

COVER SHEET

AS094002365
S.E.C. Registration Number

SPC POWER CORPORATION
(formerly SALCON POWER CORP.)

(Company's Full Name)

7th Floor Cebu Holdings Center
Archbishop Reyes Avenue,
Cebu Business Park, Cebu City
(Business Address: No. Street City/ Town / Province)

Mr. Jaime M. Balisacan
Contact Person

8810 44 74 to 77
Company Telephone Number

12 31
Month Day
Calendar Year

SEC FORM
17-A
FORM TYPE

06 25
Month Day
Annual Meeting

Secondary License Type, If Applicable

Dept. Requiring this Doc.

Amended Articles Number / Section

Total No. of Stockholders

Total Amount of Borrowings
Domestic Foreign

To be accomplished by SEC Personnel concerned

File Number

LCU

Document I.D.

Cashier

STAMPS

Remarks = pls. use black ink for scanning purposes

SEC FORM 17-A

If yes, state the name of such Stock Exchange and the class/es of securities listed therein:

Philippine Stock Exchange

Common Shares

12. Check whether the issuer:

Has filed all reports required to be filed by Section 17 of the SRC and SRC rule 17 thereunder or Section 11 of the RSA and RSA Rule 11(a)-a 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 report(s):

Yes [☒] No [☐]

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

Yes [☒] No [☐]

13. Aggregate Market Value of Voting Stock Held by Non-affiliates:

Approximately ₱2,053,461,458.42 (196,315,627 x ₱10.46) as of March 31, 2021.

14. N.A.

15. N.A.

I. BUSINESS & GENERAL INFORMATION

Business Development

The Company

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

The Parent Company was formerly a venture company owned by members of the Salcon Consortium which entered into a Rehabilitation, Operation, Maintenance and Management Agreement (ROMM Agreement) with the National Power Corporation (NPC) on March 25, 1994 for the purpose of undertaking the rehabilitation, operation, maintenance and management of the 203.8 megawatt (MW) Naga Power Plant Complex (NPPC) in Colon, Naga, Cebu under the rehabilitate-operate-maintain-and-manage scheme as defined in the ROMM Agreement.

Under the ROMM Agreement, the Parent Company, at its own cost, rehabilitated, operated, maintained and managed the NPPC over the Cooperation Period of 15 years commencing on the Turnover Date as defined in the ROMM Agreement. The Parent Company received from NPC, its sole customer, Operation and Maintenance (O&M) fees and energy fees derived from conversion into electricity of fuel supplied by NPC at no cost to the Parent Company throughout the Cooperation Period. The fees were subject to an agreed minimum energy off-take (EMOT), which was the minimum guaranteed energy purchase by NPC on a take-or-pay basis. The Parent Company was also entitled to a fuel efficiency bonus if the actual net heat rate of each of the power plants was less than the corresponding guaranteed net heat rate and be liable for a penalty if the actual net heat rate was greater than the guaranteed rate. At the end of the Cooperation Period, the Parent Company transferred to the NPC full possession of the NPPC, clean and unencumbered title to any and all the improvements, works and structures rehabilitated, constructed, improved and introduced by the Parent Company in the NPPC.

In resolutions dated September 28, 2001, the Board of Directors and Stockholders amended the primary purposes for which the Parent Company is formed. Together with its subsidiaries and associates, it is engaged in various business activities within the Philippines that include, among others, the development, construction, rehabilitation, maintenance, management, and operation of power generating plants, electricity distribution and related facilities in accordance with existing laws.

On April 2, 2002, the Parent Company's common shares were listed in the Philippine Stock Exchange (PSE).

On June 30, 2004, the Parent Company, the NPC and the Power Sector Assets and Liabilities Management Corporation (PSALM) further amended the Implementing Agreement (IA) which implemented the covenants set forth in the Term Sheet and amended the ROMM Agreement and its First Amendment, by executing the Amended Implementing Agreement (AIA) which became effective on August 26, 2004. Salient matters of the AIA included, among others, a 20% reduction in the EMOT for the CTPP 1, CTPP 2 and CDPP 1 during the remaining Cooperation Period subject to certain conditions. As a consequence of the EMOT reduction, the Cooperation Period for the CTPP 1, CTPP 2 and CDPP 1 is extended for nearly three (3) years from May 29, 2009 to March 25, 2012.

After the Cooperation Period for the 55 MW LBGTs, on January 29, 2010, the Parent Company acquired the LBGTs for strategic purposes as the LBGTs are located in the Power Complex that is occupied by the Parent Company for the operation of the CTPP and CDPP under the ROMM Agreement until March 25, 2012, and under series of Operation and Maintenance Service Contracts (OMSCs) until September 25, 2014.

After the expiration of the ROMM Agreement on March 25, 2012, OMSCs were awarded by PSALM to the Parent Company for the continuous operation and maintenance of CTPP 1, CTPP 2 and CDPP 1 for successive six-month periods up to September 25, 2014. Under the OMSC, the Parent Company received service and operating fees from PSALM.

In 2014, the Parent Company participated in the bidding for the acquisition of NPPC (see Note 29 of the consolidated financial statements of the Parent Company and Subsidiaries).

On April 15, 2016, SPC Island Power Corporation (SIPC), a wholly owned subsidiary of the Parent Company, submitted the highest offer to PSALM in the negotiated sale of the 32-MW Power Barge (PB) 104. On June 16, 2016, the Parent Company executed an Amendment, Accession and Assumption Agreement with PSALM and SIPC. Under the agreement, SIPC assigned all its rights and obligations as Buyer of PB 104 to the Parent Company after PSALM gave its consent pursuant to the provisions of the Asset Purchase Agreement between SIPC and PSALM. On June 30, 2016, PSALM turned over the PB 104 to the Parent Company for rehabilitation. PB 104 started commercial operations on August 1, 2018 (for Unit Nos. 1, 2 and 3) and on June 11, 2019 (for Unit No. 4).

On September 9, 2016, the Parent Company's Board of Directors further amended the Parent Company's Articles of Incorporation in order to engage in the business of selling, brokering, marketing, or aggregating electricity to the end-users. The amendments were subsequently approved and confirmed by written consent of the stockholders representing at least 2/3 of the outstanding capital stock of the Parent Company. On January 4, 2017, the SEC approved such amendment.

Subsidiaries/Associates

The Parent Company has the following subsidiaries:

(i) SPC Island Power Corporation (SIPC). SIPC, a wholly owned subsidiary, was incorporated and registered with the SEC on June 26, 2001. It operates the 146.5 MW Panay Diesel Power Plant (located in Dingle, Iloilo) and the 22 MW Bohol Diesel Power Plant (located in Tagbilaran City, Bohol) which were acquired in March 25, 2009 through the assignment of the Parent Company's rights and obligations to SIPC. It has also been operating the Olango Diesel Power Plant (located in the Island of Olango, Lapu-Lapu City) which supplies all the generated electricity to Mactan Electric Company, Inc. (MECO), an associate. SIPC will continue to operate the ODPP in 2021 until the new operator that won in the bidding conducted by MECO in 2017 is qualified by the ERC.

(ii) Cebu Naga Power Corporation (CNPC). CNPC, a wholly owned subsidiary, was incorporated on August 12, 2015 to undertake the development, ownership, construction, operation and management of a new 2 x 150 MW CFBC coal-fired power plant to replace the old CTPP 1 and CTPP 2 in the NPPC, Colon, City of Naga, Cebu. The construction of the new power plant had been aborted due to the adverse Supreme Court decision that led to the return of the

NPPC to PSALM on July 13, 2018 (see Note 29 of the Notes to Consolidated Financial Statements). CNPC remains not to have commercial operations.

(iii) SPC Malaya Power Corporation (SMPC). SMPC, a majority owned subsidiary, was incorporated in the Republic of the Philippines and registered with the SEC on September 22, 2011. SMPC won the bidding processes for the Operation and Maintenance Service Contract (OMSC) of the 650 MW Malaya Thermal Power Plant (MTPP) located in Pilillia, Rizal and accordingly operated the MTPP from October 25, 2011 to October 25, 2014. However, SMPC either did not win or did not participate in the subsequent biddings of the OMSC after October 25, 2014 for certain reasons. As of December 31, 2020, SMPC remains not to have commercial operations.

(iv) Bohol Light Company, Inc. (BLCI). BLCI, a majority owned subsidiary, was organized on July 21, 2000 to engage in the business of supply and distribution of electricity, subject to applicable laws, rules and regulations. On July 10, 2003, the National Electrification Commission (NEC) granted BLCI's franchise to operate electric, light and power services for a period of 25 years retroactive from October 20, 2000 to October 19, 2025 in the area presently comprised by Tagbilaran City, Bohol.

(v) SPC Light Company, Inc. (SLCI) and SPC Electric Company, Inc. (SECI). SLCI (majority owned) and SECI were incorporated on January 15, 2003 and October 17, 2002, respectively, primarily to design, construct, install, commission, rehabilitate, maintain, manage, operate and invest in power generation/distribution plants and related facilities. The Parent Company has the power to govern the financial and operating policies of SECI by virtue of an agreement.

The Parent Company also has the following major associates:

(i) KEPCO SPC Power Corporation (KSPC). KSPC, 40% owned by the Parent Company, was incorporated on June 22, 2005 primarily to build, operate, maintain, own and manage the 2 x 100 Megawatt Circulating Fluidized Bed Combustion (CFBC) Boiler Coal-Fired Power Plant in the City of Naga, Colon, Cebu.

(ii) Mactan Electric Company, Inc. (MECO). In July 1997, the Parent Company acquired 40% of MECO which was granted by the NEC, under Presidential Decree No. 269, a franchise for 25 years from October 10, 1991 to engage in, conduct and carry on the business of generating, buying and selling electric light for sale within the limits of the City of Lapu-lapu and the Municipality of Cordova in the Province of Cebu until October 9, 2016. On July 17, 2016, MECO was granted a renewal of its franchise for another 25 years.

Future Prospects

The focus of the Group remains steadfast in seeking growth in new markets and customer segments.

While in pursuit of new opportunities in the midst of the COVID-19 pandemic, the Group expects to sustain its businesses in terms of operating results by rising capacity utilization and sustaining reliability and availability of existing power generation and distribution assets.

The year 2020 had not been good for many businesses. The Group still foresees many challenges and a lot of uncertainties to continue in 2021, but noted encouraging gradual surge in demand starting in the latter part of 2020. The Group expects this trajectory to continue and eventually

lead to full recovery as mobility further improves and as the country's vaccination rollout gathers pace.

Competition

Increasing competition remains the primary challenge for the Group.

The implementation of new regulations and new power plants have greatly increased the level of competition in energy sales. Such competition may have an effect on the extent to which and the terms on which the Group are able to secure or put up more projects in the future. However, the Group believes that their capabilities and proven track record in electric power generation and distribution will allow them to be competitive in project evaluation, bidding and negotiation.

Transactions with and/or Dependence on Related Parties

In the normal course of business, the Parent Company and its subsidiaries have significant transactions with related parties which are made on an arm's length basis as of the time of the transactions. The details of these transactions are contained in Note 5 of the consolidated financial statements as of and for the year ended December 31, 2020.

Research & Development

The Group does not appropriate expenses for research and development activities based on fixed amounts or percentages. Instead, expenses for research and development activities are allocated on a per project basis that vary depending on the nature of the project. These expenses are funded from internally generated cash flows.

Patents, Licenses, Franchises and Government Approvals

Under the EPIRA, no person or entity may engage in the generation of electricity unless such person or entity has secured a Certificate of Compliance (COC) from the ERC to operate a generation facility and has complied with the standards, requirements and other terms and conditions set forth in the COC.

The generation units in the Group possess COCs for their generation businesses, details of which are as follows:

Date Issued	COC No.	Issued Under the Name of	Name	Type	Location	Capacity	Fuel	Terms of COC
Feb. 10, 2016	16-02-M-00068V	KSPC	Unit 1	Coal-fired	City of Naga, Cebu	110.50 MW	Coal	Until Feb. 20, 2021 (i)
		KSPC	Unit 2	Coal-fired		110.50 MW	Coal	Until Feb. 20, 2021 (i)
Nov. 29, 2016	16-11-M-00286hhV	SIPC (PDPP)		Diesel Power Plant	Dingle, Iloilo	92.22 MW	Diesel/Bunker C	Until Apr. 24, 2021
June 13, 2016	16-06-M-00286nl	SIPC (BDPP)		Diesel Power Plant	Dampas, Tagbilaran City	22.00 MW	Diesel/Bunker C	Until July 17, 2021
June 5, 2017	17-01-O-15640V	SIPC (ODPP)		Diesel	Olango, Lapulapu City	1.56 MW	Diesel	Until Jan. 23, 2022
June 20, 2018	18-06-M-00163V	SPC (PB 104)	Unit 2	Diesel Power Plant	Ubay, Bohol	8.00 MW	Diesel/Bunker C	Until Feb. 19, 2023
		SPC (PB 104)	Unit 3	Diesel Power Plant	Ubay, Bohol	8.00 MW	Diesel/Bunker C	Until Feb. 19, 2023
Dec. 19, 2018	18-12-M-00167V	SPC (PB 104)	Unit 1	Diesel Power Plant	Ubay, Bohol	8.00 MW	Diesel/Bunker C	Until Dec. 18, 2023

(i) Pending completion of certification for renewal of COC, KSPC Units 1 and 2 were granted provisional authority to operate by ERC from February 20, 2021 to February 19, 2022.

(ii) PB 104 Unit 4 was granted provisional authority to operate by ERC from June 11, 2019 to December 10, 2019; December 11, 2019 to June 10, 2020; June 11, 2020 to December 10, 2020; and December 11, 2020 to December 10, 2021 while waiting for approval of application for permit to operate from the EMB-7. The permit to operate granted by EMB-7 will be needed for the issuance of COC from ERC.

Also under the EPIRA, the business of electricity distribution requires a national franchise that can be granted only by Congress, except distribution utilities operating within economic zones. In addition, a Certificate of Public Convenience and Necessity (CPCN) from the ERC is also required to operate as a public utility. Distribution utilities are required to submit to the ERC a statement of their compliance with the technical specifications prescribed in the Philippine Distribution Code. The following are the expiration periods of the Group's Distribution Utilities' franchises:

<u>Distribution Utility</u>	<u>Expiration Date</u>
MECO	July 16, 2041
BLCI	October 19, 2025

The EPIRA likewise requires all suppliers of electricity to end-users in the contestable market, other than distribution utilities within their franchise areas, to obtain license from the ERC in accordance with the ERC's rules and regulations. With the implementation of Retail Competition and Open Access (RCOA), KEPCO SPC Power Corporation was granted by the ERC a license to operate as Retail Electricity Supplier (RES) valid from October 18, 2016 to October 17, 2021.

Manpower

The Parent Company had 45 employees consisting of 41 regular employees and 4 project and/or contractual employees as of December 31, 2020. The regular employees consist of 18 managerial employees and 23 rank-and-file employees.

The Parent Company and its subsidiaries employed a total of 304 employees including 8 project and/or contractual employees as of December 31, 2020.

Regular employee benefits of the Parent Company include a retirement plan and all government-mandated benefits, supplemented by group life and health insurance, medical care, rice subsidy, longevity pay, funeral and burial assistance, cash conversion of unused vacation and sick leave credits, and at the discretion of the Board, year-end bonus, various incentive and productivity awards, merit adjustments, and loyalty bonus.

There is no collective bargaining agreement covering the Parent Company employees as of December 31, 2020.

The Parent Company does not anticipate any substantial increase in manpower within the next twelve months unless new development projects and acquisitions would require an increase in the number of employees.

Properties

The consolidated net book value of property, plant and equipment of the Parent Company and its subsidiaries amounted to ₱749.7 million and ₱793.8 million as of December 31, 2020 and 2019, respectively. The breakdown is as follows:

Property, Plant and Equipment	2020	2019
Distribution lines, poles and fixtures	₱ 89,351,427	₱ 86,149,847
Power transformers, switches and devices	79,745,537	42,013,134
Plant machinery and equipment	454,254,338	508,780,227
Motor vehicles	17,133,387	10,143,355
Structures	18,549,820	20,147,235
Furniture and office equipment	4,861,590	4,237,433
Land held by subsidiaries	73,905,897	66,095,774
Construction in progress	2,757,018	42,770,961
Right-of-use-assets	9,124,369	13,414,550
Total	₱749,683,383	₱793,752,516

Locations of the principal properties, plant and equipment mentioned above are as follows:

Company/Subsidiary	Description	Location/Address	Condition
SIPC	Panay Diesel Power Plant/Structures	Tinocuan, Dingle, Iloilo	In use for operations
SIPC	Bohol Diesel Power Plant/Structures	Dampas, Tagbilaran City, Bohol	In use for operations
SIPC	Olango Diesel Power Plant/Structures	Olango Island, Lapu-lapu City	In use for operations
BLCI	Utility plant and equipment	Tagbilaran City, Bohol	In use for operations
Parent Company	Power Barge 104	Tapal Wharf, Ubay, Bohol	In use for operations
SIPC	Land	Dampas, Tagbilaran City, Bohol	In use for operations
SIPC	Land	Tinocuan, Dingle, Iloilo	Held for future plant expansion.
BLCI	Land	Tagbilaran City, Bohol	In use for operations
Parent Company	Office furnitures and equipment	Cebu Holdings Center, Cebu Business Park, Cebu City; and BDO Towers Paseo, 8741 Paseo de Roxas, Makati City	In use for operations

On June 16, 2016, the Parent Company executed an Amendment, Accession and Assumption Agreement between and among PSALM and SIPC. Under the said agreement, SIPC assigned all its rights and obligations as BUYER of PB 104 to the Parent Company after PSALM gave its

consent pursuant to the provisions of the Asset Purchase Agreement between SIPC and PSALM. On June 30, 2016, PSALM turned over the PB 104 to the Parent Company.

Through an Accession Agreement on August 28, 2000, BLCI acquired the assets and equipment, rights, and interest of the Consortium composed of SII, the Parent Company and other members of the Joint Venture Agreement (JVA) with the Provincial Government of Bohol (PGB). The JVA allowed the Consortium to purchase, own, rehabilitate, operate, maintain and manage the Bohol Provincial Electric System (PES) and for PGB to sell and transfer the franchise to operate the PES in the City of Tagbilaran, Province of Bohol, to the Consortium.

In 2006, BLCI entered into a lease agreement with Bohol Water Utilities, Inc., a sister company, for the lease of land for a period of 20 years starting January 1, 2006 until December 31, 2025, renewable upon such terms and conditions as may be mutually agreed upon by both parties. The land is used and occupied primarily for the operation, management and maintenance of BLCI's utility plant and equipment.

On March 25, 2009, SIPC obtained control and possession of the 146.5- MW Panay Diesel Power Plant (located in Tinocuan, Dingle, Iloilo) and the 22-MW Bohol Diesel Power Plant (located in Dampas, Tagbilaran City, Bohol) by virtue of an assignment of the covering Asset Purchase Agreement (APA) and Land Lease Agreement (LLA) from the Parent Company. The LLA is in furtherance of and as ancillary contract to the APA for the 25-year lease of parcels of land used and occupied primarily for the operation, management, expansion and maintenance of the Purchased Assets. The LLA also covers an option to purchase the optioned assets within the leased premises that may be offered by the Lessor. In 2017, SIPC exercised its option to purchase the optioned assets covering all the lots underlying the Bohol Diesel Plant with a total area of 27,527 square meters.

The Parent Company leases a residential condominium unit at Winland Towers, Cebu City from Dentrade, Inc., a corporation majority owned by Mr. Dennis T. Villareal who is currently the President and CEO of the Parent Company. The condominium unit is used to house the Parent Company's directors and senior executive officers during their official visits to Cebu.

The Parent Company also leases an office condominium unit at the 7th Floor of Citibank Center, Makati City. This unit houses the Parent Company's Makati Office. The unit is leased from the Parent Company's affiliate, SPC Properties and Development Corporation (SPDC).

The Parent Company further leases office condominium units at the 7th Floor of Cebu Holdings Center, Cebu Business Park and 7th Floor of Citibank Center, Makati City from the Parent Company's affiliate – SPEC Properties, Inc. for use as its Cebu Head Office and additional executive offices in Makati.

Legal Proceedings

The Group is currently involved in various legal proceedings in the ordinary conduct of their businesses. The estimate of probable costs for the resolution of possible claims is developed in consultation with outside counsels handling the Group's defense in these matters and is based upon an analysis of potential results of litigation. As of December 31, 2020, the Group believes that the results of these actions will not have a material adverse impact on the Group's financial position and results of operations.

II. OPERATIONAL & FINANCIAL INFORMATION

Market Price of and Dividends on the Registrant's Common Equity and Related Stockholder Matters

Market Information

The principal market for the Parent Company's common equity is the Philippine Stock Exchange (PSE). The high and low sales prices for each period are indicated in the table below:

Period	Highest Close		Lowest Close	
	Price	Date	Price	Date
2021:				
1st Quarter	10.50	March 18	9.72	January 4
2020:				
1 st Quarter	9.36	January 30	6.71	March 19
2 nd Quarter	8.38	May 11	7.62	May 26
3 rd Quarter	10.10	September 23	7.95	July 15
4 th Quarter	11.20	December 15	9.82	December 29
2019:				
1 st Quarter	6.95	March 26	5.59	January 2
2 nd Quarter	7.65	April 10	6.31	May 16
3 rd Quarter	7.48	September 24	6.49	July 10
4 th Quarter	8.90	November 28	7.25	October 16

As of March 31, 2021, the total number of stockholders was 806 (718 under transfer agents and including 88 depository participants counted as one stockholder each). -

Top 20 Stockholders

The following composed the top 20 stockholders as of March 31, 2021:

Rank	Name	Nationality	No. of Shares	%
1.	KEPCO Philippines Holdings, Inc.	Korean	568,098,822	37.96%
2.	Intrepid Holdings, Inc.	Filipino	321,905,611	21.51%
3.	JAD Holdings, Inc.	Filipino	293,201,397	19.59%
4.	KV Holdings, Inc.	Filipino	74,749,847	4.99%
5.	Boxboard Containers Corporation	Filipino	41,000,000	2.74%
6.	Cancorp, Inc.	Filipino	41,000,000	2.74%
7.	Rowell Plastic Corporation	Filipino	38,864,638	2.60%
8.	LDI Power Holdings, Inc.	Filipino	24,931,036	1.67%
9.	ALH Management, Inc.	Filipino	23,850,269	1.59%
10.	Mali Ni	Filipino	10,000,000	0.67%
11.	PCD Nominee (Fil/Non-Fil) Corp.	Fil/Non-Fil	6,954,054	0.46%
2.	Dennis T. Villareal	Filipino	6,425,501	0.43%
13.	Cecilia Chua Tiu	Filipino	1,000,000	0.07%
14.	Alberto P. Fenix, Jr.	Filipino	855,933	0.06%
15.	Ma. Theresa M. Ballesteros	Filipino	691,492	0.05%
16.	Cesar O. Villegas	Filipino	685,492	0.05%
17.	Corazon L. Gamez	Filipino	685,492	0.05%
18.	Lorenzo D. Inocando	Filipino	274,196	0.02%
	Stanley Krug	American	274,196	0.02%
	Dennis Lawrence N. Villareal	Filipino	274,196	0.02%
	James Roy N. Villareal	Filipino	274,196	0.02%
	Victor Anthony N. Villareal	Filipino	274,196	0.02%
19.	Myra P. Villanueva	Filipino	233,000	0.02%
20.	Landmark Holdings Corporation	Filipino	200,000	0.01%
TOTAL			1,456,703,564	97.34%

Dividends

The cash dividends declared by the Parent Company to common stockholders in the last three years are shown in the table below:

Year	Cash Dividends Per Share	Total Amount Declared	Record Date
2020	0.4000	598,620,721	May 22, 2020
2020	0.4000	598,620,721	Dec. 21, 2020
2019	0.7000	1,047,586,262	Dec. 10, 2019
2019	0.4000	598,620,721	Apr. 12, 2019
2018	0.4000	598,620,721	Dec. 12, 2018
2018	0.4000	598,620,721	June 11, 2018

On April 7, 2020, the BOD of the Parent Company approved the declaration of cash dividends equivalent to Php0.40 per share, or for a total of P598.6 million, to all stockholders of record as of April 23, 2021 payable on or before April 30, 2021.

The payment of dividends in the future will depend upon the Parent Company's earnings, cash flow and financial condition, among others. The Parent Company may declare dividends only out of its unrestricted retained earnings, except in the case of stock dividends which may be declared out of paid-in surplus. Any dividend declaration will likewise be subject to the provisions of any existing shareholders' agreement/s and to any prior consents required under the Parent Company's loan documentation with its bank creditors.

The Parent Company may pay dividends in cash, by the distribution of property, by the issuance of shares of stock, or a combination of any of the foregoing. Dividends paid in cash or property are subject only to the approval of the Board of Directors. Dividends paid in the form of additional shares are subject to approval by both the Board of Directors and stockholders representing at least two-thirds (2/3) of the outstanding capital stock of the Parent Company at a stockholders' meeting called for such purpose.

Section 42 of the Revised Corporation Code, however, requires that corporations with surplus profits in excess of 100% of their paid-up capital should declare and distribute the amount of such profits in the form of dividends, except when the retention is justified by definite corporate expansion projects or programs approved by the Board of Directors, or when the consent of creditors is required under any loan agreement, or when it can be clearly shown that such retention is necessary under special circumstances.

Recent Sale of Unregistered Securities

The Parent Company has not had any sales of unregistered securities during the past three years.

Description of the Company's Shares

The Parent Company's securities consist entirely of common stock with par value of ₱1.00 per share.

Management's Discussion & Analysis of Financial Condition & Results of Operations

Hereunder is management's discussion and analysis of the significant factors affecting the financial performance, financial position and cash flows of the Parent Company and Subsidiaries (collectively referred to as the "Group"). The discussion and analysis should be read in conjunction with the accompanying audited consolidated financial statements and the notes thereto as well as the schedules and disclosures set forth elsewhere in this report.

Financial Conditions and Results of Operations

Results of Operations

Year Ended Dec. 31, 2020 vs. Year Ended Dec. 31, 2019

The Group ended 2020 with consolidated comprehensive income of ₱1,636.4 million, 9.6% lower than the ₱1,810.2 million in 2019. All business segments posted lower income in 2020 due mainly to the effects of COVID-19 pandemic on business operations. The demand growth recorded in the first quarter of 2020 was negated by decrease in average demand for the rest of the year, especially in the second and third quarters when the most stringent quarantine protocols were in place. The decrease in interest income further eroded year-on-year earnings.

With lower results, earnings per share declined to ₱1.07 in 2020 as compared with ₱1.19 in 2019. The performance also translated to a lower return on equity of 15.80% in 2020 versus 17.93% in 2019.

The investee companies remained the biggest contributor in 2020 with equity share in their net earnings of ₱1,213.5 million or 74.2% of the pie. This was lower by 8.6% year-on-year.

The power generation business segment made up the second biggest chunk of the Group's net income contributing 23.6% of the total. The power generation business segment contributed net income of ₱386.7 million, down by 6.2% from last year.

The power distribution business segment accounted for the balance of the pie, posting a net income of ₱36.6 million, lower by 46.9% from last year. The slight increase in demand for electricity from its residential customers could not offset the 21.5% average drop in demand from its commercial and industrial customers.

Consolidated revenues in 2020 declined to ₱1,996.1 million, falling by 28.7% from ₱2,799.0 million in 2019. This was attributed to weaker demand, lower prices due to adequate supply and competition, and lesser pass-through cost of fuel and purchased power.

Lower operating costs and expenses helped cushion the impact of the decrease in revenues.

Consolidated cost of operations decreased substantially by 31.5% to ₱1,444.4 million, from ₱2,108.5 million. The cost reduction was brought about mainly by lower cost of fuel, purchased power, lubricants, and spare parts.

The Group also reined in consolidated administrative and general expenses which decreased by 26.7% to ₱203.4 million, from ₱277.4 million a year earlier.

Interest income substantially dropped by 49.6% to P51.6 million, from P102.5 million, because of lower effective interest rate and lower amount of excess cash invested in short-term money market placements after payment of cash dividends.

Year Ended Dec. 31, 2019 vs. Year Ended Dec. 31, 2018

Despite challenges, the Group registered a total comprehensive income of P1,810.2 million in 2019, 4.8% lower compared to P1,900.9 million in 2018. This reflected (i) the non-recurrence of a large non-core income from disposal of inventories and tax refund that the Group had in 2018 and (ii) lower earnings from power generation business segment in 2019.

Taking out the non-recurring income in 2018, the total comprehensive income in 2019 would have been slightly higher by 0.9% as the decline in power generation performance was made up by higher earnings from the investee companies, power distribution, and short-term investments.

Equity share in the earnings of investee companies continued to account for a lion's share of the Group's total comprehensive income in 2019, accounting for P1,327.5 million or 73.3% of the total, followed by power generation and power distribution business units at 22.8% and 3.9%, respectively.

With lower results, earnings per share slid to P1.19 in 2019 as compared to P1.24 in the previous year.

The performance likewise translated to a lower but still respectable return on average equity of 17.81% in 2019 as compared to 19.61% in the preceding year.

Excluding interest and non-recurring income, the net income contribution of the power generation business fell 27.9% to P313.0 million from P434.3 million in 2018. Operations were challenged by lower service fees due to competitive environment and higher operating expenses. This was, however, mitigated by improvements in overall availability and capacity utilization of the plants.

The combined equity share in the earnings of investee companies increased by 4.9% to P1,327.5 million in 2019, from P1,265.4 million in 2018. The impact of lower volume of electricity sold to the spot market and lower average price of sales to contracted customers were offset by higher interest earned from short-term investments and gain from reassessment of asset retirement obligation.

The distribution business unit similarly increased its contribution to the total comprehensive income to P68.8 million in 2019, from P46.9 million in 2018. This was attributed mainly to 4.6% increase in the volume of electricity sold and partial return of previous years' under-recovery of cost of purchased power.

Consolidated revenues rose by 17.3% to P2,799.0 million in 2019 from P2,385.9 million in 2018. Significantly contributing to the increase were (i) the full impact of PB 104's commercial operation since August 2018 and (ii) the 10.2% increase in power distribution revenues.

Consolidated cost of operations also rose by 16.5% to P2,108.5 million in 2019, from P1,809.5 million in 2018, due mainly to costs arising from higher volume of transactions.

However, as revenues grew faster than costs, gross margin rose by 19.8% to P690.5 million in 2019 from last year's comparative figure of P576.4 million.

Consolidated administrative and general expenses went up by 15.8% to P277.4 million in 2019, from P239.5 million in 2018 year, due mainly to higher expenses for business development, taxes and licenses, personnel, freight and handling, and other expenses associated with the full commercial operation of PB 104.

Interest income substantially added up to P102.5 million from P49.0 million due to income from funds set aside for business expansion and temporarily placed under short-term investments.

Other income (others) substantially decreased to P5.6 million in 2019, from P302.8 million in 2018 which still included non-recurring income as mentioned earlier. Net loss from sale of noncurrent assets held for sale also eroded other income in 2019.

Financial Condition

Dec. 31, 2020 vs. Dec. 31, 2019

Despite the decline in net income, the Group's financial position remained solid in 2020.

As at year-end 2020, total assets increased to P11,440.0 million from P11,095.7 million in 2019. The 3.1% growth in total assets was coupled by a total reduction in liabilities by 5.2% to P884.8 million from P933.3 million. The increase in assets and decrease in liabilities raised stockholders' equity by 3.9% to P10,555.3 million, from P10,162.4 million in 2019.

Current ratio increased to 9.71 : 1 from 7.82 : 1; total liabilities as a percentage of equity also reduced to 8.4% from 9.2% ; and book value per share was higher at P7.05 compared to P6.79 in 2019.

Further details of significant items that contributed to the changes in assets, liabilities and stockholders' equity are discussed below.

Details of changes in the balance of cash and cash equivalents are discussed in the section for Cash Flows.

Trade and other receivables decreased by 19.5% to P338.1 million, from P418.9 million. This was attributed mainly to lower billings in December 2020 as compared to same month in 2019.

Investment in associates decreased slightly by 2.8% or P166.5 million to P5,782.9 million, from P5,949.3 million. The decrease reflected the net effect of the following: (i) decrease in investments due to cash dividends received from the investee companies amounting to P1,381.0 million and (ii) increase in investment due to fresh equity share in the earnings of investee companies amounting to P1,214.5 million in.

Property, plant and equipment decreased by 5.6% to P749.7 million, from P793.8 million. This was attributed to the net effect of the following: (i) increase due to new additions to property, plant and equipment amounting to P49.5 million; and (ii) reduction due to depreciation amounting to P93.1 million.

Other noncurrent assets decreased by 19.5% to P173.2 million from P215.2 million due mainly to amortization of cost recovery adjustment approved by ERC to be recovered by PSALM through the distribution business segment of the Group over a period of seven years from January 2018. The original amount of P257.6 million was booked as noncurrent assets pending collections by

initially charging the customers as part of the generation charge. See Note 29 of the consolidated financial statements.

Trade and other payables were down by 6.8% year-on-year to P453.4 million due to lower fuel purchased for power generation as well as lower cost of purchased power for distribution to customers.

Customers deposits were up by 17.2% year-on-year to P174.7 million due to additional bill and material deposits received from customers in the power distribution business.

Other noncurrent liabilities decreased by 25.2% to P109.2 million from P146.0 million due mainly to amortization of cost recovery adjustment approved by ERC to be recovered by PSALM through the distribution business segment of the Group over a period of seven years from January 2018. The original amount of P257.6 million was booked as noncurrent liabilities pending remittance to PSALM of the amount collected from customers. See Note 29 of the consolidated financial statements.

Appropriated retained earnings decreased to P1.8 billion from P2.8 billion due to retained earnings reverted to unappropriated during the meeting of the Board of Directors of the Parent Company held on December 2, 2020.

Unappropriated retained earnings increased by 24.8% to P7,083.4 million as at end-2020, from P5,677.2 million as at end-2019. The net increase of P1,406.2 million was accounted as follows: (i) increase propelled by total comprehensive income in 2020 attributable to equity holders of the Parent Company amounting to P1,603.4 million; (ii) increase due reversal of appropriations amounting to P1,000.0 million per note 18 of consolidated financial statements; and (iii) decrease due to cash dividends declared amounting to P1,197.2 million.

Dec. 31, 2019 vs. Dec. 31, 2018

Total assets stood at P11,095.7 million at end-2019, up by 1.4% or P151.1 million from the end-2018 level at P10,944.6 million. The increase was attributed mainly to additional cash inflows and higher value of inventories.

Total liabilities remained about the same at P933.3 as at end-2019. Increases in customers' deposits and asset retirement obligation were offset by reduction of other noncurrent liabilities.

Stockholders' equity likewise grew by 1.4% to P10,162.4 million, from P10,024.7 million as at end-2018. The growth came from the total comprehensive income in 2019 amounting to P1,810.2 million less cash dividends declared amounting to P1,672.0 million. Book value per share increased to P6.79 as at end-2019 compared to P6.70 as at end-December 2018.

Further details of significant items that contributed to the changes in assets, liabilities and stockholders' equity are discussed below.

Materials and supplies inventory increased by 8.1% to P378.4 million as at end-2019 from P350.1 million at the beginning of the year. The increase was traced mainly to the build up of inventories for fuel and maintenance spare parts for power generation and distribution business.

Investment in associates decreased slightly by 1.5% or P87.6 million to P5,949.3 million as at end-2019 from P6,036.9 million as at end-2018. The decrease reflected the net effect of the

following: (i) decrease in investments due to cash dividends received from the investee companies amounting to ₱1,412.0 million and (ii) increase in investment due to fresh equity share in the earnings of investee companies amounting to ₱1,327.5 million in 2019.

Other noncurrent assets decreased by 12.0% to ₱215.2 million from ₱244.6 million due mainly to amortization of cost recovery adjustment approved by ERC to be recovered by PSALM through the distribution business segment of the Group over a period of seven years from January 2018. The original amount of ₱257.6 million was booked as noncurrent assets pending collections by initially charging the customers as part of the generation charge over a period of seven years. See Note 29 of the consolidated financial statements.

Customers' deposits grew by 12.9% to ₱149.1 million as at end-2019 from ₱132.1 million as at end-2018 due mainly to additional bill and material deposits received from customers.

Asset retirement obligation (ARO) increased by 33.5% to ₱81.4 million as at end-2019 from ₱61.0 million as at end-2018. The increase represents additional ARO to reflect changes in the assumptions used based on best estimates as of December 31, 2019.

Other noncurrent liabilities decreased by 20.1% to ₱146.0 million from ₱182.8 million due mainly to amortization of cost recovery adjustment approved by ERC to be recovered by PSALM through the distribution business segment of the Group over a period of seven years from January 2018. The original amount of ₱257.6 million was booked as noncurrent liabilities pending remittance to PSALM of the amount collected from customers. See Note 29 of the consolidated financial statements.

Appropriated retained earnings increased by ₱1,300.0 million (net) to ₱2,800.0 million as at end-2019 from ₱1,500.0 million as at end-2018 on account of new appropriations approved by the Parent Company's Board of Directors during the year (see Note 18 of the notes to consolidated financial statements).

Unappropriated retained earnings decreased by 17.0% to ₱5677.2 million as at end-2019 from ₱6,841.4 million as at end-2018. The net decrease of ₱1,164.2 million was accounted mainly as follows: (i) decrease due to cash dividends declared by the Parent Company amounting to ₱1,646.2 million; (ii) increase due to comprehensive income in 2019 attributable to equity holders of the Parent Company amounting to ₱1,782.3 million; and (iii) decrease amounting to ₱1,300.0 million due to appropriation for new projects per Note 18 of consolidated financial statements.

Cash Flows

2020 vs. 2019

The year 2020 was characterized by robust cash flows despite the pandemic. Net cash inflows exceeded cash outflows resulting in a 22.2% increase in the balance of cash and cash equivalents to ₱3,944.3 million as at end-2020 from ₱3,277.4 million at the beginning of the year.

Major sources of cash and cash equivalents in 2020 were: (i) net cash provided by operating activities amounting to ₱629.2 million and (ii) cash dividends received from investee companies amounting to ₱1,381.0 million. These funds were used principally for: (i) payment of cash dividends amounting to ₱1,243.5 million, and (ii) new additions to property, plant and equipment amounting to ₱49.5 million.

2019 vs. 2018

Cash and cash equivalents increased by 9.9% to P3,227.4 million as at end-2019 from the end-2018 level of P2,937.0 million. Net cash inflows generated from operating and investing activities exceeded net cash flows used for financing activities in 2019.

Major sources of cash and cash equivalents in 2019 were from operating activities and cash dividends received from investee companies amounting to P664.7 million and P1,412.0 million, respectively.

The major applications of funds in 2019 were: (i) payment of cash dividends amounting to P1,672.8 million, and (ii) new additions to property, plant and equipment amounting to P103.6 million.

Key Performance Indicators

The following financial indicators are used, among others, to evaluate the performance of the Parent Company and its Subsidiaries:

Key Performance Indicators	2020	2019	2018
<u>For the years ended December 31:</u>			
Earnings per share	P1.07	P1.19	P1.24
Share in net earnings of associates	P1,213,454,901	P1,327,469,713	P1,265,412,079
Return on equity	15.80%	17.93%	19.61%
Return on assets	14.52%	16.43%	17.43%
Cash Flows:			
Net cash flows from operating activities	P629,238,373	P663,826,139	P301,093,533
Net cash flows from investing activities	P1,335,891,638	P1,302,561,277	P2,426,046,583
Net cash flows used in financing activities	(P1,247,833,991)	(P1,675,050,395)	(P1,237,727,455)
<u>As of December 31:</u>			
Balance of cash and cash equivalent at end of period	P3,944,306,886	P3,227,403,650	P2,937,042,859
Current ratio	9.71	7.82	7.33
Debt ratio	0.08	0.08	0.08
Debt-to-equity ratio	0.08	0.09	0.09
Solvency ratio	1.96	2.06	2.16

Earnings Per Share (EPS)

EPS is a measure of profitability representing net income attributable to equity holders divided by the weighted average number of shares outstanding as of the end of the year.

Share in Net Earnings of Associates

This indicates profitability of the investments and investees' contribution to the Group's net income. It is determined by multiplying the associate's comprehensive income or loss by the investor's percentage of ownership, less goodwill impairment cost, if any. Goodwill is the difference between the acquisition cost of an investment and the investor's share in the value of the net identifiable assets of the investee at the date of the acquisition.

Return on Equity

Return on Equity = Total comprehensive income divided by average total stockholders' equity. This ratio indicates the level of profit earned by the Group in comparison with the total amount of stockholders' equity found in the statements of financial position. The higher the return on equity, the higher the Group's ability to produce internally generated cash flows. Moreover, the higher the Group's return on equity compared to other companies in the same industry, the better.

Return on Assets

Return on Assets (ROA) = Total comprehensive income divided by average total assets. This ratio measures the ability of the Group's management to realize an adequate return on the total resources employed for the business. A high percentage rate indicates how the Group is well run and has a healthy return on assets employed.

Cash Flows

The Group uses the Statements of Cash Flows to determine the sources and application of funds for the period and to analyze and evaluate how the sources and uses of funds are being managed.

Current Ratio

Current Ratio = Total current assets divided by total current liabilities. This ratio is a rough indication of the Group's ability to service its current obligations. The higher the current ratio, the greater the Group's ability to pay its current obligations.

Debt Ratio

Debt ratio = total liabilities divided by total assets. The ratio indicates the degree of protection provided for the Group's creditors. A high ratio generally indicates greater risk being assumed by creditors. On the other hand, a low ratio indicates greater long-term financial safety.

Debt-to-Equity Ratio

Debt-to-Equity Ratio = total liabilities divided by total equity. The ratio indicates how leveraged the Group is. It compares the resources provided by creditors against the resources provided by the stockholders in running the business of the Group.

Solvency Ratio

Solvency Ratio = the sum of total comprehensive income, depreciation and amortizations divided by the sum of long-term and short-term liabilities. This ratio provides another measurement of how likely the Group will be able to continue meeting its debt obligation. The higher the ratio, the greater the Company's ability to continue meeting its debt obligations.

Known Trends

Except as already discussed herein and disclosed in the notes to the consolidated financial statements, management is not aware of any other trend, event or uncertainty to have had or that are reasonably expected to have a material favorable or unfavorable impact on net

sales/revenues/income from continuing operations. Management is likewise not aware of any other event that will trigger direct or contingent financial obligation that is material to the Group, including any default or acceleration of an obligation.

Any Significant Elements of Income or Loss from Continuing Operations

There are no significant elements of income or loss from continuing operations.

Material Off-Balance Sheet Items

There are no material off-balance sheet transactions, arrangements, obligations, and other relationships of the Group with unconsolidated entities or other persons created during the reporting period.

Material Commitments for Capital Expenditures

As of December 31, 2020 there are no material commitment for capital expenditures other than in the ordinary course of business to improve power generation and distribution facilities. Funding comes from internally generated cash from operations.

Seasonal Aspects

The Group does not have any seasonal aspect that has a material effect on the financial condition or results of operations.

Changes in and Disagreements with Accountants on Accounting and Financial Disclosure

There are no changes in and disagreements with Accountants on accounting and financial disclosures.

External Audit Fees

For the annual review of the Parent Company's and Subsidiaries' financial statements and other assurance and related services, the audit fees were ₱1.5 million and ₱1.3 million in 2020 and 2019, respectively, exclusive of VAT and out-of-pocket expenses. The fees were inclusive of consultancy services on tax matters amounting to ₱0.2 million in 2020.

Engagement of external auditor's services is bid out among qualified auditing firms. For the audit of the Parent Company's and Subsidiaries' annual financial statements, award is endorsed by the Board Audit Committee, recommended by the Board to the shareholders and approved by the shareholders during its annual meeting. Award of other services are approved by the Audit Committee as endorsed by the Internal Audit Department.

III. CONTROL & COMPENSATION INFORMATION

Directors and Executive Officers

Hereunder is the list of directors and executive officers of the Parent Company for 2019-2020 and their respective positions.

<u>Name</u>	<u>Nationality</u>	<u>Position with the Company</u>
Alfredo L. Henares ^{1,2}	Filipino	Chairman
Dennis T. Villareal ¹	Filipino	Director, President & CEO
Alberto P. Fenix, Jr. ¹	Filipino	Executive Director
Roberto F. de Ocampo ³	Filipino	Director (Independent)
Enrique L. Benedicto ⁴	Filipino	Director (Independent)
Ramon Y. Sy ⁵	Filipino	Director (Independent)
Sergio R. Ortiz-Luis, Jr. ⁶	Filipino	Director (Independent)
Lee, Kyung-Eun ⁸	Korean	Director
Yoon, Jong-Ryoon ⁷	Korean	Director
Kim, Yong-Uk ⁷	Korean	Director
Youn, Sang Young ⁸	Korean	Director
Maria Luz L. Caminero ⁹	Filipino	SVP, Legal/Regulatory Affairs and Compliance Officer
Cesar O. Villegas ¹⁰	Filipino	SVP-Operations and Business Development
Jaime M. Balisacan ¹¹	Filipino	SVP – Finance and Administration/ Treasurer
James Roy N. Villareal ¹²	Filipino	Vice President
Nino Ray D. Aguirre ¹³	Filipino	VP - Finance
Victor P. Lazatin ¹⁴	Filipino	Corporate Secretary
Mishelle Ann Rubio-Aguinaldo ¹⁵	Filipino	Asst. Corporate Secretary

¹ Directors and/or officers since incorporation on August 17, 1994.

² Mr. Alfredo L. Henares elected has been Chairman since May 30, 2014 up to the present.

³ Director from November 25, 2002 up to the present.

⁴ Director from September 16, 2008 up to the present.

⁵ Director from Nov. 12, 1998 to Nov. 25, 2002 and from Feb. 15, 2006 up to the present.

⁶ Director from May 30, 2017 up to the present.

⁷ Director from April 4, 2019 up to the present.

⁸ Director from April 7, 2021 up to the present.

⁹ SVP for Legal/Regulatory Affairs from Nov. 18, 2013 up to present; concurrent Corporate Secretary from Dec. 3, 2014 to Nov. 20, 2017; also designated as Compliance Officer since Nov. 21, 2017.

¹⁰ VP-Operations and Business Development effective Dec. 3, 2014; appointed as SVP effective April 3, 2018.

¹¹ VP- Finance from Aug. 16, 1997 to April 2, 2018; SVP for Finance and Administration effective April 3, 2018; concurrent Treasurer from November 25, 2019 up to the present.

¹² Assistant Vice President effective November 28, 2018; Vice President from May 30, 2019 up to the present..

¹³ VP-Finance effective May 7, 2020.

¹⁴ Corporate Secretary since June 25, 2020.

¹⁵ Assistant Corporate Secretary since April 3, 2018.

Unless otherwise provided by law, the powers, business and allocation of resources of the Parent Company are exercised, conducted and controlled by an eleven-member Board of Directors.

The Nomination Committee, created by the Board under its Manual of Corporate Governance, nominated the majority of the incumbent directors. The Nomination Committee further endorsed to the Board the Final List of Candidates for Independent Directors in the persons of Mr. Roberto F. de Ocampo, Mr. Enrique L. Benedicto, Mr. Ramon Y. Sy, and Mr. Sergio R. Ortiz-Luis, Jr. Mr. Dennis T. Villareal was the one who nominated the Independent Directors. Mr. Dennis T. Villareal is not related to Messrs. De Ocampo, Benedicto, Sy and Ortiz-Luis by consanguinity nor affinity. Neither is there a professional relationship between Mr. Dennis T. Villareal and Messrs. De Ocampo, Benedicto, Sy and Ortiz-Luis.

In compliance with the provisions of SRC Rule 38, the Board of Directors amended its By-laws on December 8, 2004 and March 11, 2005 to include a provision on the procedure and selection of Independent Directors.

Each Director has a term of office of one year and is eligible for re-election every year. Each Director beneficially owns at least one share of the capital stock of the Parent Company. The members receive such compensation as determined by the Board of Directors.

By resolution passed by the Board, the Directors may designate one or more committees which, to the extent provided by said resolution, shall have and may exercise any of the powers of the Board which may lawfully be delegated in the management of the business and affairs of the Parent Company.

The executive officers of the Company are elected or appointed by the Board of Directors. The Chairman of the Board and the President/Chief Executive Officer are elected from the members of the Board.

Profile of the Incumbent Board of Directors and Executive Officers

Alfredo L. Henares, Filipino, 67 years old, has been a Director of the Parent Company since 1994. On May 30, 2014, he was elected as Chairman and continues to serve as Chairman up to the present. He is also currently the Parent Company's Chairman of the Board Executive Committee and a member of the Audit Committee. He was a previous Treasurer of the Parent Company and Mactan Electric Company, Inc. (MECO). On August 14, 2020, he was reelected in MECO as a Director and elected as Chairman of MECO's Audit, Compliance and Related Party Transactions Committee and Chairman of MECO's Executive Committee. He is likewise the Treasurer and Director of the following corporations: Salcon Philippines, Inc.; Salcon International, Inc.; SPC Property and Development Corp.; SPEC Properties Inc.; Western Panay Hydropower Corp.; SPC Electric Co., Inc.; and SPC Light Co., Inc. He was a Director of Bohol Light Company, Inc. and Bohol Water Utilities, Inc. for about seven years prior to his appointment as Chairman of both companies effective May 2007. In the year 2015, he relinquished his Chairman position to Mr. Lim Chan Lok and went back to being a Director in Bohol Water Utilities, Inc. He is also the Chairman of SPC Island Power Corporation, SPC Malaya Power Corporation and KV Holdings, Inc. He is likewise the President of Progressive Broadcasting Corp.; a Director of Isarog Pulp and Paper Co., Inc.; and the Executive Vice President and Chief Financial Officer of KEPCO SPC Power Corporation. He graduated from Harvard Graduate School with an MBA degree and from the Ateneo de Manila University with a Bachelor's Degree in Business Management.

Dennis T. Villareal, Filipino, 79 years old, is the Founding President, Chief Executive Officer and a Director of the Parent Company. He is also currently a member of the Parent Company Board Executive Committee and Corporate Governance Committee. He was previously the President of Mactan Electric Company, Inc. (MECO). On August 14, 2020, he was reelected in MECO as a Director and elected as Chairman of MECO's Nomination Committee and a member of MECO's Executive Committee. He is likewise the President and a Director of the following corporations: Salcon Philippines, Inc.; Salcon International, Inc.; SPC Island Power Corp.; SPC Property and Development Corp.; SPEC Properties, Inc.; Bohol Light Co., Inc.; Bohol Water Utilities, Inc.; Western Panay Hydropower Corp.; SPC Electric Co., Inc.; Rayfield Holdings, Inc.; SPC Light Co., Inc.; SPC Malaya Power Corporation; KV Holdings, Inc.; Filipinas Palmoil Processing Inc.; Filipinas Palmoil Plantations, Inc.; Filipinas Palmoil Properties, Inc.; Isarog Pulp and Paper Co., Inc.; Dentrade, Inc.; JAD Holdings, Inc.; and Intrepid Holdings, Inc. He is also the Vice Chairman and a Director of KEPCO SPC Power Corporation. In addition, he is the Vice-President and a Director of Dowell Packaging Corp.; Rowell Industrial Corp.; and Rowell Plastic Corp. He graduated from the University of Missouri with a Bachelor of Science Degree in Business Administration.

Alberto P. Fenix, Jr., Filipino, 76 years old, has been a Director of the Company since 1994. He has also been an Executive Director of the Parent Company since September 28, 2001 and a member of the Board Executive Committee since March 7, 2006. He is likewise a Director of SPC Electric Company, Inc. starting 2001; SPC Light Company, Inc. effective 2002; Bohol Light Company, Inc. effective May 2007; SPC Island Power Corporation effective November 2007; Western Panay Hydropower Corp. since 1997; SPC Malaya Power Corporation since September 2011 and KV Holdings, Inc. since December 13, 2010. In March 2009, he was appointed as Managing Director of SPC Island Power Corporation until his resignation on August 31, 2010 but remained as a Director up to the present. In addition, he is currently the Chairman and President of Fenix Management and Capital, Inc., Independent Director of DM Wenceslao and Associates, Inc., and of VC Securities Corporation. He serves as Trustee of the Angeles University Foundation, and of the AUF Medical Center. His prior positions include directorships in National Steel Corp.; Refractories Corporation of the Philippines, Inc.; Pryce Corp., Pryce Gases, Inc., Philippine National Oil Corp., Victorias Milling Company, Inc., Newtech Pulp, Inc., and Ivoclar Vivadent, Inc. with the last two corporations where he was Founding President and CEO until his retirement. Dr. Fenix is a business leader, having been President in 1998 and 1999, and currently the Honorary President of the Philippine Chamber of Commerce and Industry (PCCI) and President of the PCCI Human Resources Development Foundation, Inc. He graduated with a Bachelor's Degree in Mathematics (cum laude) from the Ateneo de Manila University and Master's and Doctorate degrees in Industrial Management from the Sloan School of Management of the Massachusetts Institute of Technology.

Roberto F. de Ocampo, Filipino, 74 years old, has been an Independent Director of the Parent Company and Chairman of the Board Audit Committee since November 25, 2002. He was the Secretary of Finance (1994-1998) during the presidency of Fidel V. Ramos. As Secretary of Finance, he was concurrently a member of the Board of Governors of the World Bank Monetary Fund. He also served as Chairman and CEO of the Development Bank of the Philippines (1989 – 1994) and Chairman of the APEC Finance Ministers (1997). He was named “Asian Finance Minister of the Year” by the Euromoney and Asianmoney magazines in 1996 and 1997, respectively. He was conferred the Legion of Honor, the highest honor conferred on Filipino civilians, by the Republic of the Philippines in 1998 for his outstanding contributions to the country. He is/was Chairman of PAMI Global Bond Fund, Inc.; Philam Bond Fund, Inc.; Philam Dollar Bond Fund, Inc.; Philam Fund, Inc.; Philam Managed Income Fund, Inc.; Philam Strategic Growth Fund, Inc.(2014); Governance Commission for Government Owned or Controlled

Corporations Multi-Sectoral Governance Council (2014); and Center for Philippine Futuristics Studies and Management, Inc. (2014); He is/was also Chairman and/or Board Member of several companies/organizations in the Philippines and abroad including, among others, Bankers' Association of the Philippines (2016); South Forbes City College (2016); Philippine Business for the Environment (2015); Philippine Veterans Bank (2013); Intervest Project, Inc. (2013); Libera International Advisory Board – London (2013); Global Reporting Initiative –Amsterdam (2013); DFNN International, Inc. (1999); Bankard, Inc.(2006); EEI Corporation (2005); Corporate Governance Institute of the Philippines (2004); Philippine Cancer Society (1998); Makati Business Club (2006); Foundation for Economic Freedom (2012); Philippine Quality & Productivity Movement, Inc. (2012); Investment & Capital Corporation of the Philippines (2011); Centennial Group (Washington), D.C. (1999); Renewable Energy Asia Fund – Berkeley Energy, UK (2008); and Pacific Gaming Investments Pte. Limited (2010). Dr. de Ocampo received his MBA from the University of Michigan, a post-graduate diploma from the London School of Economics and has been conferred three Doctorates (Honoris Causa).

Enrique L. Benedicto. Filipino, 79 years old, was appointed as Independent Director of the Parent Company on September 16, 2008 and continue to serve as such up to the present. Currently, he is also a member of the Corporate Governance Committee. He is Chairman of the following companies: Enrison Holdings, Inc.; Enrison land, Inc.; Mabuhay Filcement, Inc.; Benedict Ventures, Inc.; and Berben Wood Industries, Inc. He is likewise the Vice Chairman of Bernardo Benedicto Foundation, Inc. Previously, he was either the Chairman or President of the following: Consular Corps of the Philippines, Cebu Chapter; Philippine Foundation, Inc.; Cebu Jaycee Foundation; and Cebu Jaycee Senate. He was also a Vice Chairman of the Cebu Investment Promotion Center and Trustee of the Cebu Chamber of Commerce & Industry, Inc. He was Honorary Consul of the Royal Consulate of Belgium from 1986 to 2017 and recipient of the following prestigious awards: Entrepreneur of the Year award (Grand Chamber Award) given by the Cebu Chamber of Commerce on June 28, 2013; "Officer in the Order of Leopold II" award conferred by His Majesty Baudowin King of the Belgians; Most Outstanding Cebuano Citizen presented during the 54th Cebu City's Charter day celebration; Great Cebuano Award conferred by the Province of Cebu, Mandaue Chamber of Commerce and Industry, Inc., Kapisanan Ng Mga Broadcaster ng Pilipinas (KBP), and Sugbuanong Kumintaristang Nagpakabana (SUKNA); Most Outstanding Alumnus conferred by the University of San Jose-Recoletos; Recognition Award for Outstanding Achievements by the Cebu City Government; and Recognition Award as a Member of the Board of Trustees for Ten Consecutive Years of the Cebu Investment Promotions Center. Mr. Benedicto has a Bachelor of Science in Commerce degree from the University of San Jose Recoletos.

Ramon Y. Sy. Filipino, 89 years old, was a Director of the Parent Company from November 12, 1998 to November 25, 2002 and reelected from February 15, 2006 up to the present. He was also appointed as Independent Director on May 30, 2017 and continue to serve as such up to the present. Currently, he is also a member of the Board Audit Committee and Corporate Governance Committee. He is presently the Vice Chairman and Director of Asia United Bank. He is the Chairman of Ramsy Corporation; Travelman, Inc.; Xcell Property Ventures, Inc.; and Apex Mining Co., Inc. He is a Trustee of St. Luke's Medical Center and St. Luke's Medical School. He is a director of Philippine Equity; Maxicare Health Care Corporation; Asian Alliance Holding and Development Corp.; and Asian Alliance Investment Corporation. He is likewise the President and a Director of Monte Oro Resources and Energy, Inc. He used to be the President of the Bankers Association of the Philippines; President and Chief Executive Officer of International Exchange Bank; Chairman and Chief Executive Officer of United Coconut Planters Bank and various companies associated with the coconut industry including CIIF Management Company, Inc.; Chairman of Asean Fund Limited; President of Megalink, Inc; Director of ANSCOR

Insurance Brokerage Corporation and San Miguel Corporation; Country Manager of Bank of America; and President of BA-Finance Corporation. He earned his MBA degree at the University of the Philippines and his Bachelor of Science in Commerce degree at the Far Eastern University.

Sergio R. Ortiz-Luis, Jr., Filipino, 77 years old, was appointed as Independent Director of the Parent Company on May 30, 2017 and continue to serve as such up to the present. Currently, he is also the Chairman of the Board Corporate Governance Committee and a member of the Board Audit Committee. He is Chairman of Country Garden Agri-Tourism Development, Inc.; Manila Waterfront City; and Philippine International Airways. He is Honorary Chairman/Treasurer of the Philippine Chamber of Commerce and Industry; President and CEO of Philippine Exporters Confederations, Inc.; Honorary Chairman and Past President of Employers Confederation of the Philippines; Chairman of the National Center for Mediation; Vice Chairman/Independent Director of VC Securities Corporation; Director and Past President of Philippine Foundation, Inc.; Founding Director of International Chamber of Commerce of the Philippines; Vice Chairman of Alliance Global, Inc.; Honorary Chairman of Integrated Concepts & Solutions, Inc.; Trustee and Treasurer of Human Resources Development Foundation. He is likewise a Director of Drug Abuse Resistance Education (DARE) Phil.; Waterfront Philippines, Inc.; The Wellex Group; Manila Exposition Complex, Inc.; Lasaltech Academy; Philippine Estate Corporation; B.A. Securities; Rural Bank of Baguio; Acesite Hotel Philippines, Inc.; Forum Pacific, Inc.; Jollville Holdings Corporation; Philippine H2O Ventures Corp.; and LikeCash Asia & the Pacific Corporation. He is the President of Asia Pacific Chinese Media, Inc. His government affiliation includes being Vice Chairman of Export Development Council; Commissioner of Patrol 117; BPLS Champion of National Competitiveness Council; Member of the Industry Development Council and Private Sector Representative to the Philippine Bamboo Council. His civic organization affiliation includes being the Chairman of Rotary Club of Green Meadows Foundation; the Past President of Rotary Club Green Meadows Quezon City RI District 3780; a Senator of the Philippine Jaycee Senate; a Captain of the Philippine Coastguard Auxiliary; the Director/Treasurer of PILAK Foundation and the Vice Chairman of JARDELI Club Foundation. He is also the Honorary Consul General of the Consulate of Romania in the Philippines; Treasurer of the consular Corps of the Philippines and Honorary Adviser of the International Association of Educators for Work Peace. He was a recipient of various awards like the Business Leadership Award by the Business News Magazine, ICCP Global Excellence Award, ORAS Award, Presidential Merit Award Medal, Ulirang Ama, Most Outstanding Pasigueño, Most Outstanding Citizen of Nueva Ecija in the field of Business and International Peace Award for Economic Development to name a few. He graduated from De La Salle University with a degree of Bachelor of Arts and Bachelor of Science in Business Administration. He also took his masteral degrees in Business Administration; PhD in Humanities. and PhD in Business Technology at De La Salle University, Central Luzon University and Eulogio "Amang" Rodriguez Institute of Science and Technology, respectively

Lee, Kyung-Eun, Korean, 39 years old, was elected to the Parent Company's Board and appointed as member of the Board's Executive Committee on April 7, 2021 to replace Mr. Chung, Keeyong who was recalled to KEPCO's main office in South Korea for a new assignment. She is also currently the Senior Manager of Finance Department of KEPCO Philippines Corporation and KEPCO Philippines Holdings, Inc. Ms. Lee joined KEPCO in 2003 and held the following positions: Senior Manager, Global Business Management Dept.; Senior Manager, Grid Planning Dept.; Senior Manager, Legal Affairs Dept.; and Assistant Manager, Overseas Project Development Dept. Educational attainment: BA in Law, Korea National Open University, Korea (2007) and BA in English Literature and Asia-Pacific Business Admin, Hanyang University, Korea (2004).

Yoon, Jong-Ryoon, Korean, 54 years old, was elected to the Parent Company's Board on April 4, 2019. He is also currently the President of KEPCO SPC Power Corporation, KEPCO Philippines Holdings, Inc. and KEPCO Philippines Corporation. He was previously a Senior Manager of Kepco Philippines, Planning Department and a General Manager of Procurement Department, Kepco HQ. He graduated in 1992 with a Bachelor's Degree in Economics at Korea University. In 2017, he completed his Public Leadership Course at Seoul University.

Kim, Yong-Uk, Korean, 49 years old, was elected to the Parent Company's Board on April 4, 2019. He is also currently a member of the Board Executive Committee, Audit Committee and Corporate Governance Committee. He was previously a Senior Manager of KEPCO Philippines, Senior Manager of KEPCO's UAER Nuclear Project Department, General Manager of KEPCO's Kyeongsan Regional Office, and General Manager of KEPCO's Overseas Business Department. He graduated in 1997 with a Bachelor's Degree in Management at Kyungpook National University. He earned his UMBA at Helsinki School of Business in 2007.

Youn, Sang Young, Korean, 50 years old, was elected to the Parent Company's Board on April 7, 2021 to replace Mr. Kim, Jeong-Heon who was recalled to KEPCO's main office in South Korea for a new assignment. He is currently the Senior Manager of KEPCO Global Business Development Dept. He also held other positions in KEPCO including as: General Manager - KEPCO Gumi Regional Office, Gyeongbuk; Senior Manager - KEPCO Smart KGrid & New Business Dept.; Senior Manager - KEPCO Transmission & Substation Construction Dept.; Senior Manager - KEPCO Global Business Development Dept.; and Senior Manager - KEPCO Structural Adjustment & Privatization Dept. Educational background: UM-Master of Business Administration, Helsinki School of Economics, Finland and Bachelor of Laws, Chung-Ang University, Republic of Korea

Maria Luz L. Caminero, Filipino, 58 years old, was appointed Senior Vice President for Legal/Regulatory Affairs of the Parent Company on November 18, 2013 and continues to serve as such up to the present. Atty. Caminero was also appointed as Corporate Secretary from December 3, 2014 to November 20, 2017. She was also designated as Compliance Officer on November 20, 2017 up to the present. She has practiced law for twenty-five (25) years. Her present practice focuses on energy law, particularly in the power industry in the Philippines. From 2003-October 2013, she was the Vice-President and General Counsel of the Power Sector Assets and Liabilities Management Corporation (PSALM). During her ten-year stint in PSALM, she was designated as Acting President from April-June 2010 and thereafter appointed as OIC from June-September 15 of the same year. Prior to her work at PSALM, she was the Chief Corporate Attorney for National Power Corporation (NPC) in the Tax Counseling Corporate Affairs and Government Relations Department and Litigation Department, Office of the General Counsel. She also served as legal adviser to the Office of the NPC President during the terms of two NPC presidents. In the transition period in anticipation of the implementation of the EPIRA, she was capbadged and assigned to TRANSCO to work on transmission business transactions. Atty Caminero worked for NPC from 1995 -2003, although eventually detailed to work for PSALM in 2001-2003. Atty. Caminero also worked with the Judiciary for a period of six years. She was the Head Lawyer (Court Attorney V) of the Office of Associate Justice Florida Ruth P. Romero, Supreme Court from 1991-1995. Earlier, she worked in the Office of Associate Justice Fidel P. Purisima, Court of Appeals, as Court Attorney V from 1989 -1991. As an underbar, she worked with the Office of Senator Santanina T. Rasul in the latter part of 1988 -1989.

Cesar O. Villegas, Filipino, 59 years old, was appointed as Senior Vice President for Operations and Business Development on April 3, 2018. He joined the SPC Group on February 2, 2010 as Senior Manager for Business Development/Technical Assistant to the President and later as Vice President for Business Development and Commercial Operation effective December 3, 2014.

Before joining the SPC Group, he was a Technical Manager of Ultrawaters, Inc. (a water treatment company); Electrical Engineer at Rudell & Associates; Project Manager at Pangea Green Energy Phils. Inc.; Operations Manager and Operations Shift Manager at Enron Power Philippines; Planning & Scheduling Chief, Instrumentations Engineer and Control Switchboard Engineer with National Power Corporation; and Plant Electrical Engineer at Coco-Chemicals Philippines. He obtained his Bachelor of Science in Electrical Engineering degree from the Mapua Institute of Technology. He is a Registered Electrical Engineer.

Jaime M. Balisacan, Filipino, 66 years old, has been the Senior Vice President for Finance and Administration since April 3, 2018 and concurrent Treasurer from November 25, 2019 up to the present. He was elected as Treasurer of Mactan Electric Company, Inc. from August 14, 2020 up to the present. He also renders financial services to certain subsidiaries in the SPC Group. Mr. Balisacan joined the SPC Group on August 16, 1997 as Vice President for Finance of the Parent Company. Before joining the SPC Group, he was the Controller of Toledo Power Company from July 1994 to August 1997. He also worked as Financial Services Director/Specialist with Atlas Consolidated Mining and Development Corporation (ACMDC) from March 1989 to June 1994. He likewise served ACMDC in other capacities as Inventory Control Superintendent – Materials Management Division, Group Head/Inventory Accountant, Accounting Supervisor and Audit Clerk – Comptrollers Division. Mr. Balisacan is a Certified Public Accountant. He graduated from the Divine Word College of Laoag, Laoag City with a degree in Bachelor of Science in Commerce, Major in Accounting.

James Roy N. Villareal, Filipino, 31 years old, was appointed as Assistant Vice President on November 28, 2018 and as Vice President from May 30, 2019 up to the present. He was connected with Seawood Resources, Inc. as Senior Analyst. He was an intern at Ernst & Young, LLP, Assurance Services Department in Beijing, China, One Bank Talent Development Program of Credit Suisse AG in Hongkong, and Bank of Singapore Finance Department in Singapore. He was also a Management Trainee with Asian Agri Group in Sumatra, Indonesia and a Cadet Assistant Manager with Samling Plantation Group, Sdn Bhd in Sarawak, Malaysia. He graduated from the University of Illinois at Urbana-Champaign with a degree of Bachelor of Science in Finance.

Nino Ray D. Aguirre, Filipino, 43 years old, has been the Group's Vice President for Finance since his election on May 7, 2020 up to the present. Before joining the Group, he was the Chief Financial Officer of Gendiesel Philippines, Inc.; Cost Controller of Ocean Rig Ultra Deepwater, Inc. of its South Korea Drillship Construction Projects; and Country Controller of Atlantic Marine Service Egypt based in Cairo, Egypt. He also worked in various international onshore locations such as India, Angola, South Africa, France, United States and Brazil when he was with Pride International, Inc. as a Senior Projects Cost Controller. He was also a Senior Cost Accountant III in Fujitsu Ten Corporation of the Philippines and an Associate in Sycip Gorres Velayo & Co., an affiliate of Ernst & Young. He graduated from the University of the Philippines in the Visayas with a degree of Bachelor of Science in Accountancy in April 1999 and became a Certified Public Accountant in October of the same year.

Victor P. Lazatin, Filipino, 73 years old, was elected as Corporate Secretary on June 25, 2020. He is connected with Angara Abello Concepcion Regala & Cruz (ACCRA) Law Offices since 1973: Associate (1973), Senior Associate (1974 to 1976); Partner (1977 to 1981); Senior Partner (1982-2012); Managing Partner (1992-2002); Of Counsel (2012 to 2020); and Senior Legal Counsel (2021). Presently, he is the Chairman of the Philippine Dispute Resolution Center, Inc. (2016) where he also served as President from 2009 to 2013. He was formerly a President of the Philippine Bar Association (2006-2007) and the Philippine Institute of Construction Arbitrators

and Mediators (2004-2006). He is also a member of the International Court of Arbitration, Paris (2014 to present), the Asean Law Association, and the Inter-Pacific Bar Association. He was a Member of the Board of Directors of the following corporations: Philippine Bank of Communications (PBCOM), United Overseas Bank, Ltd. Manila, and Century Bank of California. He is the Chairman of Timog Silangan Development Corporation, Kenram Industrial and Development, Inc., and Kenram Palm Oil Industries, Inc., among others. He is a director of the MJC Investment Corporation, ACCRAIN Investment Corporation and Worldwide Express. At present, he is the Chairman of the UP Law Alumni Association (2014 to present) and a Director and the Treasurer of UP Law Alumni Foundation. He was also a former President of the UP Law Alumni Association (1996) and UP Law Class '71. He earned his Bachelor of Laws degree in 1971, as *Cum Laude*, and his AB Economics degree in 1967 from the University of the Philippines. In 1974, he obtained his Master of Laws from the University of Michigan as Clyde Alton de Witt Fellow. Atty. Lazatin ranked 3rd in the 1971 Bar Examinations.

Mishelle Anne R. Rubio-Aguinaldo, Filipino, 33 years old, was elected as Assistant Corporate Secretary on April 3, 2018. She is a Managing Partner of Rubio-Aguinaldo & Salig-Bathan Attorneys-at-Law (RASBLaw). She is actively engaged in various practice areas of law such as Civil Law, Criminal Litigation, Labor Law, Corporate and Commercial Law, Energy Law, Maritime Law, and Appellate Practice. She is a legal adviser of Archipelago Philippine Ferries Corporation and its Group of Companies from 2019 up to present; is currently the Corporate Secretary and legal adviser of Channel Technologies, Inc. and Channel Solutions, Inc. She is a member of the International Bar Association and a supervising lawyer of the San Beda College Alabang Legal Aid Center. She was an Associate of Ancheta & Associates Attorneys-at-Law (AAA Law) for three (3) years (2016 to 2019) and was promoted as a Senior Associate of the firm in 2017. She earned her Bachelor of Laws degree at San Beda College Alabang School of Law in 2015 and was the *top ten* of her batch. She obtained her Bachelor of Arts Major in Political Science (minor in Economics) from the University of the Philippines Manila.

The disclosed business experience of the above Directors and Officers is for at least the last five years, unless otherwise indicated in their profiles.

Family Relationships

Mr. Dennis Villareal is the father of Mr. James Roy N. Villareal. Other than this, no officers or directors are related within the fourth degree of consanguinity.

Involvement in Certain Legal Proceedings

None of the Directors and Officers were involved in the past five years in any insolvency or bankruptcy proceeding. Neither have they been convicted by final judgment in any criminal proceeding, nor been subject to any order, judgment or decree of competent jurisdiction, permanently enjoining, barring, suspending, or otherwise limiting their involvement in any type of business, securities, commodities, or banking activities, nor found in action by any court or administrative body to have violated a securities or commodity law.

Qualification and Election of Directors

The Parent Company has 11 directors. Under the Corporation Code, each director must be a stockholder of record at the time of election. The directors are elected by a plurality of votes at the annual meeting of the Parent Company each year. At each election of directors, every stockholder has the right to vote, in person or by proxy, the number of shares owned by such

stockholder for as many persons as there are directors to be elected or to cumulate such stockholder's votes by giving one candidate as many votes as the number of such directors multiplied by the number of such stockholder's share, or by distributing such votes on the same principle to any number of candidates. Directors so elected hold office until the expiration of their respective terms and until the election and qualification of their respective successors.

Dependence on Certain Key Personnel

Dennis T. Villareal, the Parent Company's President and Chief Executive Officer, has contributed significantly to the overall success of the Group. The loss of his services could, therefore, have an adverse impact on the future performance of the Group.

There is no significant employee or personnel who is not an executive officer but is expected to make a significant contribution to the business of the Group.

Compensation of Directors and Executive Officers

1. Terms and Conditions of Employment Contract, Compensation Plan:

Except for the President and the Executive Director, the Parent Company's other Senior Officers are also regular employees and are similarly remunerated with a compensation package equivalent to thirteen (13) months salary per annum. They also receive whatever year-end gratuity pay the Board extends to the managerial, supervisory, and technical employees of the Parent Company. These terms and conditions are included in the employment contract between the Parent Company and its Senior Officers.

The members of the Board of Directors are elected for a term of one year. They receive annual remuneration in director's fees, in addition to compensation of ₱27,777.78 per director on a per board or committee meeting participation. Moreover, members of the Board of Directors who perform executive functions are paid additional remuneration.

The aggregate compensation paid or incurred during the last three years and estimated to be paid in the ensuing year to the Parent Company's President and CEO, Executive Director, and four (4) most highly compensated Senior Officers are as follows:

<u>Name & Principal Position</u>	<u>Year</u>	<u>Salary (Pesos)</u>	<u>Bonus (Pesos)</u>	<u>Total</u>
President/CEO, Executive Director, and four (4) most highly compensated Senior Officers	Projected 2021	34,327,928	3,192,011	37,519,938
	Actual 2020	33,426,666	3,040,010	36,466,676
	Actual 2019	28,647,257	2,841,705	31,488,962
	Actual 2018	29,341,364	2,620,000	31,961,364
All Directors and Senior Officers as a group unnamed	Projected 2021	40,727,827	3,192,011	43,919,837
	Actual 2020	39,226,565	3,040,010	42,266,575
	Actual 2019	35,275,035	2,841,705	38,116,740
	Actual 2018	35,113,586	2,620,000	37,733,586

The highest ranked Senior Officers included in the foregoing compensation table are the following:

Mr. Dennis T. Villareal - President and CEO/Director.

Dr. Alberto P. Fenix, Jr. - Executive Director/Director.
 Atty. Maria Luz L. Caminero - SVP, Legal/Regulatory Affairs and Compliance Officer.
 Mr. Cesar O. Villegas – SVP, Operations and Business Development.
 Mr. Jaime M. Balisacan – SVP, Finance and Administration/Treasurer.
 Mr. James Roy N. Villareal – Vice President.

In 2020, the incumbent non-executive directors and independent directors of the Parent Company received remuneration in annual director's fees and compensation on a per meeting participation as follows:

Director	Amount
Alfredo L. Henares	P961,111
Roberto F. de Ocampo	738,889
Enrique L. Benedicto	738,889
Ramon Y. Sy	738,889
Sergio R. Ortiz-Luiz, Jr.	766,667
Chung, Keeyong	77,778
Yoon, Jong-Ryoon	683,333
Kim, Yong-Uk	766,667
Kim, Jeong-Heon	655,556
Total	P6,127,779

2. Other than what is provided under applicable labor laws, there are no compensatory plans or arrangements with executive officers entitling them to receive any sum of money as a result of their resignation, retirement or any other termination of employment, or from a change in control of the Parent Company, or a change in the executive officers' responsibilities following a change in control of the Parent Company. There are no warrants or options outstanding in favor of directors and officers of the Parent Company.

Persons Known to the Registrant to be Directly or Indirectly the Record or Beneficial Owner of More Than 5% of Any Class of the Registrant's Voting Securities

As of March 31, 2021, the following stockholders beneficially own more than 5% of the Parent Company's common shares:

Title of Class	Name and Address of Record Owner and Relationship with the Issuer	Name of Beneficial Owner and Relationship with Record Owner	Citizenship	Number Of Shares	Percent of Class
Common	KEPCO Philippines Holdings, Inc. ¹ 18 th Floor, Citibank Center 8741 Paseo de Roxas, Makati City (Stockholder) ³	KEPCO Philippines Corp. Mr. Yoon, Jong-Ryoon, President & CEO	Korean	568,098,822	37.96%
Common	Intrepid Holdings, Inc. ² 7 th Floor, Citibank Center 8741 Paseo de Roxas, Makati City (Stockholder) ³	Intrepid Holdings, Inc. Mr. Dennis T. Villareal, President	Filipino	321,905,611	21.52%
Common	JAD Holdings, Inc. ² 7 th Floor, Citibank Center 8741 Paseo de Roxas, Makati City (Stockholder) ³	JAD Holdings, Inc. Mr. Dennis T. Villareal, President	Filipino	293,201,397	19.59%

¹ Mr. Yoon, Jong-Ryoon shall exercise the voting power of KEPCO Philippines Holdings, Inc.

² Mr. Dennis T. Villareal shall exercise the voting power for JAD Holdings, Inc. and Intrepid Holdings, Inc.

³ The above record owners are purely stockholders.

Security Ownership of Directors/Management

The following Directors/Management personnel own shares in the Company as of March 31, 2021:

Title of Class	Name of Beneficial Owner	Citizenship	Number of Shares and Nature of Ownership	Percent of Ownership
Common	Dennis T. Villareal	Filipino	6,425,501(d)	0.43 %
Common	Alfredo L. Henares	Filipino	1 (d)	n.m.
Common	Alberto P. Fenix, Jr.	Filipino	855,933 (d)	0.06
Common	Ramon Y. Sy.	Filipino	2 (d)	n.m.
Common	Roberto F. de Ocampo	Filipino	1 (d)	n.m.
Common	Enrique L. Benedicto	Filipino	1 (d)	n.m.
Common	Yoon, Jong-Ryoon	Korean	1 (d)	n.m.
Common	Lee, Kyung-Eun	Korean	1 (d)	n.m.
Common	Youn, Sang Young	Korean	1 (d)	n.m.
Common	Sergio R. Ortiz-Luis, Jr.	Filipino	1 (d)	n.m.
Common	Kim, Yong-Uk	Korean	1 (d)	n.m.
Common	Jaime M. Balisacan	Filipino	51,000 (d)	n.m.
Common	Maria Luz L. Caminero	Filipino	137, 098	0.01
Common	Cesar O. Villegas	Filipino	685, 492	0.05
Common	James Roy N. Villareal	Filipino	274,196 (d)	0.02
Common	Nino Ray D. Aguirre	Filipino	0	
Common	Victor P. Lazatin	Filipino	0	
Common	Mishelle Ann R. Rubio-Aguinaldo	Filipino	0	
Directors and Management personnel as a Group			8,429,230	0.56%

d-direct

n.m.- not material

The above company directors and officers shall hold office for one (1) year until their successors are duly elected and qualified. Such other officers may, from time to time, be appointed by the Board of Directors and shall hold office for such period as the Board of Directors may determine.

Voting Trust Holder/s

The Parent Company is not aware of any existing voting trust agreement involving Parent Company shares.

Change in Control

There are no arrangements that may result in a change in control of the Parent Company during the period covered by this report.

IV. CORPORATE GOVERNANCE

Pursuant to Memorandum Circular No. 15, Series of 2017 issued by the Securities and Exchange Commission (SEC) and SEC Notice dated April 20, 2020, the Parent Company's 2019 Integrated Annual Corporate Governance Report (I-ACGR) will be filed with the SEC on or before May 30, 2021. The Parent Company's 2020 I-ACGR will also be available in the Parent Company's website at www.spcpowergroup.com.

V. SUSTAINABILITY REPORT

As prescribed under Memorandum Circular No. 4, Series of 2019 issued by the Securities and Exchange Commission (SEC), the 2020 Sustainability Report of the Parent Company and its Subsidiaries is attached to this Annual Report as Exhibit 3.

VI. EXHIBITS & SCHEDULES

Exhibits

Exhibit 1- Consolidated Financial Statements of the Parent Company and its Subsidiaries (audited) which comprise the consolidated statements of financial position as at December 31, 2020 and 2019; and consolidated statements of comprehensive income; consolidated statements of changes in stockholders' equity; consolidated statements of cash flows for each of the three years in the period ended December 31, 2020 and notes to consolidated financial statements.

Exhibit 2- Financial Statements of the Parent Company (audited) which comprise the Parent Company statements of financial position as at December 31, 2020 and 2019; and Parent Company statements of comprehensive income; Parent Company statements of changes in stockholders' equity; Parent Company statements of cash flows for each of the three years in the period ended December 31, 2020; and notes to Parent Company financial statements.

Exhibit 3- 2019 Sustainability Report.

Reports on SEC Form 17
Reports on SEC Form 17-C

The following reports on SEC Form 17-C were filed with SEC/PSE from April 1, 2020 to March 31, 2021:

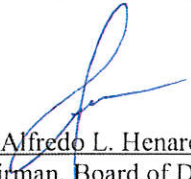
	Nature/Subject Matter of Disclosure	Date Filed (with SEC)
1.	Submission of report on the List of Top 100 SPC Power Corporation's Stockholders as of March 31, 2020 prepared by Metrobank, our transfer agent	April 15, 2020
2.	Submission of report on the List of SPC Power Corporation's Stockholders and their stockholdings as of June 3, 2020 prepared by Metrobank, our transfer agent	June 5, 2020
3.	<p>Submission of report on the Highlights of the Corporation's Annual Stockholders Meeting held on June 25, 2020 held in Makati City via Zoom video teleconference</p> <p>a) Approval of the Minutes of the Annual Stockholders' meeting of May 20, 2019;</p> <p>b) Presentation of the Report of Management;</p> <p>c) Approval of Directors' Fees for calendar year ended December 31, 2019;</p> <p>d) Ratification of past actions taken by the Board of Directors and Officers as of December 31, 2019;</p> <p>e) Election of the Board of Directors: Dennis T. Villareal Alfredo L. Henares Alberto P. Fenix, Jr. Kim, Jung-In Kim, Jeong-Heon Yoon, Jong-Ryoon Kim, Yong-Uk Roberto F. de Ocampo - (independent director) Enrique L. Benedicto - (independent director) Ramon Y. Sy - (independent director) Sergio R. Ortiz-Luis, Jr. - (independent director)</p> <p>f) Appointment of Sycip Gorres Velayo & Co. as external auditors for CY 2020;</p> <p>Submission of report on the highlights of the Organizational Meeting of the Board of Directors:</p> <p>a) Approval of the minutes of the May 7, 2020 regular meeting of the Board.</p> <p>b) Election of the following board committees and officers of the Corporation for Fiscal Year 2020-2021</p>	June 25, 2020

	<p><u>Executive Committee</u></p> <p>Chairman Alfredo L. Henares Members Dennis T. Villareal Alberto P. Fenix, Jr. Kim, Jung-In Kim, Yong-Uk</p> <p><u>Audit Committee</u></p> <p>Chairman Roberto F. de Ocampo Members Alfredo L. Henares Ramon Y. Sy Sergio R. Ortiz-Luis, Jr. Kim, Yong-Uk</p> <p><u>Corporate Governance Committee</u></p> <p>Chairman Sergio R. Ortiz-Luis, Jr. Members Dennis T. Villareal Enrique L. Benedicto Kim, Yong-Uk</p> <p><u>Officers</u></p> <p>Alfredo L. Henares - Chairman of the Board Dennis T. Villareal - President and CEO Alberto P. Fenix, Jr. - Executive Director Jaime M. Balisacan - SVP, Finance and Administration and Treasurer Ma. Luz L. Caminero - SVP, Legal and Regulatory Affairs and Compliance Officer Cesar O. Villegas - SVP, Business Development and Commercial Operations James N. Villareal - Vice President Niño Ray D. Aguirre - VP, Finance Victor P. Lazatin - Corporate Secretary Mishelle Anne R. Rubio-Aguinaldo - Assistant Corporate Secretary</p>	
4.	Submission of report on the List of Top 100 SPC Power Corporation's Stockholders as of June 30, 2020 prepared by Metrobank, our transfer agent.	July 14, 2020
5.	Submission of Report on the List of Top 100 SPC Power Corporation's Stockholders as of September 30, 2020 prepared by Metrobank, our transfer agent.	October 15, 2020
6.	Submission of report on the resignation of Mr. Kim, Jung-In from the Board and the subsequent appointment/election of Mr. Chung, Keeyong as his replacement. Mr. Chung,	December 4, 2020

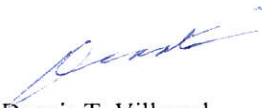
	Keeyong was also appointed/elected to the Executive Committee.	
7.	Submission of Report on the List of Top 100 SPC Power Corporation's Stockholders as of December 31,2020 prepared by Metrobank, our transfer agent.	January 15, 2021
8.	Submission of report on the Certification of Record of Attendance of SPC Power Corporation directors for calendar year 2020.	January 29,2021
9.	Submission of Certification of Independent Directors (Roberto F. de Ocampo, Ramon Y. Sy and Sergio R. Ortiz-Luis, Jr.)	January 24, 2020

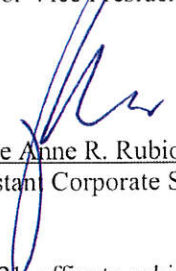
SIGNATURES

Pursuant to the requirements of Section 17 of the Code and Section 177 of the Revised Corporation Code, this report is signed on behalf of the issuer by the undersigned, thereunto duly authorized, in the City of Makati on April __, 2021.


Alfredo L. Henares
 Chairman, Board of Directors


Jaime M. Balisacan
 Senior Vice President/Treasurer


Dennis T. Villareal
 Director, President & CEO



Mishelle Anne R. Rubio-Aguinaldo
 Assistant Corporate Secretary

MAKATI CITY **APR 12 2021**

SUBSCRIBED AND SWORN to before me this __ day of April 2021, affiants exhibiting to me their Passports/Driver's License, as follows:

<u>Names</u>	<u>Phil. Passport / Driver's License</u>	<u>Date of Issue</u>	<u>Place of Issue</u>
Dennis T. Villareal	P8767960A	Sept. 17, 2018	DFA Manila
Alfredo L. Henares	EC6872847	February 29, 2016	DFA NCR East
Jaime M. Balisacan	G01-94-171271	February 11, 2018	LTO Cebu City
Mishelle Anne R. Rubio-Aguinaldo	N26-16-001204	March 19, 2018	LTO Muntinlupa

Doc No. 147;
 Page No. 29;
 Book No. 101;
 Series of 2021.


ATTY. JOSHUA P. LAPUZ
 Notary Public for and in Makati City
 Appointment No. M-66 until 12/31/2021
 PTR No. 8531012, Jan. 4, 2021 Makati Dec. 31 2021 Makati City
 Roll No. 45790, IEP, Lifetime N. 04897
 MCLE No. VI-0016565 / Jan. 14, 2019
 G/F Fedman Suites 199 Salcedo Street
 Legaspi Village, Makati City

COVER SHEET

for
AUDITED FINANCIAL STATEMENTS

SEC Registration Number

A	S	9	4	0	0	2	3	6	5
---	---	---	---	---	---	---	---	---	---

COMPANY NAME

S	P	C		P	O	W	E	R		C	O	R	P	O	R	A	T	I	O	N		A	N	D		S	U	B	S
I	D	I	A	R	I	E	S																						

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

7	t	h		F	l	o	o	r	,		C	e	b	u		H	o	l	d	i	n	g	s		C	e	n	t	e
r	,		A	r	c	h	b	i	s	h	o	p		R	e	y	e	s		A	v	e	n	u	e	,		C	e
b	u		B	u	s	i	n	e	s	s		P	a	r	k	,		C	e	b	u		C	i	t	y			

Form Type

A	A	C	F	S
---	---	---	---	---

Department requiring the report

C	R	M	D
---	---	---	---

Secondary License Type, If Applicable

N	/	A
---	---	---

COMPANY INFORMATION

Company's Email Address

www.spcpowergroup.com

Company's Telephone Number

(032) 232-0377

Mobile Number

N/A

No. of Stockholders

803

Annual Meeting (Month / Day)

05/28

Fiscal Year (Month / Day)

12/31

CONTACT PERSON INFORMATION

The designated contact person MUST be an Officer of the Corporation

Name of Contact Person

Jaime M. Balisacan

Email Address

jmbalisacan@spcpower.com

Telephone Number/s

(032) 232-0377

Mobile Number

(0917) 3231469

CONTACT PERSON'S ADDRESS

7th Floor, Cebu Holdings Center, Archbishop Reyes Avenue, Cebu Business Park, Cebu 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.



SPC POWER CORPORATION AND SUBSIDIARIES
INDEX TO THE CONSOLIDATED FINANCIAL STATEMENTS
AND SUPPLEMENTARY SCHEDULES
SEC FORM 17-A

	<u>Page</u>
CONSOLIDATED FINANCIAL STATEMENTS	
Statement of Management's Responsibility for Financial Statements	2
Independent Auditor's Report	3-7
Consolidated Statements of Financial Position as at December 31, 2020 and 2019	8-9
Consolidated Statements of Comprehensive Income for the years ended December 31, 2020, 2019 and 2018	10
Consolidated Statements of Changes in Equity for the years ended December 31, 2020, 2019 and 2018	11
Consolidated Statements of Cash Flows for the years ended December 31, 2020, 2019 and 2018	12-13
Notes to Consolidated Financial Statements	1-70
SUPPLEMENTARY SCHEDULES	
Independent Auditor's Report on Supplementary Schedules:	1
A. Financial Assets	2
B. Amounts Receivable from Directors, Officers, Employees, Related Parties, and Principal Stockholders (Other than Related parties)	3
C. Amounts Receivable from Related Parties which are Eliminated during the Consolidation of Financial Statements	4
D. Long-Term Debt	5
E. Indebtedness to Related Parties	6
F. Guarantees of Securities of Other Issuers	7
G. Capital Stock	8
Schedule of Retained Earnings Available for Dividend Declaration	9
Schedule of Financial Soundness Indicators	10
Map of the Relationships of the Companies within the Group	11





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

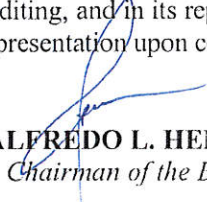
The management of **SPC Power Corporation and Subsidiaries** (the Group) is responsible for the preparation and fair presentation of the **consolidated** financial statements including the schedules attached therein, for the years ended December 31, 2020 and 2019, in accordance with the prescribed financial 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 **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.

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

The Board of Directors reviews and approves the **consolidated** financial statements including the schedules attached therein and submits the same to the stockholders or members.

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


ALFREDO L. HENARES
Chairman of the Board


DENNIS T. VILLAREAL
Chief Executive Officer and President


JAIME M. BALISACAN
Treasurer/Senior Vice President – Finance and Administration

Signed this 7th day of April, 2021.


MAKATI CITY

APR 12 2021

SUBSCRIBED AND SWORN TO before me this _____ day of April 2021 at Makati City; Affiants exhibited to me their CTC/Passport Nos. as follows:

<u>Names</u>	<u>CTC/Passport No.</u>	<u>Date of Issue</u>	<u>Place of Issue</u>
Alfredo L. Henares	EC6872847	February 29, 2016	DFA NCR East
Dennis T. Villareal	P8767960A	September 17, 2018	DFA Manila
Jaime M. Balisacan	4493426	January 20, 2021	Cebu City

Doc. No. 1642
Page No. 29
Book No. 101
Series of 2021.


ATTY. JOSHUA P. LAPUZ
Notary Public for and in Makati City
Appointment No. M-65 until 12/31/2021
PTR No. 8531012, Jan. 4, 2021 until Dec. 31, 2021 Makati City
Roll No. 45790, 18P, Lifetime N. 04897
MCLE No. VI-0016565 / Jan. 14, 2019
G/F Fedman Suites 199 Salcedo Street
Legaspi Village, Makati City

INDEPENDENT AUDITOR'S REPORT

The Board of Directors and the Stockholders
SPC Power Corporation
7th Floor, Cebu Holdings Center
Archbishop Reyes Avenue, Cebu Business Park
Cebu City

Opinion

We have audited the consolidated financial statements of SPC Power Corporation and its subsidiaries (the Group), which comprise the consolidated statements of financial position as at December 31, 2020 and 2019, 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, 2020, 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, 2020 and 2019, and its consolidated financial performance and its consolidated cash flows for each of the three years in the period ended December 31, 2020 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 Professional 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 matter below, provide the basis for our audit opinion on the accompanying consolidated financial statements.

Revenue recognition from distribution of power

The Group's revenue from the distribution of power amounting to ₱946.5 million represents 47% of total revenue in 2020 and arises from its service contracts to a large number of customers consisting of commercial, residential, government institutions and other customers located within its franchise area. This matter is significant to our audit because the revenue recognized depends on the completeness of electric consumption captured based on meter readings over the franchise area, as obtained on various meter reading dates; the propriety of the rates, computed and applied based on the Energy Regulatory Commission (ERC)-approved formulae, which vary depending on the types of customers; and the reliability of the billing system in processing transactions. Disclosures related to this matter are provided in Notes 3 and 23 to the consolidated financial statements.

Audit response

We obtained an understanding of the revenue recognition process, which includes capturing electric consumption, uploading captured electric consumption to the billing system, calculating billed amounts based on ERC-approved rates and uploading data from the billing system to the financial reporting system. We also evaluated and tested the design of the relevant controls over these processes. We also performed a test recalculation of billed amounts using the ERC-approved rates and formulae, and compared them with the amounts reflected in the billing statements.

Accounting for investments in significant associates

The Group owns 40% both of KEPCO SPC Power Corporation (KSPC) and Mactan Electric Company, Inc. (MECO). As discussed in Note 10 to the consolidated financial statements, the Group's investments in these associates are accounted for under the equity method. As of December 31, 2020, the investments in these associates amounted to ₱5.8 billion (representing 51% of the Group's consolidated total assets), and the Group's equity in net earnings from these associates for the year then ended amounted to ₱1.2 billion (representing 74% of the Group's consolidated net income). The accounting for these investments is significant to our audit because of the substantial amount of the Group's investments and equity in net earnings from these associates. Also, the Group's share in the net earnings of MECO is significantly affected by MECO's revenue recognition arising from its service contracts to various customers located within its franchise area. The recognition of such revenue depends on the completeness of the electric consumption captured based on meter readings conducted on various dates over the franchise area; the propriety of the rates, computed and applied based on the ERC-approved formulae, which vary depending on the types of customers; and the reliability of the billing system in processing transactions. Further, MECO is audited by other auditors.



Audit response

We obtained an understanding of the Group's process in recognizing its equity in net earnings of associates, including the understanding of its business transactions. We obtained the financial information of KSPC and MECO and recomputed the Group's equity in net earnings for the year ended December 31, 2020. In addition, our audit procedures included coordinating and instructing the other auditors to perform an audit on the relevant financial information of MECO for the purpose of the Group's consolidated financial statements. We discussed the risk assessment and audit strategy of the other auditors, as well as any significant developments in MECO.

In addition to reviewing the relevant working papers of the other auditors, we also obtained an understanding of the revenue recognition process of MECO, which includes capturing electric consumption, uploading captured electric consumption to the billing system, calculating billed amounts based on ERC-approved rates and uploading data from the billing system to the financial reporting system. We reviewed the procedures performed by the other auditors to evaluate the design of the relevant controls over these processes and to test these controls, and reviewed the adequacy of performance of such procedures. We reviewed the test recalculation of the rates using the ERC-approved rates and formulae, and the comparison done with the rate reflected on the billing statements, as performed by the other auditors.

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, 2020, but does not include the consolidated financial statements and our auditor's report thereon. The SEC Form 20-IS (Definitive Information Statement), SEC Form 17-A and Annual Report for the year ended December 31, 2020 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 group 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 Alvin M. Pinpin.

SYCIP GORRES VELAYO & CO.



Alvin M. Pinpin

Partner

CPA Certificate No. 94303

Accreditation No. 94303-SEC (Group A)

Valid to cover audit of 2020 to 2024

financial statements of SEC covered institutions

Tax Identification No. 198-819-157

BIR Accreditation No. 08-001998-070-2020,

December 3, 2020, valid until December 2, 2023

PTR No. 8534344, January 4, 2021, Makati City

April 7, 2021



SPC POWER CORPORATION AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF FINANCIAL POSITION

	December 31	
	2020	2019
ASSETS		
Current Assets		
Cash and cash equivalents (Note 6)	₱3,944,306,886	₱3,227,403,650
Trade and other receivables (Notes 5, 7 and 29)	338,055,500	418,897,480
Materials and supplies (Note 8)	363,627,827	378,365,129
Prepayments and other current assets (Note 9)	54,950,450	81,543,758
Total Current Assets	4,700,940,663	4,106,210,017
Noncurrent Assets		
Investments in associates (Note 10)	5,782,866,638	5,949,330,471
Property, plant and equipment (Note 11)	749,683,383	793,752,516
Deferred income tax assets - net (Note 25)	33,322,150	31,196,068
Other noncurrent assets (Notes 12 and 29)	173,210,472	215,213,331
Total Noncurrent Assets	6,739,082,643	6,989,492,386
TOTAL ASSETS	₱11,440,023,306	₱11,095,702,403

LIABILITIES AND EQUITY

Current Liabilities		
Trade and other payables (Notes 5, 14 and 29)	₱453,351,738	₱486,653,073
Income tax payable	26,310,765	33,237,796
Current portion of lease liabilities (Note 30)	4,685,106	5,356,648
Total Current Liabilities	484,347,609	525,247,517
Noncurrent Liabilities		
Customers' deposits (Note 15)	174,742,186	149,096,391
Asset retirement obligation (ARO) (Note 16)	85,475,665	81,430,397
Pension liabilities (Note 17)	29,529,558	26,430,161
Lease liabilities - net of current portion (Note 30)	1,487,649	5,130,633
Other noncurrent liabilities (Note 29)	109,168,815	145,967,292
Total Noncurrent Liabilities	400,403,873	408,054,874
Total Liabilities	884,751,482	933,302,391

(Forward)

