



**SAN MIGUEL
CORPORATION**

September 22, 2023

The Philippine Stock Exchange, Inc.

Disclosure Department
6th Floor, Philippine Stock Exchange Tower
28th Street, corner 5th Avenue
Bonifacio Global City, Taguig City

Attention: **Ms. Alexandra D. Tom Wong**
Manager, Disclosure Department

Gentlemen:

We reply with respect to the news articles posted in various online sites on September 22, 2023. In the attached news article entitled "SMC power unit investors warned" posted in Daily Tribune (Online edition), it was reported in part that:

"'Thread cautiously' on San Miguel Power Global Holdings Corp., or SMPGH, an international think tank advised investors after assessing the prospects of the energy unit of the Asian conglomerate.

The Detroit-based Institute for Energy Economics and Financial Analysis, or IEEFA, issued the call for caution due to SMPGH's piling debts in contrast to its earnings.

In a review of the dominant power producer, IEEFA said the company's elevated net debt-to-earnings and potential difficulties meeting financial obligations 'create additional risk of devaluation, particularly in the long term.'

Likewise, SMPGH investors were cautioned about its mounting challenges in securing favorable funding terms due to its high fossil fuel exposure and high non-call risk for its sizable US dollar-denominated perpetual securities.

IEEFA said the backing of parent San Miguel Corporation, one of the most diversified Asian multinationals, offers only 'some comfort.' It said SMC's own elevated debt and 'business uncertainties will be critical to monitor' when assessing financial risks to SMGPH.

A compilation of the financial performance of the SMC units last year showed that only SMGPH tallied a huge loss.

SMGPH's existing generation portfolio is dominated by fossil fuel power plants, which comprise 87 percent of its operational capacity. Hydropower accounts for 12 percent. As of August 2023, the company does not have equity interests in wind or solar assets, IEEFA pointed out.

'Without a change in strategy away from dependence on volatile fossil fuels, the company may increasingly find itself locked into financial instability,' according to IEEFA's study.

'Given the worsening financial profile of SMC Global Power, any concerns over its hypothetical default raise fears of triggering a cross-default on SMC,' the report said. . . . "

By way of response by San Miguel Corporation (the "Company") to the Exchange, we advise that the business of San Miguel Global Power Holdings Corp. and subsidiaries (collectively SMGP) remain viable and meet its financial obligations. SMGP has, collectively, a combined installed capacity of approximately 19% of the National Grid, 25% of the Luzon Grid and 7% of the Mindanao Grid, as of June 30, 2023, and current and valid power supply agreements with distributors and other end users.

SMGP remained profitable in 2022, as it has been since it started operations in 2011, inspite of the rise of coal and other fuel prices to unprecedented levels. SMGP earned consolidated revenues of ₱221.4B and EBITDA of ₱42.32B, which were both at par with results in prior years, as it implemented various power plant operating cost optimization strategies combined with viable commercial arrangements with its existing bilateral customers.

SMGP continues to have access for its funding requirements with financial institutions. Certain loan maturities this year have been refinanced and currently SMGP is in the midst of closing a project financing arrangement for its battery energy storage systems (BESS) which allows the safe integration of renewal energy to the National Grid. When completed, SMGP expects the BESS business to contribute meaningfully to its revenues. SMGP remains confident of its ability to tap the local market as proven by its successful issuance of the P40B peso retail bonds.

SMGP is committed to the diversification of its power generation portfolio as it continues to undertake the development of solar-based power generation projects. SMGP remains fully compliant with existing local and international environmental requirements, laws, and regulations, protects the biodiversity surrounding its project sites, and actively reduces emissions in the supply chain and in its operations.

To date, the Company and its subsidiaries, including SMGP, are fully compliant with and continue to comply with their financial obligations. The Company has no other relevant information relating to the business, financial condition and operations of SMGP other than what is disclosed herein.

Very truly yours,



FERDINAND K. CONSTANTINO
Corporate Information Officer

