

MINUTES OF THE REGULAR MEETING
OF THE BOARD OF DIRECTORS
OF

SYNERGY GRID & DEVELOPMENT PHILS., INC.
(the "Corporation")

Held on 13 May 2024, at 1:00 P.M.
Via Videoconference

DIRECTORS PRESENT:

Henry T. Sy, Jr.
Robert G. Coyiuto, Jr.
Paul P. Sagayo, Jr.
Vicente D. Gerochi IV
Jose Perpetuo M. Lotilla
Luis Jose P. Ferrer
Francis Saturnino C. Juan

ALSO PRESENT:

Maria Farah Z.G. Nicolas-Suchianco
Cheryl S. Saldaña-de Leon
Pia Isabel O. Co
Justice Lady P. Soriano
Ma. Theresita G. Yulo
Selina Irene O. Ablaza

1. CALL TO ORDER

The Chairman, Henry T. Sy, Jr., called the meeting to order and presided over the same. The Corporate Secretary, Atty. Cheryl S. Saldaña-de Leon, recorded the minutes of the proceedings.

The Corporate Secretary advised that the meeting was recorded, in compliance with the requirements of the Philippine Securities and Exchange Commission (SEC) under SEC Memorandum Circular No. 6, Series of 2020, which provides for the guidelines for a board meeting through videoconference. The recording will form part of the records of the Corporation.

2. PROOF OF NOTICE OF MEETING AND CERTIFICATION OF QUORUM

The Corporate Secretary certified that notices were sent to all directors by electronic mail, and that a quorum existed for the transaction of business. During the roll call, the Corporate Secretary verified and confirmed the identity of the participants, their location, the device they are using, that each participant received the relevant materials prior to the meeting, and that they can clearly hear and see the other participants.

Name of Participant	Location	Device	Receipt of relevant materials of the meeting	Confirmation that they can clearly hear and/or see the other attendees
Henry T. Sy, Jr.	Makati City	Laptop	Yes	Yes
Robert G. Coyiuto, Jr.	Makati City	Laptop	Yes	Yes
Paul P. Sagayo, Jr.	Pasig City	Laptop	Yes	Yes
Vicente D. Gerochi IV	Quezon City	Laptop	Yes	Yes
Jose Perpetuo M. Lotilla	Marikina City	Desktop	Yes	Yes
Luis Jose P. Ferrer	Quezon City	Laptop	Yes	Yes
Francis Saturnino C. Juan	Quezon City	Laptop	Yes	Yes

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Thereafter, the Chairman declared that the Board could now proceed to transact the official business for this meeting.

3. APPROVAL OF THE MINUTES OF THE ORGANIZATIONAL MEETING OF THE BOARD OF DIRECTORS HELD ON 08 APRIL 2024

Upon motion duly made and seconded, the directors unanimously passed and approved the following resolution:

“RESOLVED, that the minutes of the Regular Meeting of the Board of Directors of the Corporation held on 08 April 2024 be approved.”


4. PRESENTATION AND APPROVAL OF THE FINANCIAL REPORTS AS OF 31 MARCH 2024

The Chief Financial Officer, Treasurer, and Investor Relations Officer, Ms. Justice Lady P. Soriano (CFO), presented the Audited Financial Statements (AFS) of Synergy Grid & Development Phils., Inc. (Corporation) and its subsidiaries as of 31 March 2024.

Financial Performance (Parent Only)

(Amounts in Millions)

	1st Quarter of 2024			Unaudited Year To Date		
	March 31, 2024	Budget	March 31, 2023	March 31, 2024	Budget	March 31, 2023
OPERATION SERVICE REVENUES	0	0	0	0	0	0
COST OF OPERATION SERVICE REVEN	0	0	0	0	0	0
OPERATION SERVICE REVENUES-Net	0	0	0	0	0	0
OPERATING EXPENSES	23	23	22	23	23	22
INCOME (LOSS) FROM OPERATIONS	(23)	(23)	(22)	(23)	(23)	(22)
OTHER INCOME						
Interest income	4	4	9	4	4	9
Dividend income	370	370	914	370	370	914
Management Income	12	12	12	12	12	12
	386	386	935	386	386	935
NET INCOME BEFORE TAX	363	363	913	363	363	913
INCOME TAX EXPENSE	1	0	2	1	0	2
NET INCOME/ TOTAL						
COMPREHENSIVE INCOME	362	363	911	362	363	911

As of 31 March 2024, operating expenses amounted to Php23 Million, a slight increase due to increase in salaries of employees. Other income decreased by 59% due to lower dividend income in 2023. The CFO noted that this amount only includes dividend income from preferred shares of the National Grid Corporation of the Philippines (NGCP). Dividends from Pacifica21 Holdings, Inc. (P21) and OneTaipan Holdings, Inc. (OTHI) were received on 02 April 2024, beyond the cut-off date for the covered reporting period. The resulting net income was consequently lower at Php362 Million than the Php911 Million net income on 31 March 2023. 

Financial Position as of 31 March 2024 (Parent Only)

(Amounts in Millions)

	March 31, 2024	March 31, 2023	December 31, 2023
ASSETS			
Current Assets			
Cash	684	1,273	324
Receivables	6	0	5
Other current assets - net	25	19	25
Total Current Assets	715	1,292	354
Noncurrent Assets			
Investment in subsidiaries	94,246	94,246	94,246
Property and equipment - net	1	2	1
Total Noncurrent Assets	94,247	94,248	94,247
Total Asset	94,962	95,540	94,601
LIABILITIES AND EQUITY			
Current Liability			
Accrued expenses and other current liabilities	3	97	4
Dividends payable	6	829	6
Total Liabilities	9	926	10
Equity			
Capital stock	5,266	5,266	5,266
Additional paid-in capital	88,928	88,928	88,928
Retained earnings	759	420	397
Total Equity	94,953	94,614	94,591
	94,962	95,540	94,601

As of 31 March 2024, total assets amounted to PhP94.96 Billion. This includes a PhP361 Million increase from the total assets in year-end of 2023 due to cash dividends from NGCP preferred shares. Total liabilities decreased to PhP9 Million due to accruals in government remittances. On the equity side, retained earnings increased by PhP362 Million.

Cash Flow as of 31 March 2024 (Parent Only)

(Amounts in Millions)

	March 31, 2024	March 31, 2023	December 31, 2023
CASH FLOWS USED IN OPERATING ACTIVITIES	P (10)	P (4)	(23)
CASH FLOWS PROVIDED BY INVESTING ACTIVITIES			
Dividend Received	370	914	1,816
Net cash provided by investing activities	370 P	914 P	1,816
CASH FLOWS USED IN FINANCING ACTIVITIES			
Payment of dividends	(0)	(1,227)	(2,870)
Payment of final tax on dividends	0	(141)	(330)
Net cash used in financing activities	(0) P	(1,368) P	(3,200)
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS			
	P 360	P (458)	(1,407)
CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR	324	1,731	1,731
CASH AND CASH EQUIVALENTS AT END OF YEAR	P 684	P 1,273	324

For the cash flow, net cash used in operating activities was PhP10 Million. Meanwhile, net cash provided by investing activities amounted to PhP370 Million, consisting of dividends received from NGCP preferred shares. These resulted in a net cash increase of PhP360 Million and ending cash balance of PhP684 Million.

Financial Performance (Consolidated)

(Amounts in Millions)

	1st Quarter of 2024			Unaudited Year to Date		
	March 31, 2024	Budget	March 31, 2023	March 31, 2024	Budget	March 31, 2023
OPERATION SERVICE REVENUES - Net	13,460	13,381	13,369	13,460	13,381	13,369
OPERATING EXPENSES	5,632	5,745	5,281	5,632	5,745	5,281
INCOME (LOSS) FROM OPERATIONS	7,828	7,636	8,088	7,828	7,636	8,088
OTHER CHARGES - Net						
Interest expense	(1,519)	(1,601)	(1,405)	(1,519)	(1,601)	(1,405)
Interest income	43	31	19	43	31	19
Foreign exchange gain (loss) - net	(46)	(24)	83	(46)	(24)	83
Bank and finance charges	(61)	(63)	(62)	(61)	(63)	(62)
Miscellaneous income	(365)	(330)	98	(365)	(330)	98
	(1,948)	(1,987)	(1,267)	(1,948)	(1,987)	(1,267)
NET INCOME BEFORE TAX	5,880	5,649	6,821	5,880	5,649	6,821
INCOME TAX EXPENSE	1	0	2	1	0	2
NET INCOME	5,879	5,649	6,819	5,879	5,649	6,819
TOTAL COMPREHENSIVE INCOME	5,879	5,649	6,819	5,879	5,649	6,819
Attributable to:						
Equity holders of the Parent Company	2,675	2,571	3,108	2,675	2,571	3,108
Non-controlling interests	3,204	3,078	3,711	3,204	3,078	3,711
	5,879	5,649	6,819	5,879	5,649	6,819
BASIC AND DILUTED						
INCOME PER SHARE	0.51	0.49	0.59	0.51	0.49	0.59

13

For the Consolidated Financial Reports of the Corporation and its subsidiaries (Group), operation service revenues slightly increased to PhP13.46 Billion. Operating expenses was likewise higher at PhP5.63 Billion compared to PhP5.28 Billion on 31 March 2023. Other charges also increased by 54% to PhP1.9 Billion due to recognition of franchise tax expense, additional interest expense, and foreign exchange losses. The resulting net income is lower at PhP5.88 Billion as compared to PhP6.82 Billion on 31 March 2023. The CFO explained that the recognition of the franchise tax expense is a result of the Energy Regulatory Commission (ERC) decision disallowing NGCP to pass on franchise tax to its customers, which was a recovery mechanism previously allowed by the ERC during the third regulatory period. Actual franchise tax amounted to PhP541.5 Million in 2023, and PhP401.6 Million for the first quarter of 2024. NGCP already filled a Motion for Reconsideration, which is still pending resolution by the ERC.

Financial Position as of 31 March 2024 (Consolidated)

(Amounts in Millions)

	March 31, 2024	March 31, 2023	December 31, 2023
ASSETS			
Noncurrent Assets			
Intangible asset - net	390,095	343,520	378,011
Property and equipment - net	4,946	5,084	4,993
Receivables - net of current portion	19,818	13,811	19,819
Goodwill	10,472	10,472	10,472
Other noncurrent assets	2,852	3,575	3,035
Total Noncurrent Assets	428,183	376,462	416,330
Current Assets			
Cash and cash equivalents	13,790	10,299	9,913
Receivables - net	9,963	16,113	10,208
Other current assets - net	30,689	33,986	29,724
Total Current Assets	54,442	60,398	49,845
	482,625	436,860	466,175

For the financial position of the Group, total assets increased by 3.5% from PhP466.18 Billion from 31 December 2023 to PhP482.63 Billion as of 31 March 2024 due to additional capital expenditures and additional borrowings.

Financial Position as of 31 March 2024 (Consolidated)

(Amounts in Millions)

	March 31, 2024	March 31, 2023	December 31, 2023
LIABILITIES AND EQUITY			
Noncurrent Liabilities			
Loans payable - net of current portion	177,408	157,136	169,770
Retirement benefits liability	2,701	2,169	2,617
Customers' and other deposits	453	436	441
Concession fee payable	49,895	54,319	49,895
Other noncurrent liabilities	1,516	1,763	1,561
Total Noncurrent Liabilities	231,973	215,823	224,284
Current Liabilities			
Trade and other current payables	42,730	39,634	40,054
Current portion of concession fee payable	4,424	0	4,424
Current portion of loans payable	24,450	24,109	23,739
Other current liabilities	19,166	16,075	18,219
Total Current Liabilities	90,770	79,818	86,436
Total Liabilities	322,743	295,641	310,720
Equity			
Capital stock	5,266	5,266	5,266
Additional paid-in capital	88,928	88,928	88,928
Remeasurement losses on defined benefit liability	(161)	(15)	(161)
Equity adjustments from common control transactions	(73,359)	(73,359)	(73,359)
Retained earnings	83,002	73,704	80,327
Equity Attributable to Equity Holders of the Parent Company	103,676	94,524	101,001
Non-controlling interests	56,206	46,695	54,454
Total Equity	159,882	141,219	155,455
	482,625	436,860	466,175

16

The total liabilities of the Group increased by 3.8% to PhP322.74 Billion, which is attributable to incremental borrowing. Retained earnings also increased to PhP83 Billion, resulting in a total equity of PhP159 Billion.

Cash Flow as of 31 March 2024 (Consolidated)

(Amounts in Millions)

	March 31, 2024	March 31, 2023
NET CASH FLOWS PROVIDED BY OPERATING ACTIVITIES	10,423	8,472
NET CASH FLOWS USED IN INVESTING ACTIVITIES		
Investment in capital expenditures	(13,566)	(14,464)
Additions to property and equipment	(149)	(209)
Net cash used in investing activities	(13,715)	(14,673)
NET CASH FLOWS PROVIDED BY FINANCING ACTIVITIES		
Proceeds of loans payable	12,000	17,900
Payment of cash dividends	(1,125)	(2,453)
Payment of loans payable	(3,650)	(3,746)
Settlement of obligation under lease liabilities	(57)	(49)
Net cash provided by financing activities	7,168	11,652
EFFECT OF EXCHANGE RATE CHANGES ON CASH AND CASH EQUIVALENTS	1	(2)
NET INCREASE IN CASH AND CASH EQUIVALENTS	3,877	5,449
CASH AND CASH EQUIVALENTS AT BEGINNING OF THE PERIOD	9,913	4,850
CASH AND CASH EQUIVALENTS AT END OF THE PERIOD	13,790	10,299

17

For the Group's cash flow, net cash provided by operating activities was PhP10.4 Billion. The net cash flow used in investing activities was PhP13.7 Billion, mostly due to capital expenditures. Net cash flow provided by financing activities amounted to PhP7.2 Billion. These resulted in net increase in cash of PhP3.9 Billion and ending cash balance of PhP13.8 Billion.

In response to the Vice Chairman's inquiry on franchise tax, the President and Directors clarified that the ERC previously allowed NGCP to pass on the 3% franchise tax to its customers. However, ERC subsequently reversed its position in its latest ruling. Thus, NGCP filed a Motion for Reconsideration, which is still pending for resolution with the ERC.

After some discussion and upon motion duly made and seconded, the following resolution was approved:

"RESOLVED, that as recommended by the Audit and Risk Committee, the Corporation's Financial Reports as of 31 March 2024, as presented by the Corporation's Chief Financial Officer (CFO) be approved;

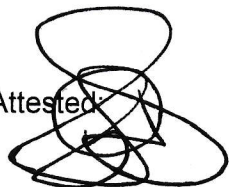
"RESOLVED FURTHER, that the Corporation appoints its Chairman, Mr. Henry T. Sy, Jr., President, Atty. Paul P. Sagayo, Jr., its Treasurer, Ms. Ma. Justice Lady P. Soriano, its Comptroller, Ms. Ma. Theresita G. Yulo. or any director or officer of the Corporation as its authorized representatives and signatories in the preparation and approval of the financial reports, with authority to make the necessary arrangements in order to effect the release of the same, and to sign, execute, and/or deliver any and all documents in the name of the Corporation in connection therewith, including the signing of relevant documents related thereto, as well as the performance of all other acts incidental thereto."

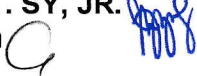
5. ADJOURNMENT

There being no further business to transact, the meeting was adjourned.

Certified Correct:

Cheryl S. Saldaña-de Leon
CHERYL S. SALDAÑA-DE LEON
Corporate Secretary

Attested:


HENRY T. SY, JR.
Chairman 

Approved:


ROBERT G. COYIUTO, JR.
Vice Chairman 

Paul Sagayo Jr.
PAUL P. SAGAYO JR.
Director/President


VICENTE D. GEROCHI IV
Director

Jose Perpetuo M. Lotilla
JOSE PERPETUO M. LOTILLA
Lead Independent Director

Luis Jose P. Ferrer
LUIS JOSE P. FERRER
Independent Director

Francis Saturnino C. Juan
FRANCIS SATURNINO C. JUAN
Independent Director