[5] Employees are individuals who are in an employment relationship with the organization, according to national law or its application (GRI Standards 2016 Glossary)
[6] Attrition are = (no. of new hires – no. of turnover)/(average of total no. of employees of previous year and total no. of employees of current year)

Female	60	28
Total	**595**	**337**

Employee Benefits *(401-2)*

Mine Site

List of Benefits	Y/N	% Female employees who availed for the year	% Male employees who availed for the year
SSS	Y	22%	29%
Philhealth	Y	5%	5%
Pag-Ibig	Y	4%	8%
Parental Leave	Y	13%	3%
Vacation Leave	Y	98%	86%
Sick Leaves	Y	52%	53%
Emergency Leave	Y	1%	2%
Housing Assistance	Y	45%	60%
Retirement Plan	Y	0%	0.44%
Rice Allowance, *for regular Rank & File Employees*	Y	87%	87%
Medicine Allowance *for regular Rank & File Employees*	Y	69%	68%
Light & Water Allowance	Y	0%	1%
Infirmary Care (Site)	Y	88%	84%
Life & Accident Insurance	Y	0%	0.07%
Health Insurance	Y	*54% Utilization. Per Gender Data Not Available*	
Vesting Rights	Y	0%	0.03%
Service Award	Y	0%	1%
Company Uniform	Y	100%	100%
Scholarship Grant	Y	14%	0%
DWSSII Privilege	Y	0%	17%
Relocation Allowance upon Retirement	Y	0%	7%

Power Plant Site

List of Benefits	Y/N	% Female employees who availed for the year	% Male employees who availed for the year
SSS	Y	17	20
PhilHealth	Y	1	6
Pag-ibig	Y	19	21
Parental leave	Y	1	1
Vacation leave	Y	96	93
Sick leave	Y	81	82
Medical benefit	Y	7	4

Retirement Plan	Y	0	1
On-Site housing or accommodation	Y	17	41

Corporate Office

List of Benefits	Y/N	% Female employees who availed for the year	% Male employees who availed for the year
SSS	Y	8%	10%
Philhealth	Y	3%	7%
Pag-Ibig	Y	7%	4%
Parental Leave	Y	4%	1%
Vacation Leave	Y	12%	10%
Sick Leave	Y	32%	50%
Emergency Leave	Y	0%	0%
Retirement Plan	Y	1%	0%
Medicine Allowance	Y	35%	65%
Life & Accident Insurance	Y	0%	0.00%
Health Insurance (HMO)	Y	36%	64%
Service Awards	Y	10%	12%

Parental Leave *(401-3)*

COAL	F	M
	TOTAL	TOTAL
Report the total number of employees that we're entitled to parental leave, by gender	121	2952
Report the total number of employees that took parental leave, by gender	33	114
Report the total number of employees who returned to work after parental leave ended, by gender	33	114
Report the total number of employees who returned to work after parental leave ended who were still employed twelve months after their return to work, by gender	33	114
Report the return to work and retention rates of employees who took parental leave, by gender	100%	100%

POWER	F	M
	TOTAL	TOTAL
Report the total number of employees that we're entitled to parental leave, by gender	1	3
Report the total number of employees that took parental leave, by gender	1	3
Report the total number of employees who returned to work after parental leave ended, by gender	1	3
Report the total number of employees who returned to work after parental leave ended who were still employed twelve months after their return to work, by gender	1	3
Report the return to work and retention rates of employees who took parental leave, by gender	100%	100%

What is the impact and where does it occur? What is the organization's involvement in the impact?	Management Approach
We continue to provide equal opportunities for employment in the areas where we do business. We strive to maintain a compensation package that is on par with our industry peers. We ensure that all government-mandated benefits are provided to our employees as well as additional company-led incentives. In 2019, our total workforce is 3,684, with 7% female. The gender imbalance can be attributed to the nature of our industry and limited women applicants for heavy equipment drivers and operators who consist the majority of workforce. We prioritize internal hires from cadet engineers, apprentices, and student trainee.	We engage in different recruitment methods for sustainable talent through: • Walk-in applicants • Local job posting thru host Barangays Offices • Job fairs with local PESO Offices, e.g. Iloilo, Mindoro, and Batangas • Social media recruitment • Online job portals
What are the Risk/s Identified?	**Management Approach**
War for talent - technical positions such as power plant operators and heavy equipment drivers.	Our people retention strategy ensures fair compensation and benefit package.
What are the Opportunity/ies Identified?	**Management Approach**
Talent development and career development of people for in-demand technical positions.	Provide alternative training modes to employees such as equipment simulator Certified training courses through our TESDA accredited skills training providers

Training and Development *(404)*

We provide our employees access to essential internal and external training to address performance needs, as well as an avenue of continual professional development. Through partnerships and affiliations with professional institutions, we expose our employees with best practices and success stories in our industry here and abroad.

Anchoring on the competency framework, we focus our efforts on building the Competency Map per business segment, identifying profiles for each position. This laid the foundation of our Talent Development initiatives and interventions. It further served as a tool in building our Talent Management programs crucial in continuing targeted selections, systematic performance management, and individual development plans, supporting the Company's strategic direction.

Aside from the implementation of various development methodologies such as instructor-led programs, on-the-job training, special projects, and simulation; we strengthen the culture of coaching and mentoring through a collaborative online performance management system.

Our leadership and succession programs include Leadership training for our Executives, Middle Management Development Program for the managerial level and Management Development Program for the supervisory level.

Our partnership with Kansai Electric Power Co., Inc. (KANSAI) involved learning leading practices in power plant operations and maintenance management & culture of discipline of Japan to improve the operational excellence of our Power operations. This also includes training of our key leaders at KANSAI's training center in Japan. Our Batch 1 of key leaders underwent a two (2)-week training in operations and maintenance management and cultural orientation and visits to Osaka and Tokyo, Japan in December 2019. Overseas training is a combination of lectures, workshops, plant visits, and incident reviews.

Our management team experienced first-hand application of best practices at our host's business units, such as the Kanden Plant Techno Center in Sanda City, Maizuru Power Plant in Maizuru City, and the Kansai Head Office in Osaka City.

Average Training Hours Per Employee Per Gender *(404-1)*

Disclosure	Quantity	Units
Total training hours provided to employees		
a. Female employees	14,130	Hours
b. Male employees	254,914	Hours
Average training hours provided to employees		
a. Female employees	84.51	hours/employee
b. Male employees	72.55	hours/employee

What is the impact and where does it occur? What is the organization's involvement in the impact?	Management Approach
SMPC believes that training has a direct impact on business operation through the following metrics: • Employee retention • Occupational accidents and injuries • Leadership and succession management • Employee productivity	We conduct internal and external training to its employees, and provide the same to our contractors when appropriate. Our training program categories include: • Environment, Safety and Health • Leadership • Behavioral • Professional and Technical • Quality Among our flagship training programs are: *Leadership* • Management Development Program • Middle Management Development Program

	• LEAP *Partnership Training Program* • Kansai Training *Professional & Technical* • Cadetship • Power Plant Simulation • 24 Months Training Program • Heavy Equipment Simulation • TESDA Skills Upgrade • Equipment Operator Training We established training partnerships with local academic institutions such as: a. Batangas State University b. The University of Batangas c. Westmead International School
What are the Risk/s Identified?	**Management Approach**
• Talent development • Attrition	• Talent management and retention program • Regular review of succession management • Calibrated Learning and Development program
What are the Opportunity/ies Identified?	**Management Approach**
Capacity building	Anchoring on the competency framework, we focus our efforts in building the Competency Map per business segment, identifying profiles for each position.

Labor/Management Relations *(402)*

SMPC complies with the applicable labor laws and regulations. Our Code of Business Conduct and Ethics ensures a professional work environment that addresses and meets the needs and well-being of our employees.

We proactively engage in dialogue and consultation with our internal stakeholders on significant issues as well as listening to our employees' views on proposed operational and policy changes prior to an informed decision, and also to communicate organizational programs and updates on our targets and objectives.

Our engagement platforms include, among others, Town Hall, regular Operations Committee, Management Committee and IMS meetings, and Focused Group Discussions wherein employee welfare, environmental, safety and health matters are also addressed and discussed.

Disclosure	Quantity	Units
% of employees covered with Collective Bargaining Agreements	1	%
Number of consultations conducted with employees concerning employee-related policies	75	#

What is the impact and where does it occur? What is the organization's involvement in the impact?	Management Approach
We proactively engage in dialogue and consultation with our internal stakeholders on significant issues as well as listening to our employees' views on proposed operational and policy changes prior to an informed decision, and also to communicate organizational programs and updates on our targets and objectives. A week is the minimum notice period typically provided to employees and their representatives prior to the implementation of significant operational changes of urgency that could substantially affect them.	Our engagement platforms include, among others, Town Hall, regular Operations Committee, Management Committee and IMS meetings, and focused group discussions wherein employee welfare, environmental, occupational health and safety matters are also tackled. Occupational safety and health topics are regularly discussed during toolbox, safety committee and IMS meetings, while focused group discussions on employee welfare are conducted during Coffee talks for better engagement and communication.
What are the Risk/s Identified?	**Management Approach**
• Talent retention • Corporate reputation	We use various engagement platforms to address the needs and concerns of our employees.
What are the Opportunity/ies Identified?	**Management Approach**
Improved employee engagement and alignment of corporate objectives with employee needs.	Regular open communication and updates provide employees an understanding of the organization's goals and targets.

Occupational Health and Safety *(403)*

Safety is an imperative and foremost risk in our organization. We employ science, innovative technology and the appropriate resources to target zero fatality of all workers and contractors especially in our site operations.

We adopt a risk-based approach in identifying, managing, mitigating, monitoring and reporting our safety performance. We regularly monitor, review and improve the effectiveness of our safety systems and protocols to safeguard our employees, communities, customers and key stakeholders affected by our operations. We conduct regular internal audit as well as undertake external surveillance and assurance for the continual improvement and effectiveness of our safety management systems and progress in safety maturity and culture.

We require our contractors and other business partners to know and fully comply with SMPC safety policies and procedures while conducting business in company premises at all times.

Workers Covered By An Occupational Health and Safety Management System *(403-8)*

All employees and contractors are covered by our OSH systems which conform to the global OHSAS 18001:2007 standards.

Work-Related Injuries *(403-9)*

Disclosure	Quantity	Units
Safe Man-Hours	1,219,376	Man-hours
No. of work-related injuries	66	#
No. of work-related fatalities	1	#
No. of work-related ill-health	0	#
No. of safety drills	71	#

What is the impact and where does it occur? What is the organization's involvement in the impact?	**Management Approach**
Safety is an imperative and foremost risk in our organization. Identifying, assessing and mitigating safety and associated risks are primary areas of our focus. We regularly monitor, review and improve the effectiveness of our safety systems and protocols to safeguard our employees, communities, customers and key stakeholders affected by our operations. All employees and contractors are covered by our OSH system. The Occupational Safety and Health (OSH) system of our Coal and Power segments conform to the global OHSAS 18001:2007 standards.	We adopt a risk-based approach in identifying, managing, mitigating, monitoring and reporting our safety performance. We employ science, innovative technology and the appropriate resources to target zero fatality of all workers and contractors especially in our site operations. *Pit Safety* • Benching and slope parameters are regularly assessed, the factor of safety computed with our partner geology expert. • Geohazard assessment and safety parameters are regularly conducted. • Benching creates benches and berms that serve as controls for rock falls or slides. Benches are the vertical or steeply inclined faces in an open pit while berms are the horizontal surfaces in pits, between benches, on which activities like drilling, loading and vehicle travel occurs • 4 Slope Stability Radars (SSR) that measure real time pit movement allowing miners to evacuate before a potential slide occurs • Robotic Total Stations (RTS) i that measure angles and elevation of far distances.

	• Piezometers in strategic locations to monitor water levels and pressure within and adjacent water body in the mine pit. • Dewatering wells collect groundwater and surface water inflows and pump the water away to create workably dry conditions Our DOE-approved Safety and Health Program includes risk mitigation measures that include, among others : • Incident reporting and protocols, root cause analysis, etc. • Contractor safety programs • Enhanced safety trainings • Emergency preparedness and response drills • Regular safety audits, internal and external, for continual improvement of our safety maturity and culture. *Occupational Health* Our Occupational Health (OH) teams conduct a regular risk assessment of the health and associated risks resulting from the impact of our operations and activities to our employees, host communities and key stakeholders. Chemicals, dust, ergonomic and noise hazards are identified health hazards. Mitigation measures and controls include a dust suppression system, fume hood, work schedule adjustments, and personal protective equipment, among others. We conduct spirometry and audiometry tests to our at-risk employees relevant to their work responsibilities.
What are the Risk/s Identified?	**Management Approach**
• Safety and health of employees, suppliers, and visitors who are at the workplace	We aim to mitigate hazards that when not assessed and managed have the potential to cause work-related injuries, ill health or fatality through the ff: • Proactive hazard identification and risk reduction • Continual calibration of occupational health & safety practices • Slope Safety management • Incident management

	• Health & wellness program monitoring
What are the Opportunity/ies Identified?	**Management Approach**
• A resilient safety culture	Proactive and robust safety reporting system and monitoring
• Recalibration of OH programs	OH baseline monitoring for a proactive monitoring of the health impact caused by operations.

Local Community *(413)*

Stakeholder engagement is embedded in our governance processes to promote continuous communication, harmonious relationship and cooperation with various stakeholder groups.

We maintain close coordination with our local communities and key stakeholders by implementing different modes of engagement. Concerns are raised through proper channels and agreed actions are documented, monitored and reported.

Our Social Development Program (SDP) Office provides frontline services to host communities. We receive formal and informal issues from our stakeholders, which are discussed and resolved.

Operations with Local Community Engagement, Impact Assessments, and Development Programs *(413-1)*

We have implemented local community engagement, impact assessments, and/or development programs in all operational sites of our Coal and Power segments.

Operations with Significant Actual and Potential Negative Impacts on Local Communities *(413-2)*

Operations with significant (positive or negative) impacts on local communities (exclude CSR projects; this has to be business operations)	Location	Vulnerable groups (If applicable) *	Does the particular operations have impacts on indigenous people (Y/N)?	Collective or individual rights that have been identified that or particular concern for the community	Mitigating measures (if negative) or enhancement measures (if positive)
Job creation	• Semirara Island, Caluya, Antique • Calaca, Batangas	Persons with disabilities Elderly Solo parents BOP; Class D and E	N	None identified	The hiring of competent local applicants

Earth moving activities from coal mining	• Semirara Island, Caluya, Antique		N	None identified	• Mine rehabilitation • Reforestation • Pocket sumps and settling ponds to mitigate potential siltation.
Power generation	• Semirara Island, Caluya, Antique • Calaca, Batangas	Children and youth Elderly Persons with disabilities Solo parents BOP; Class D and E	N	None identified	Electricity produced is shared with local communities in the island at lower rates Installation and operation of pollution control facilities to mitigate emission and discharge Provide electricity to the Luzon and Visayas grid Installation and operation of pollution control facilities to mitigate emission and discharge Extending the life of power plant units 1 and 2.
Desalination Plant	• Semirara Island, Caluya, Antique	Children and youth Elderly Persons with disabilities Solo parents BOP; Class D and E	N	None identified	Water produced by our desalination plant for our employee & industrial needs mitigates negative impact in sharing water resource with the local communities.
SME growth	Semirara Island		N	None identified	Support local suppliers for inclusive growth.

**Vulnerable sector includes children and youth, elderly, persons with disabilities, vulnerable women, refugees, migrants, internally displaced persons, people living with HIV and other diseases, solo parents, and the poor or the base of the pyramid (BOP; Class D and E)*

For operations that are affecting IPs, indicate the total number of Free and Prior Informed Consent (FPIC) undergoing consultations and Certification Preconditions (CPs) secured and still operational and provide a copy or link to the certificates if available: None

Certificates	Quantity	Units
FPIC process is still undergoing	0	#
CP secured	0	#

What is the impact and where does it occur? What is the organization's involvement in the impact?	Management Approach
1. Jobs and livelihood 2. Supply coal and power to customers and host communities 3. Business activities that fuel MSME growth	1. Provide employment to competent local personnel and members of the vulnerable group. 2. Continue to share resources such as power and water to our host community on the island. 3. Spur economic activity in the areas where we operate. 4. Women livelihood & empowerment initiatives
What are the Risk/s Identified?	**Management Approach**
Loss of opportunity for vulnerable groups	• Stakeholder consultation
What are the Opportunity/ies Identified?	**Management Approach**
Inclusive growth	• Social development programs that consider the community needs • Public private partnerships with local government towards social inclusion

Customer Health and Safety *(416)*

The inherent property of coal for spontaneous combustion poses safety, environmental, economic concerns for our customers.

To protect customer safety and welfare, we abide by the relevant laws, rules and regulations set by the Philippine government as well as International Standards, which include, but are not limited to, the Coal Operating Contract (COC #5), American Society for Testing and Materials (ASTM) and International Organization for Standardization (ISO).

To address this, we conduct training orientation on coal stockpile and stockyard management for our customers wherein we discuss factors affecting spontaneous combustion and provide emphasis on how to prevent, detect, and control spontaneous combustion. Sharing our technical expertise and experience in stockpile design and management is a value-added service for our customers.

Health and Safety *(416-1)*

Disclosure	Quantity	Units
No. of substantiated complaints on product or service health and safety*	1	#
No. of complaints addressed	1	#

*Substantiated complaints include complaints from customers that went through the organization's formal communication channels and grievance mechanisms as well as complaints that were lodged to and acted upon by government agencies.

What is the impact and where does it occur? What is the organization's involvement in the impact?	**Management Approach**
The complaint was raised by our Coal customer's host community. Fugitive dust was observed during the coal unloading of one domestic shipment at Panay, Iloilo City.	To address the complaint and to prevent re-occurrence the following control measures were implemented the ff: 1. Installation of additional water sprayers and pumps on ship lines 2. Application of dust suppression chemicals, when needed during loading 3. Use of water sprayers during stockpile preparation
What are the Risk/s Identified?	**Management Approach**
Compliance and reputation	Timely resolution and Implementation of agreed corrective actions with affected customer and community.
What are the Opportunity/ies Identified?	**Management Approach**
Improvement in coal handling and shipping activities.	Additional procedures and protocols to reduce negative impact on the affected community and stakeholders.

Socioeconomic Compliance *(419)*

Our integrated Enterprise Governance, Risk, and Compliance (GRC) framework supports our strategy through sustainable governance and a robust risk management in a highly regulated business environment.

To achieve a rational and disciplined balance between socio-economic growth and environmental stewardship, we work closely with the Department of Energy and regulators, aligning our policies and processes with relevant government laws and standards. We comply with the specific measures and conditions set forth in the Environmental Compliance Certificate (ECC) issued by the Philippine Department of Environment and Natural Resources (DENR). We adhere to market rules and operate within industry standards with full transparency and compliance to regulators and key stakeholders. We accomplish this through the submission of quarterly reports to the Department of Energy and annual report to the Energy Regulatory Commission, among others.

Our comprehensive systems and procedures are in place to meet the compliance, obligatory, and reporting requirements of government agencies that oversee the environmental, health, and safety aspects of our operations.

Our compliance obligations also include meeting the needs of relevant interested parties associated with our operations and services. We conduct stakeholder consultation and engagement through the Multi-Partite Monitoring Team (MMT) which consists of key stakeholder groups, LGUs, and regulators to ensure the concerns and interests of stakeholders are protected, addressed and/or resolved.

Non-Compliance with Laws and Regulations in the Social and Economic Area *(419-1)*

SMPC works closely and cooperates fully with the DOE in fulfilling its coal operating contract and its legal and regulatory compliances, particularly the safety and health aspects of its operations. Our non-compliances are disclosed on a timely basis for the interests of our stakeholders.

a. Mudflow Safety Incident

October 2, 2019

A mudflow incident brought about by soil liquefaction occurred at the Casay Lake area near and adjacent to the operations of the Molave Pit at Semirara Island resulted to one (1) fatality.

November 14, 2019

The Department of Energy (DOE) issued a suspension order of any and all mining activities under Coal Operating Contract No. 5 effective immediately until all conditions on mining safety risk mitigation set by the DOE are complied.

December 26, 2019

The DOE lifted the suspension order and approved the resumption of mining operations except in the area adjacent of the former Casay Lake until such time that all liquefiable materials in the area have been removed. The DOE further stated that the Company substantially complied with all the conditions of its directive as specified in the its order dated November 14, 2019.

b. Coal Trading Regulations - Cease & Desist Order

October 15, 2019

The Company was cited in violation of the DOE Circular No. DC2012-05-0006 or the Guidelines on the Accreditation of Coal Traders and Registration of Coal End-Users (“DOE Resolution dated October 15, 2019”), imposing suspension for a period of one (1) month for violating Section 7.2 of the Circular due to coal trading or transaction with buyer Gold Anchorage Stevedoring and Arrastre Services (“Gold Anchorage”), the latter being an unaccredited coal trader, except deliveries of SMPC-owned power plants and other local power plants with existing coal supply agreements.

November 20, 2019

The Company_filed a Motion for Reconsideration (MR) with the DOE, relative to the coal trading suspension. As the DOE Resolution dated October 15, 2019 was not yet final and executory, the pending MR temporarily deferred the implementation of the coal trading suspension, which would allow the Company_to continue serving its coal customers.

December 15, 2019

The DOE renewed SMPC's annual accreditation as Coal Trader with Coal Operating Contract No. 5.

What is the impact and where does it occur? What is the organization's involvement in the impact?	**Management Approach**
Business continuity is critical to SMPC's coal energy business. We belong to two highly regulated industries which are under the purview of the Department of Energy and Department of Environment and Natural Resources. Non-compliances result to suspension, financial losses arising from suspension, and sanctions.	We work closely with the Department of Energy and regulators, aligning our policies and processes with relevant government laws and standards. Regular monitoring and enhanced governance processes in our Governance Risk and Compliace framework include internal controls, escalation protocols, assurance review, and reporting. Compliance obligations are identified and reported through a compliance monitoring system related to labor, business and EHS laws. Compliance reporting and monitoring is regularly reported by the affected department units in our monthly IMS meetings. Escalation reporting protocols are followed to ensure compliance issues requiring senior management's disposition are addressed in a timely manner. We conduct assurance of compliance obligations the results of which are reported in our Board's Risk and/or Audit Committees. We conduct stakeholder consultation and engagement through the Multi-Partite Monitoring Team (MMT) which consists of key stakeholder groups, LGUs, and regulators to ensure the interests of stakeholders are protected.
What are the Risk/s Identified?	**Management Approach**
• Compliance and reputation • Emerging legal and regulatory risks	• Early preparation to comply with new and emerging laws • Mass & social media scanning, reporting & management
What are the Opportunity/ies Identified?	**Management Approach**

Enhance corporate reputation	• Corporate communication strategy that includes proactive Information, Education and Campaign program of our social development programs.

Labor Laws and Human Rights

Disclosure	Quantity	Units
No. of legal actions or employee grievances involving forced or child labor	0	#

Do you have policies that explicitly disallows violations of labor laws and human rights (e.g. harassment, bullying) in the workplace?

Disclosure	Y/N	If Yes, cite reference in the company policy
Forced labor	Y	Code of Conduct and Business Ethics
Child labor	Y	
Human Rights	Y	

What is the impact and where does it occur? What is the organization's involvement in the impact?	Management Approach
There are no reported cases of forced labor, child and human rights violation in the work place.	We comply with the labor laws and regulations. Our labor relations management include employee grievance procedures which include reporting of related concerns and non-reprisal, among others.
What are the Risk/s Identified?	
Compliance and reputation	
What are the Opportunity/ies Identified?	
No significant opportunity identified.	

UN SUSTAINABLE DEVELOPMENT GOALS

We answer the call to contribute towards sustainable development and address global social and environmental issues. We aim to prioritize sustainability programs that enhance the positive impacts and mitigate the negative impacts of our operations.

Product or Service Contribution to UN SDGs

Key products and services and its contribution to sustainable development.

Key Products and Services	Societal Value / Contribution to UN SDGs	Potential Negative Impact of Contribution	Management Approach to Negative Impact
Coal and Energy	**SDG 7- Affordable and Clean Energy** • SMPC contributes to the country's progress by providing base load power that is affordable. • Our continuing subsidy of the electricity cost through the electric cooperative, ANTECO provides Semirara Island residents with an affordable and reliable electricity of P5/KwH, considered one of the lowest rates in the country.	• Our vertically integrated coal energy operations result to significant CO2 emissions. • Our coal mining operations require extraction activity that affects land use, biodiversity and water resource in the affected areas.	• Two of our four power plant units utilize Circulating Fluidized Bed (CFB) technology which results to lower emission of pollutants. • • We comply with the environmental, safety and health conditionalities, standards and limits prescribed by the Department of Energy and the DENR. • We undertake progressive mine rehabilitation through backfilling and reforestation. • We adopt a science-based land restoration program includes land function analysis, carbon stocking through terrestrial and mangrove reforestation, and biodiversity projects, among others.

** None/Not Applicable is not an acceptable answer. For holding companies, the services and products of its subsidiaries may be disclosed.*

Annex A-1 Additional Topics and Specific Disclosures

ECONOMIC

Procurement Practices

Most of our specialized materials and service requirements are awarded to foreign vendors, while regular procurement needs such as construction and manpower are awarded to local companies or cooperatives.

Our local procurement of products and services amounted to PHP 3.97 B, or 24% of total procurement spend in 2019.

Proportion of Spending on Local Suppliers

Disclosure	Quantity	Units
Percentage of procurement budget used for significant locations of operations that is spent on local suppliers	24	%

What is the impact and where does it occur? What is the organization's involvement in the impact?	Which stakeholders are affected?	Management Approach
Due to the specialized and technical requirements of the coal mining and power industries, majority of the materials and services are sourced from foreign manufacturers in Asia, America, and Europe. Regular procurement needs such as construction and manpower are awarded to local companies, affiliates or cooperatives. Other operational and support requirements that are available locally and provided by our host communities create demand or growth for SMEs in the areas where we operate.	Philippine-based suppliers	We engage with local contractors and suppliers to support our business operations. All suppliers undergo an accreditation process and performance evaluation annually to ensure consistent quality at optimum cost. SMPC is a subsidiary of DMCI Holdings, Inc., a diversified engineering and management conglomerate. SMPC is able to optimize through synergy of local services sourced from affiliates the quality and expertise, such as engineering, operation and maintenance of power plant operations.
What are the Risk/s Identified?	**Which stakeholders are affected?**	**Management Approach**
Supply chain risks include, among others:	• Employees • Customers	• Preference is given to Original Equipment Manufacturer (OEM),

• Failure to meet the required materials or services in a timely manner. • Availability of the required materials and services in the operational areas.	• Suppliers, Contractors and Business Partners • Shareholders • Government and regulators	usually foreign, parts and technology certified personnel for services. • Materials planning, inventory management and control procedures are in place. • Services planning, scheduling and project management
What are the Opportunity/ies Identified?	**Which stakeholders are affected?**	**Management Approach**
• Quality and competitive pricing from local suppliers • SMPC as a catalyst or economic driver through growth of MSMEs	• Customers • Suppliers, Contractors and Business Partners • Government and regulators • Community	Locally available services and products meeting our quality requirements are preferred and cost beneficial.

Anti-Corruption

SMPC fosters a culture that embodies the group's ethical values that will enable us to grow sustainably and responsibly.

Training on Anti-Corruption Policies and Procedures

Disclosure	Quantity	Units
Percentage of employees to whom the organization's anti-corruption policies and procedures have been communicated to	100	%
Percentage of business partners to whom the organization's anti-corruption policies and procedures have been communicated to	100	%
Percentage of directors and management that have received anti-corruption training	100	%
Percentage of employees that have received anti-corruption training	100	%

What is the impact and where does it occur? What is the organization's involvement in the impact?	Which stakeholders are affected?	Management Approach
SMPC's anti-corruption policies are also communicated to customers, suppliers and key business partners to respect and adhere to SMPC's corporate values.	• Employees • Suppliers, contractors and business partners • Board of Directors • Shareholders • Government • Community	SMPC's anti-corruption and ethics communication, training and awareness programs include, among others: • Annual orientation, refresher and compliance certification of our Code of Conduct and Business Ethics across all levels;

Anti-corruption training, communication and awareness are conducted across all levels.		• Annual Disclosure Statement of potential or actual conflict of interest across all levels; • Board oversight of the anti-corruption and compliance program; • Whistleblowing reporting mechanism for stakeholders to raise confidential concerns on fraud, questionable transactions, and ethics affecting the Company; • No-gifts and entertainment policy • Communication of Our Expectations of Suppliers, Contractors and Business Partners as part of the accreditation process; • A Supplier Commitment Form to respect and abide by SMPC's commitment to legal and ethical standards during the course of our business relationship, among others; • Ethics as part of the performance review of employees and accreditation of business partners.
What are the Risk/s Identified?	**Which stakeholders are affected?**	**Management Approach**
• Fraud, bribery • Compliance and reputation	• Employees • Customers • Suppliers, contractors and business partners • Board of Directors • Shareholders • Government • Community	Our governance framework includes, among others: • Fraud and corruption risk assessment of all functions and business units; • Board oversight; • Communication, training and awareness programs; • Fraud risk reporting to the Board's Audit and Risk Committees.
What are the Opportunity/ies Identified?	**Which stakeholders are affected?**	**Management Approach**
• Stakeholder confidence • Positive corporate reputation	• Employees • Customers • Suppliers, contractors and business partners • Board of Directors • Shareholders • Government • Community	• Continual review of our ethics and compliance program for improvement and effectiveness; • Assurance activities • Implementation of ethics-related leading practices

SOCIAL

Diversity and Equal Opportunity

We ensure equal employment opportunities and do not discriminate based on gender, race, age, religion, and physical abilities. Our gender demographic imbalance is attributed to the nature of our operations.

Disclosure	Quantity	Units
% of female workers in the workforce	7	%
% of male workers in the workforce	93	%
Number of employees from indigenous communities and/or vulnerable sector*	52	#

**Vulnerable sector includes, elderly, persons with disabilities, vulnerable women, refugees, migrants, internally displaced persons, people living with HIV and other diseases, solo parents, and the poor or the base of the pyramid (BOP; Class D and E).*

What is the impact and where does it occur? What is the organization's involvement in the impact?	Management Approach
SMPC provides equal employment opportunities to qualified individuals regardless of gender, race, language and religion. Due to the nature of our operations, occupational safety and health issues are the primary factors of gender imbalance in our workforce.	We enable our people to perform consistently and competently in a competitive landscape by fostering a fair, judicious, and merit-based work culture that is inclusive and collaborative. We recruit, train, and compensate our workforce to strengthen organizational efficiency, accelerate skills development, and enhance employee performance. Above all, we aim to empower and equip our workforce with the relevant competencies to achieve our business objectives. We ensure equal employment opportunities, and do not discriminate on the basis of gender, race, age, religion, and physical abilities. Our gender demographic imbalance is attributed to the nature of our operations.
What are the Risk/s Identified?	**Management Approach**
Occupational safety and health	Our gender demographic imbalance is attributed to the nature of our operations. Our Safety and Health Program aims to ensure a safe and healthy work place for all employees, host communities and other stakeholders.
What are the Opportunity/ies Identified?	**Management Approach**

Career opportunities for high potentials	Our career development programs aim to empower all employees for inclusive growth.

Customer Management

SMPC is committed to meet our customer's quality standards in a mutually fair and satisfactory manner without compromising the safety and health of its stakeholders, among others.

Our Integrated Management System of Quality, Environmental, and Occupational Health and Safety Management Systems are in conformance with the global ISO 9001:2015, ISO14001:2015 and OHSAS 18001:2007 standards, respectively.

Customer Satisfaction

Disclosure	Rating	Did a third party conduct the customer satisfaction study (Y/N)?
Customer satisfaction - SMPC	*ongoing	N
Customer satisfaction - SCPC	Satisfactory	N
Customer satisfaction - SLPGC	Very satisfactory	N

**2019 annual survey*

What is the impact and where does it occur? What is the organization's involvement in the impact?	Management Approach
Quality Our Quality Policy aims to keep on improving our customer satisfaction and stakeholder confidence through our highly-trained workforce and the production of quality coal that meet their expectations. Quality control is the main driver of our best customer service efforts. Our customers play a significant role in our Company; thus, we make sure to deal with them in a fair, professional and responsive manner. We conduct our operations with the end goal of safely delivering the coal based on the agreed quality and lifting schedule. Product Delivery We recognize the unique demands of our customers, and we make sure to fully deliver their requisite coal supply to optimize their plant's performance.	Annual customer satisfaction surveys are undertaken to gain client feedback and insights. The surveys are done semi-annually to determine customer assessments of our supply delivery, product quality, client responsiveness and technical support. Customer concerns, if any, are addressed and resolved through corrective action, after-sales settlement guidelines and resolved in a timely manner.
What are the Risk/s Identified?	**Management Approach**
Low customer satisfaction levels have an impact on our ability to retain customers.	We ensure that we deliver coal that meet the specifications of our customers on a timely manner.

	Customer concerns, if any, are addressed and/or resolved immediately.
What are the Opportunity/ies Identified?	**Management Approach**
Optimization of market opportunity	Our marketing strategy aims to deliver coal Delivery of coal quality at competitive prices • Minimum contracted volume for customers with long-term supply contracts for each given period (within the contract duration) and monthly re-pricing • Diversified customer base

Marketing and Labelling

Disclosure	Quantity	Units
No. of substantiated complaints on marketing and labelling*	0	#
No. of complaints addressed	0	#

**Substantiated complaints include complaints from customers that went through the organization's formal communication channels and grievance mechanisms as well as complaints that were lodged to and acted upon by government agencies.*

What is the impact and where does it occur? What is the organization's involvement in the impact?	**Management Approach**
No reported case	We adhere to good corporate governance practices and respect the rights of our stakeholders.
What are the Risk/s Identified?	
Compliance and reputation	
What are the Opportunity/ies Identified?	
Improvement in business process	

Customer Privacy

Disclosure	Quantity	Units
No. of substantiated complaints on customer privacy*	0	#
No. of complaints addressed	0	#
No. of customers, users and account holders whose information is used for secondary purposes	0	#

**Substantiated complaints include complaints from customers that went through the organization's formal communication channels and grievance mechanisms as well as complaints that were lodged to and acted upon by government agencies.*

What is the impact and where does it occur? What is the organization's involvement in the impact?	Management Approach
Customer privacy is leak of customer's information can have an impact in the degree of customer satisfaction and retention.	Our Customer Welfare Policy requires that we meet our customer quality standards in a mutually fair and satisfactory manner without compromising our Company's business ethics. It advocates fairness and transparency in our business dealings, as well as protection of the customer's confidential information. Our information security controls include data security and IT-related controls to mitigate potential leak of customer data privacy and confidentiality: • Prevention • Detection and assessment • Deployment of controls • Reporting • Incident Investigation
What are the Risk/s Identified?	
Unauthorized access	
What are the Opportunity/ies Identified?	
Good corporate reputation	

Data Security

Disclosure	Quantity	Units
No. of data breaches, including leaks, thefts and losses of data	0	#

What is the impact and where does it occur? What is the organization's involvement in the impact?	Management Approach
The potential impact of a data security breach may be broadly divided into three categories: financial, reputational and legal. • Financial loss arising from: a. Theft of corporate information b. Theft of financial and information c. Disruption on market trading d. Disruption of network services e. Contract breaches • Reputational damage a. Loss of customers and business partners b. Loss of investor confidence • Legal a. Costly litigation b. Regulatory fines and sanctions	Our information security controls include data security and IT-related controls to mitigate potential leak of customer data privacy and confidentiality: • Prevention • Detection and assessment • Deployment of controls • Reporting • Incident Investigation

Our information security controls and procedures aim to ensure compliance with the Philippines Data Privacy Act of 2012 and maintain the confidentiality, integrity and availability of data, among others.	
What are the Risk/s Identified?	**Management Approach**
Unauthorized access	Continual review and improvement of our information security controls, infra and protocols.
What are the Opportunity/ies Identified?	
No significant opportunity noted	

SEMIRARA MINING AND POWER CORPORATION

SEC 17-A Annex B
Corporate Governance Disclosures
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1. **Board of Directors' Responsibility for Internal Controls and Risk Management Systems**

SEMIRARA MINING AND POWER CORPORATION

STATEMENT OF BOARD OF DIRECTORS' RESPONSIBILITY FOR INTERNAL CONTROLS & RISK MANAGEMENT SYSTEMS

The Board of Directors ("Board") of SEMIRARA MINING AND POWER CORPORATION is responsible for the internal controls and risk management systems. The Board's Audit Committee assists in the oversight of the internal controls, financial reporting process, internal audit, external audit and compliance functions, while the Risk Committee assists in the oversight of the risk management process.

During the year, Management has established adequate and effective internal controls and risk management systems to provide reasonable assurance that:

- financial transactions are properly authorized, recorded and maintained to enable the preparation of financial statements that give a true, fair and transparent view of the Company's financial position and operating results; and
- governance processes and internal controls are strengthened, and significant risks are managed to ensure the achievement of the Company's business objectives.

Based on the assurance work performed by the internal and external auditors and the oversight duties performed by the Board's Audit Committee and Risk Committee, the Board is of the opinion that the Company's internal controls and risk management systems are adequate and effective.

February 28, 2020

Isidro A. Consunji
Chairman and Chief Executive Officer

Honorio O. Reyes-Lao
Audit Committee Chairperson

Rogelio M. Murga
Risk Committee Chairperson

2. 2019 Attestation of Internal Control and Compliance System

SEMIRARA MINING & POWER CORPORATION

2019 ATTESTATION OF INTERNAL CONTROL AND COMPLIANCE SYSTEM

Semirara Mining and Power Corporation's (SMPC) corporate governance system includes a combination of internal and external mechanisms such as the structure of the board of directors and our committees, the oversight it exercises over management, and the sound policies and controls.

- The Board of Directors is responsible for providing governance and overseeing the implementation of adequate internal control mechanisms and risk management process;
- Management has the primary responsibility for designing and implementing an adequate and effective system of internal controls and risk management processes to ensure compliance with laws, rules and regulations;
- Management is responsible for developing a system to monitor and manage risks;
- SGV & Co., the Company's external financial auditor, is responsible for assessing and expressing an opinion on the conformity of the audited financial statements with Philippine Financial Reporting Standards and the overall quality of the financial reporting process;
- Internal Audit adopts a risk-based audit approach in developing an annual work plan and conducts reviews to assess the adequacy of the Corporation's internal controls;
- The Chief Audit Executive reports functionally to the Audit Committee to ensure independence and objectivity, allowing Internal Audit to fulfill its responsibilities; and
- Internal Audit activities conform with the International Standards for the Professional Practice of Internal Auditing and are continuously evaluated through an independent Quality Assessment Review conducted every five years.

Based on the above and the assurance provided by the internal auditors as well as the external auditors as a result of their reviews, we attest that SMPC's system of internal controls, risk management, compliance and governance processes are adequate.

ISIDRO A. CONSUNJI Chairman and Chief Executive Officer	**MARIA CRISTINA C. GOTIANUN** President, Chief Operating Officer and Chief Risk Officer
NENA D. ARENAS Vice President, Chief Governance Officer and Chief Compliance Officer	**CARLA CRISTINA T. LEVINA** Vice President, Chief Audit Executive

3. Audit Committee Annual Report to the Board of Directors 2019

SEMIRARA MINING AND POWER CORPORATION

AUDIT COMMITTEE REPORT
TO THE BOARD OF DIRECTORS
For the Year Ended December 31, 2019

The Audit Committee ("Committee") oversees, on behalf of the Board of Directors ("Board"), the following matters as defined in its Board-approved Audit Committee Charter:

- Financial reporting process and integrity of the financial statements,
- Internal control environment,
- External audit performance,
- Internal audit performance, and
- Compliance with legal and regulatory requirements.

Members
The Committee is comprised of four (4) Board Members, three of whom are Independent Directors. It is chaired by an Independent Director. The Committee Members meet the experience and other qualification requirements of the Securities and Exchange Commission (SEC).

Meetings
In 2019, the Audit Committee had eight (8) meetings. The Committee met in private sessions (without management) with the external audit SGV Partner and Internal Audit (IA) management on February 27, 2019 which was attended by its two Independent Directors/Members. Meetings were presided by the Committee Chair with full Committee attendance in all meetings except in September 2 when said meeting was held with a quorum.

The Management Committee, Chief Governance Officer, Finance, Legal, Internal Audit, Risk Advisory and external auditor SGV & Co are invited to the Committee Meetings to discuss updates on legal and regulatory matters, financial reporting, taxation and compliance.

The Committee Chair attended the Annual Shareholders' Meeting on May 6, 2019 to address possible shareholder queries on Committee matters.

Work Done and Issues Addressed
During the year, the Audit Committee confirms that:

- *The Committee reviewed, approved and endorsed for Board approval the quarterly unaudited consolidated financial statements of Semirara Mining & Power Corporation and Subsidiaries as of and for the year ended December 31, 2019;*

- *The Committee performed oversight that financial statements are in accordance with the required accounting and reporting standards;*

- *The Committee reviewed, deliberated and resolved the significant accounting policies and estimates affecting the financial statements;*

- *The Committee reviewed significant related party transactions that meet the guidelines of the RPT Policy and thresholds per SEC rules and regulations;*

- *The Committee recommended to the Board the reappointment of SGV & Co. as external auditor in 2019 based on SGV's performance, independence, qualifications and with due regard of Management's feedback;*

- *The Committee discussed with SGV Partner Dhonabee Seneres in a private session without the presence of Management, the financial reporting process on judgment and estimation, related party transactions, fraud, if any, and SGV engagement performance;*

- *The Committee discussed with SGV & Co. and Management significant financial reporting issues, audit observations, and overall quality of the financial reporting process as well as regulatory updates in financial and tax reporting;*

- *The Committee reviewed and approved in an executive session with the Chief Audit Executive and without the presence of management IA's 2019 risk-based Annual Plan for SMPC Group, work activity, budget and performance;*

- *The Committee reviewed and discussed the results of the Mine Planning and SMPC Group tax compliance reviews;*

- *The Committee reviewed and discussed audit findings, internal control and compliance issues with Management, SGV & Co., Internal Audit, and ensured Management responded appropriately for the continual improvement and effectiveness of controls;*

- *The Committee discussed in a private session with the President the administration of the Code of Conduct and Business Ethics for officers;*

- *The Committee discussed with Management updates on SEC, PSE, legal, tax, claims, litigations, environmental, safety and other regulatory matters and*

- *The Committee reviewed and approved the 2018 Integrated Annual Corporate Governance Report for SEC filing, the Fair Disclosure Policy,* *the revised Table of Authorities 2019, and the SMPC Group Material Related Party Transaction Policy*

Based on the reviews and discussions referred to above, and subject to the limitations on the Committee's roles and responsibilities referred to above, the Audit Committee recommends to the Board of Directors the inclusion of the Company's audited consolidated financial statements as of and for the year ended December 31, 2019 in the Company's Annual Report to the Stockholders and for filing with the Securities and Exchange Commission.

March 4, 2020

Honorio O. Reyes-Lao
Committee Chairman
Independent Director

4. Risk Committee Annual Report to the Board of Directors 2019

SEMIRARA MINING & POWER CORPORATION

SEMIRARA MINING AND POWER CORPORATION

RISK COMMITTEE REPORT
TO THE BOARD OF DIRECTORS
For the Year Ended December 31, 2019

The Risk Committee ("Committee") oversees, on behalf of the Board of Directors ("Board"), the risk management function as defined in its Board-approved Risk Committee Charter.

Members
The Committee, chaired by an Independent Director, is comprised of three (3) Members of the Board, two of whom are Independent Directors.

Meetings
The Committee held one (1) meeting on July 31, 2019 and one (1) joint meeting held with the Corporate Governance Committee on November 14, 2019. Meetings were presided by the Committee Chair with full Committee attendance in all meetings and participation of senior executive and operations management.

Risk Committee

Chairman:
Rogelio M. Murga
Independent Director

Members:
Honorio O. Reyes-Lao
Independent Director

Isidro A. Consunji
Executive Director

In 2019, the Committee focused on the oversight of the following:

Work Done and Issues Addressed

- Exercised oversight of the risk management, treatment and effectiveness of mitigation of SMPC Group's strategic and top business risks, i.e. mining and power operations safety, regulatory, market, life extension program project management, supply chain, talent and succession.
- Discussed risks and opportunities on business sustainability and emerging risks.
- Reviewed the Risk Committee Charter for continual improvement and effectiveness.

Based on the reviews and discussions referred to above, and subject to the limitation on the Committee's role and responsibilities, the Risk Committee has performed its oversight duties in accordance with its Board-approved Charter.

February 28, 2020

Rogelio M. Murga
Committee Chairman
Independent Director

5. Corporate Governance Committee Annual Report to the Board of Directors 2019

SEMIRARA MINING AND POWER CORPORATION

CORPORATE GOVERNANCE COMMITTEE
ANNUAL REPORT TO THE BOARD of DIRECTORS
For the Year Ended December 31, 2019

The Corporate Governance Committee ("Committee") assists the Board of Directors ("Board") in fulfilling its responsibilities relating to the Board's corporate governance responsibilities, director remuneration, and organizational development and compensation benefits of the Company's employees. The Committee's roles and responsibilities are guided by a Board-approved Corporate Governance Committee Charter.

Members

The Committee, chaired by an Independent Director, is comprised of three (3) Members of the Board, two of whom are Independent Directors.

Meetings

During the period, the Committee held three (3) meetings, and one (1) joint meeting held with the Risk Committee on a quorum. Meetings were presided by the Committee Chairperson and attended by the senior management, Chief Governance Officer and Human Resources & Organizational Development officers.

Corporate Governance Committee

Chairman:
Rogelio M. Murga
Independent Director

Members:
Honorio D. Reyes-Lao
Independent Director

Maria Cristina C. Gotianun*
Executive Director

**Effective May 6, 2019*

Work Done and Issues Addressed

In 2019, the Committee focused on the following duties:

Nomination and Selection	Succession Planning and Leadership
• Reviewed with the Corporate Secretary the nomination process, criteria, qualifications and final selection of Board nominees for directorship as stated in the Amended By-Laws, Manual on Corporate Governance and pertinent SEC rules, and ensuring that they meet the requisite qualifications and taking into account their experience, knowledge and expertise meet the needs of the Board and are aligned to SMPC Group's strategy. • Undertook the process of identifying the quality of Directors aligned with SMPC Group's strategic directions, and that the specific skills or expertise that the Directors should possess to achieve the company's strategy have been reviewed and met.	• Reviewed and discussed with senior management the compensation benefits and organizational development programs, succession and leadership needs of SMPC Group.

- Endorsed the nomination of a new independent Director and changes in the membership of the Board Committees.

Board Performance and Development

- Exercised oversight of the continuing professional development of Board Directors and key officers through leadership programs, affiliation with or memberships in professional organizations, and participation in corporate governance and sustainability summit, seminars and conferences, among others.
- Exercised oversight of the annual self-assessment of the full Board, Board Committees, and individual Director performance for continual improvement and effectiveness.

Governance

- Exercised oversight of the company's corporate governance practices and ranking score on the ASEAN Corporate Governance Scorecard Philippine Results 2019.
- Reviewed the Committee Charter and assessed the Committee's performance for effectiveness and continual improvement.
- Discussed the SEC Sustainability Reporting Guidelines for PLCs and SEC Roundtable on Audit Committee Best Practices and Material Related Party Transactions.

Board and Executive Remuneration

- Reviewed Board remuneration.
- Reviewed with Management the organization's performance management system.

CEO Performance Appraisal

- Reviewed the results of the Board's evaluations of the CEO's performance in the past year based on Board-approved Balanced Scorecard and key result areas.

As a result of its work during the year, the Corporate Governance Committee has acted in accordance with its Board-approved Charter.

February 28, 2020

Rogelio M. Murga	Honorio O. Reyes-Lao	Maria Cristina C. Gotianun
Committee Chairman	*Member*	*Member*
Independent Director	*Independent Director*	*Executive Director*

6. Shareholdings and Trades of Directors 2019

DIRECTORS AND SENIOR MANAGEMENT	Number of Shares As of Jan. 1, 2019	Acquired	Disposed	Nature of Ownership	Number of Shares As of Dec. 31, 2019
Directors					
Isidro A. Consunji Executive Director, Chief Executive Officer	24,144 4,679,672	- -	- -	Direct Indirect	24,144 4,679,672
Jorge A. Consunji Non-Executive Director	500,144 1,914,956	- 440,000	- -	Direct Indirect	500,144 2,354,956
Herbert M. Consunji Non-Executive Director	35,120 -	99,000 -	- -	Direct Indirect	134,120 -
Cesar A. Buenaventura Non-Executive Director	72,120 -	- -	- -	Direct Indirect	72,120 -
Josefa Consuelo C. Reyes Non-Executive Director	412,400 1,913,600	- -	- -	Direct Indirect	412,400 1,913,600
Maria Cristina C. Gotianun Executive Director, President and Chief Operating Officer	1,428 11,317,889	- 765,900	- -	Direct Indirect	1,428 12,083,789
Ma. Edwina C. Laperal Non-Executive Director	4,188 7,419,084	- 1,392,000	- -	Direct Indirect	4,188 8,811,084
Luz Consuelo A. Consunji Non-Executive Director	45,040 -	- -	- -	Direct Indirect	45,040 -
Rogelio M. Murga Independent Director	40,040 -	- -	- -	Direct Indirect	40,040 -
Honorio O. Reyes-Lao - Independent Director	1,236,040 562,480	- -	- -	Direct Indirect	1,236,040 562,480
Antonio Jose U. Periquet, Jr. Independent Director	- 4,333,000	- -	- -	Direct Indirect	- 4,333,000
Key Officers					
John R. Sadullo VP-Legal & Corporate Secretary	- -	- -	- -	Direct Indirect	- -
Junalina S. Tabor VP & CFO	- -	- -	- -	Direct Indirect	- -
Jaime B. Garcia VP-Procurement & Logistics	1,943,768 -	- -	- -	Direct Indirect	1,943,768 -
Nena D. Arenas	16,000 -	- -	- -	Direct Indirect	16,000 -

VP, Chief Governance Officer & Compliance Officer					
Antonio R. De Los Santos VP, Treasury	110,000 -	- -	- -	Direct Indirect	110,000 -
Jose Anthony T. Villanueva VP, Marketing for Coal	3,000 55,560	- -	- -	Direct Indirect	3,000 55,560
Ruben P. Lozada VP, Mining Operations & Resident Manager	475,200 -	- -	- -	Direct Indirect	475,200 -
Andreo O. Estrellado VP, Power Market & Commercial Operations	- -	- -	- -	Direct Indirect	- -
Carla Cristina T. Levina VP, Chief Audit Executive	- -	- -	- -	Direct Indirect	- -
Jojo L. Tandoc VP, Human Resources & Organizational Development	400 -	- -	- -	Direct Indirect	400 -
Karmine Andrea B. San Juan AVP, Corporate Planning Power	120 -	- -	- -	Direct Indirect	120 -

7. Related Party Transactions 2019

In Millions PhP

PARENT/SUBSIDIARIES /AFFILIATES	Coal & Freight	Rentals	Coal Handling	Drilling & Exploration	Supply of Materials	Aviation	Operations & Management	Construction
Within the Group:								
Sem-Calaca Power Corporation	1,992							
Southwest Luzon Power Generation Corporation	1,477							
With Affiliates:								
DMC CERI	408	24		418			413	
DMC Construction		10						352
DPC							324	
RSA		38					87	
UPDI		14						
DPC Masbate	31							
Asia Industries		26						
SJBH			252					
Wire Rope					57	60		