

COVER SHEET

A S 0 9 4 0 0 2 3 6 5
S.E.C. Registration Number

S P C P O W E R C O R P O R A T I O N
(f o r m e r l y S A L C O N P O W E R C O R P .)

(Company's Full Name)

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

Mr. Jaime M. Balisacan
Contact Person

8810 44 74 to 77
Company Telephone Number

1 2 3 1
Month Day
Calendar Year

SEC FORM
1 7 - Q
FORM TYPE

0 6 2 5
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

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|--|--|---|---|
| 1. | For the quarterly period ended | September 30, 2020 | |
| 2. | SEC Identification Number | AS094-002365 | 3. BIR Tax Identification No. 003-868-048 |
| SPC POWER CORPORATION | | | |
| 4. | Exact name of issuer as specified in its charter | | |
| Metro Manila, Philippines | | | |
| 5. | Province, country or other jurisdiction of incorporation or organization | | |
| 6. | Industry Classification Code | | (SEC Use Only) |
| | | 7 th Floor, Cebu Holdings Center, Cebu Business Park, Cebu City | 6000 |
| | | (Manila Office: 7 th Floor, Citibank Center, 8741 Paseo de Roxas, Makati City) | |
| 7. | Address of Issuer's principal office | | Postal Code |
| (63 32) 232 0375; 232 0477 / (63 2) 810 4474 to 77, 810 4450, 810 4465 | | | |
| 8. | Issuer's telephone number, including area code | | |
| N.A. | | | |
| 9. | Former name of former address, if changed since last report | | |
| 10. | Securities registered pursuant to Sections 8 and 12 of the SRC or Section 4 and 8 of the RSA | | |
| | Title of Each Class | Number of Shares of Common Stock Outstanding and Amount of Debt Outstanding | |
| | Common Shares (as of September 30, 2020) | 1,496,551,803 shares | |
| | Total Debt (as of September 30, 2020) | P812,072,475 | |
| 11. | Are any or all of the securities listed on a Stock Exchange? | | |
| | Yes [<input checked="" type="checkbox"/>] | No [<input type="checkbox"/>] | |

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:

(a) 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)-1 thereunder, and Sections 26 and 141 of The Corporation Code of the Philippines during the preceding twelve (12) months or for such shorter period that the registrant was required to file such report(s):

Yes [☒] No [☐]

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

Yes [☒] No [☐]

PART I – FINANCIAL INFORMATION

ITEM 1. CONSOLIDATED FINANCIAL STATEMENTS

The consolidated interim financial statements of the Parent Company and its Subsidiaries (the "Group") are attached herewith as follows:

- a. Consolidated Statements of Financial Position – September 30, 2020 (unaudited) and December 31, 2019 (audited).
- b. Consolidated Statements of Comprehensive Income – Three Months Ended September 30, 2020 and 2019 (unaudited).
- c. Consolidated Statements of Comprehensive Income – Nine Months Ended September 30, 2020 and 2019 (unaudited).
- d. Consolidated Statements of Changes in Stockholders' Equity – Nine Months Ended September 30, 2020 and 2019 (unaudited).
- e. Consolidated Statements of Cash Flows – Nine Months ended September 30, 2020 and 2019 (unaudited).
- f. Notes to the Consolidated Financial Statements.

ITEM 2. MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITIONS AND 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 interim 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

Three Months Ended September 30, 2020 and 2019

Consolidated net income took a 29.1% dive to ₱382.0 million in the third quarter of 2020, from ₱538.6 million in the same period last year, due mainly to momentary decline in the earnings of investee companies.

Equity share in the earnings of investee companies fell by 53.1% to ₱205.7 million in the third quarter of the year, from ₱438.8 million in the same period a year ago, as a consequence of the scheduled major maintenance of 2x100 MW power generating units and the prevailing lower demand of industrial and commercial customers in power distribution.

The performance of the investee companies is expected to rebound in the fourth quarter following completion of the scheduled maintenance of generating units in August and September 2020 and the gradually increasing demand of industrial and commercial customers.

The Group's power distribution business segment also posted lower income contribution in the third quarter of 2020 but this was more than offset by 32.8% increase in capacity utilization of the power generation business segment as compared with the same period last year.

Consolidated revenues decreased by 16.1% to P516.4 million in the third quarter of 2020, from P615.5 million in the same period last year, due mainly to lower prices and lower pass-through cost of fuel and purchased power.

Consolidated cost of services was likewise reduced substantially by 33.3% to P325.7 million, from P488.5 million, curbing the impact of lower revenues. Such cost reduction was brought about mainly by lower cost of fuel, purchased power, lubricants and spare parts.

Gross margin substantially increased by 50.2% to P190.7 million as the 33.3% drop in the cost of services outpaced the contraction in revenue. The impact of lower prices and below normal demand of industrial and commercial customers in the power distribution business were offset by higher capacity utilization of the power generation assets.

The Group reined in consolidated administrative and general expenses which decreased by 15.7% to P41.3 million, from P49.0 million a year earlier.

Interest income dropped by 64.0% to P9.7 million, from P27.0 million, due to lower interest rates earned from short-term investments.

The provision and settlement of technical and upgrading services increased service income during the period to P61.8 million, from P18.2 million in the previous year.

Nine Months Ended September 30, 2020 and 2019

The third quarter's performance dragged down the Group's consolidated net income to P1,311.0 million in the first nine months of 2020, lower by 10.3% compared with the P1,462.0 million posted in the same period last year.

With lower results, earnings per share declined to P0.87 in the nine months to September 2020 as compared with P0.96 in the same nine-month span last year.

The performance also translated to a return on equity of 12.47% in the first nine months of 2020 versus 13.99% in the same period last year.

By business segment, equity share from the earnings of investee companies remained the biggest contributor to the consolidated nine-month net income at P954.8 million, equivalent to 72.8% of the pie. The income contribution fell by 53.1% in the third quarter but the nine-month contribution was only 8.2% short of

the comparable period a year ago. As mentioned earlier, the performance of the investee companies is expected to catch up in the fourth quarter after implementing preventive maintenance of power generating units in August and September 2020 and also considering the gradually increasing electricity demand of industrial and commercial customers in power distribution.

The power generation business segment made up the second chunk of the Group's consolidated net income contributing 25.0% of the total as of September 30, 2020. Despite better performance in the third quarter, the year-to-date net income contribution of ₱327.3 million was 12.1% lower compared with the same nine-month period last year owing mainly to lower prices.

The power distribution business segment accounted for the balance of the pie. The net income contribution of ₱28.3 million in the first nine months of 2020 was also lower by 42.1% year-on-year mainly because of the continuing reduced demand of industrial and commercial customers, still 19.3% below last year's comparable demand level.

Consolidated revenues decreased by 28.7% to ₱1,485.2 million in the first nine months of 2020, from ₱2,084.3 million in the same period last year, due mainly to weaker demand, lower prices, and lesser pass-through cost of fuel and purchased power.

Consistent with the decrease in revenues, consolidated cost of services went down by 32.7% to ₱1,041.6 million in the first nine months of 2020, from ₱1,547.2 million in the previous year, due to both lower cost of fuel and purchased power and reduction in other operating costs.

Consolidated administrative and general expenses likewise decreased by 29.7% to ₱122.0 million, from ₱173.5 million a year earlier, on account mainly of lower expenses for business development, taxes and licenses, transportation and travel, and repairs and maintenance.

Interest income substantially decreased by 50.4% to ₱41.1 million, from ₱82.9 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 in the last quarter of 2019 and in the second quarter of the current year.

Financial Condition

September 30, 2020 Vs. December 31, 2019

The Group ended the first nine months of 2020 with consolidated assets reaching ₱11,677.6 million, 5.2% higher compared to the last audited balance of ₱11,095.7 million as at end-2019. The increase in total assets was attributed mainly to additional net cash inflows generated from operating and investing activities.

The growth in total assets was accompanied by 13.0% decrease in total liabilities to ₱812.1 million as at end-September 2020, from ₱933.3 million as at end-December 2019.

Total stockholders' equity grew by ₱703.1 million to ₱10,865.5 million as at end-September 2020 from ₱10,162.4 million as at end-December 2019. The 6.9% net growth came from the total comprehensive income in the first nine months of 2020 amounting to ₱1,311.0 million less cash dividends declared amounting to ₱607.9 million. Book value per share rose to ₱7.26 as at end-September 2020 compared with ₱6.79 as at end-December 2019.

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

Trade and other receivables increased by 5.6% to ₱440.4 million as at end-September 2020 from ₱417.2 million as at end-2019. The increase was attributed mainly to the ERC order spreading the collection of power bills due for payment during the enhanced community quarantine period.

Prepayments and other current assets decreased by 24.5% to ₱61.5 million as at end-September 2020 due mainly to lower input tax and amortization of deferred expenses.

Investment in associates decreased to ₱5,860.7 million as at end-September 2020 from ₱5,949.3 million as at end-2019. The decrease reflected the net effect of the following: (i) decrease in investments due to cash dividends received from investee companies amounting to ₱1,043.4 million and (ii) addition to investment due to fresh equity share in the net earnings of investee companies amounting to ₱954.8 million in the first nine months of 2020.

Property, plant and equipment decreased by 5.1% to ₱752.9 million as at end-September 2020 from ₱793.8 million as at end-2019. The decrease reflected the net effect of the following: (i) depreciation amounting to ₱70.6 million and (ii) additions to property, plant and equipment amounting to ₱29.8 million.

Other noncurrent assets decreased by 16.2% to ₱180.2 million as at end-September 2020 from ₱215.2 million as at end-2019. This was due mainly to the amortization of ERC-approved Deferred Accounting Adjustments (DAA) which were incurred by PSALM in supplying energy during the previous years to be recovered/refunded by PSALM to its customers through the distribution business segment of the Group by initially charging the customers as part of the Group's generation charge over a period of seven years from January 1, 2018.

Trade and other payables decreased by 24.7% to ₱366.1 million as at end-September 2020, from ₱486.0 million at the beginning of the year, due mainly to lower volume and lower price of fuel purchases unpaid as of September 30, 2020.

Customers' deposits grew by 11.2% to ₱165.80 million as at end-September 2020 from ₱149.1 million as at end-2019 due mainly to additional bill and material deposits received from customers in the first nine months of 2020.

Other noncurrent liabilities decreased by 18.9% to ₱118.4 million as at end-September 2020, from ₱146.0 million as at end-2019, 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 the amount collected from customers over a period of seven years from January 2018.

Unappropriated retained earnings increased by 12.3% to ₱6,374.8 million from ₱5,677.2 million at the beginning of the year. The net increase is reflective of the following: (i) increase due to comprehensive income attributable to equity holders of the Parent Company in the first nine months of 2020 amounting to ₱1,296.0 million and (ii) decrease due to cash dividends amounting to ₱598.6 million that was declared by the Parent Company's Board of Directors on May 7, 2020.

Cash Flows

Cash and cash equivalents increased by 23.3% to ₱3,979.6 million as at end-September 2020 from the end-2019 level of ₱3,227.4 million. Net cash inflows generated from operating and investing activities exceeded net cash flows used for financing activities during the first nine months of 2020.

Major sources of cash and cash equivalents in the first nine months of 2020 were from operating activities and cash dividends received from investee companies amounting to ₱340.9 million and ₱1,043.4 million, respectively.

The major applications of funds in the first nine months of 2020 were: (i) payment of cash dividends amounting to ₱607.9 million, and (ii) new additions to property, plant and equipment amounting to ₱29.8 million.

Key Performance Indicators

The following financial indicators are used, among others, to evaluate the performance of the Group as of September 30, 2020 and December 31, 2019 and for the nine months ended September 30, 2020 and 2019:

Key Performance Indicators	2020	2019
A. For Nine Months Ended September 30, 2020 and 2019:		
Earnings Per Share	0.87	0.96
Share in Net Earnings of Associates	P954,753,828	P1,039,480,498
Return on Equity (total comprehensive income divided by average total equity)	12.47%	13.99%
Return on Assets (total comprehensive income divided by average total assets)	11.51%	12.85%
Cash Flows:		
Net cash flows generated from operating activities	P340,942,003	P523,836,973
Net cash flows generated from investing activities	P1,020,300,236	P531,142,855
Net cash flows used in financing activities	(P609,520,021)	(P609,897,208)
Solvency ratio (total comprehensive income before depreciation and amortization divided by total liabilities)	1.70	1.64
B. As of September 30, 2020, and December 31, 2019:		
Balance of cash and cash equivalents at end of period	P3,979,643,265	P3,227,403,650
Current ratio (total current assets including noncurrent assets held for sale divided by current liabilities including liabilities directly associated with noncurrent assets held for sale)	11.64	7.82
Debt ratio (total liabilities divided by total assets)	0.07	0.08
Debt-to-equity ratio (total liabilities divided by total equity)	0.07	0.09

The formulas used to compute the performance indicators are further discussed below:

Earnings Per Share

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 period.

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 net income by the investor's percentage of ownership, less goodwill impairment cost, if any. Goodwill is the difference between the acquisition cost of the investment and the investor's share in the value of the net identifiable assets of the investee at the date of 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 = 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 average 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 capital are being managed.

Solvency Ratio

Solvency Ratio = Total comprehensive income before depreciation and amortizations divided by total 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.

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 resilience.

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.

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 September 30, 2020, there are no material commitments 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.

Known Trends

The Group registered a 27.6% earnings drop in the second quarter of 2020 as its businesses were affected by weak power demand of industrial and commercial customers when the government implemented strict community quarantine measures to arrest the coronavirus outbreak during the period.

Despite the subsequent gradual easing of pandemic-related restrictions, the earnings of the Group continued to decline in the third quarter of the current year due mainly to preventive maintenance of 2x100 MW power generating units implemented in August and September 2020. Better performance is expected in the fourth quarter.

The Group anticipates its full year consolidated net income to be lower by 6% - 10% from its P1,818.2 million finish last year, as recovery from the coronavirus pandemic is seen to take beyond 2020.

Except as already discussed herein and in the notes to the interim 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.

SIGNATURES


Pursuant to the requirements of the Securities Regulation Code, the Issuer has duly caused this report to be signed on its behalf by the undersigned thereunto duly authorized.

SPC POWER CORPORATION

Issuer

By:


MARY ANN G. DAUGDAUG
Accountant


JAIME M. BALISACAN
SVP – Finance and Administration

Date: November 11, 2020

Date: November 11, 2020

SPC POWER CORPORATION AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF FINANCIAL POSITION

(Amounts in Philippine Pesos)

	Sept. 30, 2020 (Unaudited)	Dec. 31, 2019 (Audited)	Incr. / (Decr.)	
			Amount	Percent
ASSETS				
Current Assets				
Cash and cash equivalents	3,979,643,265	3,227,403,650	752,239,615	23.3%
Trade and other receivables - net	440,381,334	417,223,875	23,157,459	5.6%
Due from related parties	1,899,674	1,673,605	226,069	13.5%
Material and supplies	369,002,496	378,365,129	(9,362,633)	-2.5%
Prepayments and other current assets	61,549,111	81,543,758	(19,994,647)	-24.5%
Total Current Assets	4,852,475,880	4,106,210,017	746,265,863	18.2%
Noncurrent Assets				
Investment in associates	5,860,667,444	5,949,330,471	(88,663,027)	-1.5%
Property, plant and equipment - net	752,922,789	793,752,516	(40,829,727)	-5.1%
Deferred income tax assets	31,244,307	31,196,068	48,239	0.2%
Other noncurrent assets - net	180,247,120	215,213,331	(34,966,211)	-16.2%
Total Noncurrent Assets	6,825,081,660	6,989,492,386	(164,410,726)	-2.4%
TOTAL ASSETS	11,677,557,540	11,095,702,403	581,855,137	5.2%
LIABILITIES & STOCKHOLDERS' EQUITY				
Current Liabilities				
Trade and other payables	366,057,247	486,047,993	(119,990,746)	-24.7%
Due to related parties	497,043	605,080	(108,037)	-17.9%
Income tax payable	45,047,572	33,237,796	11,809,776	35.5%
Current portion of lease liabilities	5,369,547	5,356,648	12,899	0.2%
Total current liabilities	416,971,409	525,247,517	(108,276,108)	-20.6%
Noncurrent Liabilities				
Customers' deposits	165,756,042	149,096,391	16,659,651	11.2%
Asset retirement obligation	81,430,397	81,430,397	0	0.0%
Lease liabilities - net of current portion	3,892,758	5,130,633	(1,237,875)	-24.1%
Net pension liabilities	25,653,435	26,430,161	(776,726)	-2.9%
Other noncurrent liability	118,368,434	145,967,292	(27,598,858)	-18.9%
Total noncurrent liabilities	395,101,066	408,054,874	(12,953,808)	-3.2%
Total Liabilities	812,072,475	933,302,391	(121,229,916)	-13.0%
(Forward)				

SPC POWER CORPORATION AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF FINANCIAL POSITION

(Amounts in Philippine Pesos)

	Sept. 30, 2020 (Unaudited)	Dec. 31, 2019 (Audited)	Incr. / (Decr.)	
			Amount	Percent
Stockholders' Equity				
Capital stock - P1 par value				
Authorized - 2,000,000,000 shares				
Issued - 1,569,491,900 shares	1,569,491,900	1,569,491,900	0	0.0%
Additional paid-in capital	86,810,752	86,810,752	0	0.0%
Retained earnings (Note 12):				
Unappropriated	6,374,805,434	5,677,177,016	697,628,418	12.3%
Appropriated	2,800,000,000	2,800,000,000	0	0.0%
Other comprehensive income:				
Remeasurement of employee benefits	298,265	298,265	0	0.0%
Net unrealized valuation gains				
on financial asset at FVOCI	5,650,000	5,650,000	0	0.0%
Share in remeasurement of employee				
benefits of associates	(2,154,261)	(2,154,261)	0	0.0%
Treasury stock at cost - 72,940,097 shares	(131,008,174)	(131,008,174)	0	0.0%
Equity attributable to equity holders of Parent	10,703,893,916	10,006,265,498	697,628,418	7.0%
Equity attributable to Non-controlling interests	161,591,149	156,134,514	5,456,635	3.5%
Total Stockholders' Equity	10,865,485,065	10,162,400,012	703,085,053	6.9%
TOTAL LIABILITIES and EQUITY	11,677,557,540	11,095,702,403	581,855,137	5.2%

See accompanying Notes to Consolidated Financial Statements.


Mary Ann G. Daugdaug
Accountant


Jaime M. Balisacan
SVP - Finance & Administration

SPC POWER CORPORATION AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME

(Amounts in Philippine Pesos)

	Three Months Ended Sept. 30		Increase / (Decrease)	
	2020 (Unaudited)	2019 (Unaudited)	Amount	Percent
REVENUE	516,391,904	615,502,167	(99,110,263)	-16.1%
COST OF SERVICES				
Plant operations	325,672,809	488,512,865	(162,840,056)	-33.3%
GROSS MARGIN	190,719,095	126,989,302	63,729,793	50.2%
GENERAL AND ADM. EXPENSES	(41,339,890)	(49,024,852)	7,684,962	-15.7%
OTHER INCOME (CHARGES):				
Equity in net earnings of associates	205,682,272	438,756,322	(233,074,050)	-53.1%
Interest Income	9,732,349	27,028,898	(17,296,549)	-64.0%
Interest Expense	(107,361)	(22,962)	(84,399)	367.6%
Service Income	61,821,868	18,182,902	43,638,966	240.0%
Foreign exchange gains (losses) - net	(3,874,515)	718,917	(4,593,432)	-638.9%
Others - net	6,186,959	3,072,156	3,114,803	101.4%
INCOME BEFORE INCOME TAX	428,820,777	565,700,683	(136,879,906)	-24.2%
PROVISION FOR/(BENEFIT FROM) INCOME TAX				
Current	46,862,176	27,129,889	19,732,287	72.7%
Deferred	(11,096)	(7,202)	(3,894)	54.1%
	46,851,080	27,122,687	19,728,393	72.7%
NET INCOME	381,969,697	538,577,996	(156,608,299)	-29.1%
OTHER COMPREHENSIVE INCOME	0	0	0	0.0%
TOTAL COMPREHENSIVE INCOME	381,969,697	538,577,996	(156,608,299)	-29.1%
ATTRIBUTABLE TO:				
Equity holders of the Parent	375,474,404	522,287,491	(146,813,087)	-28.1%
Non-controlling interests	6,495,293	16,290,505	(9,795,212)	-60.1%
	381,969,697	538,577,996	(156,608,299)	-29.1%
EARNINGS PER SHARE (Note 3):				
Basic/diluted, for income for the period attributable to equity holders of the Parent	0.25	0.35	(0.10)	-28.1%

See accompanying Notes to Consolidated Financial Statements.


Mary Ann G. Daugdaug
Accountant


Jaime M. Balisacan
SVP - Finance & Administration

SPC POWER CORPORATION AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME

(Amounts in Philippine Pesos)

	Nine Months Ended Sept. 30		Increase / (Decrease)	
	2020 (Unaudited)	2019 (Unaudited)	Amount	Percent
REVENUE	1,485,209,071	2,084,309,877	(599,100,806)	-28.7%
COST OF SERVICES				
Plant operations	1,041,590,613	1,547,216,516	(505,625,903)	-32.7%
GROSS MARGIN	443,618,458	537,093,361	(93,474,903)	-17.4%
GENERAL AND ADM. EXPENSES	(122,040,991)	(173,487,046)	51,446,055	-29.7%
OTHER INCOME (CHARGES):				
Equity in net earnings of associates	954,753,828	1,039,480,498	(84,726,670)	-8.2%
Interest Income	41,083,283	82,905,673	(41,822,390)	-50.4%
Interest Expense	(381,871)	(66,033)	(315,838)	478.3%
Service Income	80,004,770	80,004,770	0	0.0%
Foreign exchange gains (losses) - net	(6,186,885)	(2,023,308)	(4,163,577)	205.8%
Others - net	18,066,714	18,537,636	(470,922)	-2.5%
INCOME BEFORE INCOME TAX	1,408,917,306	1,582,445,551	(173,528,245)	-11.0%
PROVISION FOR/(BENEFIT FROM) INCOME TAX				
Current	97,991,769	115,191,264	(17,199,495)	-14.9%
Deferred	(48,239)	5,235,804	(5,284,043)	-100.9%
	97,943,530	120,427,068	(22,483,538)	-18.7%
NET INCOME	1,310,973,776	1,462,018,483	(151,044,707)	-10.3%
OTHER COMPREHENSIVE INCOME	0	0	0	0.0%
TOTAL COMPREHENSIVE INCOME	1,310,973,776	1,462,018,483	(151,044,707)	-10.3%
ATTRIBUTABLE TO:				
Equity holders of the Parent	1,296,032,019	1,436,912,830	(140,880,811)	-9.8%
Non-controlling interests	14,941,757	25,105,653	(10,163,896)	-40.5%
	1,310,973,776	1,462,018,483	(151,044,707)	-10.3%
EARNINGS PER SHARE (Note 3):				
Basic/diluted, for income for the period attributable to equity holders of the Parent	0.87	0.96	(0.09)	-9.8%

See accompanying Notes to Consolidated Financial Statements.


Mary Ann G. Daugdaug
Accountant



Jaime M. Balisacan
SVP - Finance & Administration

SPC POWER CORPORATION AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY
FOR NINE MONTHS ENDED SEPTEMBER 30, 2020 AND 2019

	Equity Attributable to Equity Holders of the Parent									
	Retained Earnings					Net				
	Capital Stock	Additional Paid-In Capital	Treasury Stock at Cost	Remeasurement of Employee Benefits	Share of Associates in OCI	Appropriated	Unappropriated	FVOCI	Non-controlling Interest	Total
Balances at January 1, 2020	₱1,569,491,900	₱86,810,752	(₱131,008,174)	₱298,265	(₱2,154,261)	₱2,800,000,000	₱5,677,394,136	₱5,650,000	₱10,006,482,618	₱10,162,400,011
Total comprehensive income	-	-	-	-	-	-	1,296,032,019	-	1,296,032,019	1,310,973,776
Cash dividends (Note 12)	-	-	-	-	-	-	(598,620,721)	-	14,941,757	(607,888,722)
Reversal of appropriations	-	-	-	-	-	-	-	-	(9,268,001)	-
Balances at Sept. 30, 2020	₱1,569,491,900	₱86,810,752	(₱131,008,174)	₱298,265	(₱2,154,261)	₱2,800,000,000	₱5,374,805,434	₱5,650,000	₱161,591,149	₱10,865,485,065
Balances at January 1, 2019	₱1,569,491,900	₱86,810,752	(₱131,008,174)	₱5,779,181	₱898,119	₱1,500,000,000	₱8,841,355,868	₱4,850,000	₱146,493,134	₱10,024,670,780
Total comprehensive income	-	-	-	-	-	-	1,436,912,830	-	1,436,912,830	1,462,018,483
Cash dividends (Note 12)	-	-	-	-	-	-	(598,620,721)	-	25,105,653	(609,047,221)
Reversal of appropriations	-	-	-	-	-	(1,000,000,000)	1,000,000,000	-	(10,426,500)	-
Balances at Sept. 30, 2019	₱1,569,491,900	₱86,810,752	(₱131,008,174)	₱5,779,181	₱898,119	₱500,000,000	₱8,679,647,977	₱4,850,000	₱161,172,287	₱10,877,642,042

See accompanying Notes to Consolidated Financial Statements.


Mary Ann G. Daugdaug
 Accountant



Jaime M. Balisacan
 SVP - Finance & Administration

SPC POWER CORPORATION AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF CASH FLOWS

	Nine Months ended Sept. 30	
	2020	2019
	(Unaudited)	(Unaudited)
CASH FLOWS FROM OPERATING ACTIVITIES		
Income before income tax	1,408,917,306	1,582,445,551
Adjustments for:		
Equity in net losses (earnings) of associates	(954,753,828)	(1,039,480,498)
Depreciation and amortizations	71,420,841	81,412,436
Interest expense	381,871	66,033
Interest income	(41,083,283)	(82,905,673)
Others -net	(894,856)	3,595,181
Operating income before working capital changes	483,988,051	545,133,030
Decrease (increase) in:		
Trade and other receivables	(26,427,021)	(6,586,953)
Due from NPC/PSALM	0	1,175,128
Due from related parties	(226,070)	15,207,391
Prepayments and other current assets	19,994,651	4,601,586
Materials and supplies	9,362,633	(24,636,903)
Increase (decrease) in:		
Trade and other payables	(119,905,570)	17,701,159
Due to related parties	(108,045)	(435,827)
Customers' deposits	16,584,012	9,508,741
Net cash generated from operations	383,262,641	561,667,352
Income tax paid	(86,181,993)	(120,801,721)
Interest paid	(491,491)	(78,957)
Interest received	44,352,846	83,050,299
Net cash flows from operating activities	340,942,003	523,836,973
CASH FLOWS FROM INVESTING ACTIVITIES		
Cash dividends received	1,043,416,855	587,143,098
Additions to plant, property and equipment	(29,827,538)	(82,648,634)
Proceeds from disposal of plant, property and equipment	107,143	0
Decrease (increase) in:		
Other noncurrent assets	6,603,776	26,648,391
Net cash provided by (used in) investing activities	1,020,300,236	531,142,855
CASH FLOWS FROM FINANCING ACTIVITIES		
Payment of lease liabilities	(1,631,300)	0
Cash dividends paid	(607,888,721)	(609,897,208)
Net cash provided by (used in) financing activities	(609,520,021)	(609,897,208)
NET EFFECT OF EXCHANGE RATE CHANGES	517,397	(1,286,631)
NET INCREASE IN CASH AND CASH EQUIVALENTS	752,239,615	443,795,989
CASH AND CASH EQUIVALENTS AT BEG. OF PERIOD	3,227,403,650	2,937,042,859
CASH AND CASH EQUIVALENTS AT END OF PERIOD	3,979,643,265	3,380,838,848

See accompanying Notes to Financial Statements.


Mary Ann G. Daugdaug
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SVP - Finance & Administration

SPC POWER CORPORATION AND SUBSIDIARIES
SELECTED NOTES TO INTERIM CONSOLIDATED FINANCIAL STATEMENTS

1. General

The consolidated financial statements comprise the financial statements of the Parent Company and the following wholly owned and majority owned subsidiaries:

	Nature of Business	% of Ownership		
		Direct	Indirect	Total
SPC Island Power Corporation	Power generation	100.00%	–	100.00%
Cebu Naga Power Corporation	Power generation	100.00%	–	100.00%
SPC Malaya Power Corporation	Power generation	40.00%	38.40%	78.40%
SPC Light Company, Inc.	Holding company	40.00%	24.00%	64.00%
Bohol Light Company, Inc.	Power distribution	39.90%	13.76%	53.66%
SPC Electric Company, Inc.	Holding company	40.00%	–	40.00%

2. Accounting Policies

The Group's consolidated interim financial statements have been prepared in compliance with Philippine Financial Reporting Standards (PFRS). Measurements are on historical cost basis, except for financial assets at FVOCI which have been measured at fair value, and are presented in Philippine Peso, the Group's functional and presentation currency.

The accounting policies adopted in the preparation of the interim financial statements are the same as those mentioned in the audited financial statements for the year 2019.

3. Earnings Per Share

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

	Nine Months Ended Sept. 30	
	2020	2019
Net income attributable to equity holders of the parent	₱1,296,032,019	₱1,436,912,830
Weighted average number of common shares issued and outstanding	1,496,551,803	1,496,551,803
Basic/Diluted earnings per share	₱0.87	₱0.96

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

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

There are no dilutive potential common stocks issued as of September 30, 2020.

4. Seasonal Aspects

The group does not have any seasonal aspect that has a material effect on its financial condition and results of operations.

5. Nature and Amount of Items Affecting Assets, Liabilities, Equity, Net Income, or Cash Flows That Are Unusual Because of Their Nature, Size or Incidence.

Aside from what are already disclosed in the management's discussion and analysis of financial condition and results of operations, there are no other assets, liabilities, equity, net income or cash flows that are unusual because of their nature, size or incidence.

6. Nature and Amount of Changes in Estimates of Amounts Reported in Prior Interim Periods of the Current Financial Year or Changes in Estimates of Amounts Reported in Prior Financial Years, if Those Changes Have a Material Effect in the Current Interim Period.

There are no changes in estimates of amounts in the nine months ended September 30, 2020.

7. Issuances, Repurchases & Repayments of Debts & Equity Securities.

There are no issuances, repurchases and repayments of debt and equity securities during the nine months ended September 30, 2020.

8. Segment Information

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

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

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

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

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

No inter-segment revenues were earned within the Group in the nine months ended September 30, 2020 and 2019.

The following tables present revenue and income information and certain asset and liability information regarding the business segments as of September 30, 2020 and 2019:

September 30, 2020						
	Before Eliminations			Total	Adjustments and Eliminations	After Eliminations/ Consolidated
	Generation	Distribution	Others			
Revenue	P760,296,496	P724,912,575	P-	P1,485,209,071	P-	P1,485,209,071
Income before income tax	1,464,085,653	39,365,676	4,861,004	1,508,312,333	(99,395,027)	1,408,917,306
Net income	1,377,181,570	28,326,229	4,861,004	1,410,368,803	(99,395,027)	1,310,973,776
Total assets	8,193,330,300	755,185,617	95,128,724	9,043,644,641	2,633,912,899	11,677,557,540
Property, plant and equipment	548,195,788	203,148,556	-	751,344,344	1,578,445	752,922,789
Total liabilities	321,652,105	500,245,594	12,565	821,910,264	(9,837,789)	812,072,475
Depreciation and amortization	55,686,558	15,734,283	-	71,420,841	-	71,420,841

September 30, 2019						
	Before Eliminations			Total	Adjustments and Eliminations	After Eliminations/ Consolidated
	Generation	Distribution	Others			
Revenue	P1,193,053,130	P891,256,747	P-	P2,084,309,877	P-	P2,084,309,877
Income before income tax	1,071,638,682	64,463,913	6,079,057	1,142,181,652	440,263,899	1,582,445,551
Net income	966,759,537	48,915,990	6,079,057	1,021,754,584	440,263,899	1,462,018,483
Total assets	7,659,383,097	780,717,766	100,713,245	8,540,814,108	3,275,373,041	11,816,187,149
Property, plant and equipment	591,071,629	195,095,293	-	786,166,922	-	786,166,922
Total liabilities	400,966,288	538,551,097	12,764	939,530,149	(985,042)	938,545,107
Depreciation and amortization	67,291,140	14,121,296	-	81,412,436	-	81,412,436

Adjustments and Eliminations

Adjustments and eliminations are part of detailed reconciliations presented below:

Reconciliation of Net Income

	Nine Mos. Ended Sept. 30	
	2020	2019
Segment net income	P1,410,368,803	P1,023,496,081
Equity in net earnings of associates	954,753,828	1,039,480,498
Dividend Income	(1,054,148,855)	(600,958,096)
Group net income	P1,310,973,776	P1,462,018,483

Reconciliation of Total Assets

	Sept. 30, 2020	Dec. 31, 2019
Segment assets	P9,045,223,086	P8,383,206,978
Inter-segment receivables	(18,787,196)	(27,289,252)
Investments in associates and subsidiaries	2,618,599,634	2,707,262,661
Goodwill	32,522,016	32,522,016
Group assets	P11,677,557,540	P11,095,702,403

Reconciliation of Total Liabilities

	Sept. 30, 2020	Dec. 31, 2019
Segment liabilities	P821,910,263	P951,642,237
Inter-segment payables	(9,837,788)	(18,339,846)
Group liabilities	P812,072,475	P933,302,391

9. Effect of Changes in the Composition of the Issuer During the Interim Period, Including Business Combinations, Acquisition or Disposal of Subsidiaries & Long-term Investments, Restructurings, and Discontinuing Operations.

There are no changes in the composition of the registrant during the interim period.

10. Changes in Contingent Liabilities or Contingent Assets Since the Last Annual Balance Sheet Date.

There are no changes in contingent liabilities or contingent assets since the last annual balance sheet date.

11. Financial Risk Management and Policies

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

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

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

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

Interest Rate Risk

Interest rate risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates. The Group's exposure to risk of changes in market interest rates relates primarily to the Group's long-term debt obligations with floating interest rates. The Group's policy is to manage its interest cost using the variable-rate debts.

As of September 30, 2020 and December 31, 2019, the Group does not have a financial liability that is exposed to interest rate risk.

Liquidity Risk

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

The tables below summarize the maturity profile of the Group's financial assets used to manage liquidity risk and financial liabilities at September 30, 2020 and December 31, 2019 based on contractual undiscounted payments:

September 30, 2020						
	Total	Current	1 to 30 Days	31 to 60 Days	61 to 90 Days	Over 90 Days
Financial Assets						
At amortized cost:						
Cash and cash equivalents	₱3,979,643,265	₱3,979,643,265	₱–	₱–	₱–	₱–
Trade and other receivables						
PSALM	1,015,262	–	–	–	–	1,015,262
Receivable from customers	363,969,840	237,074,459	36,961,546	13,884,905	15,841,946	60,206,984
Current portion of PSALM deferred adjustments	36,798,477	36,798,477	–	–	–	–
Others	38,597,755	3,692,773	1,806,412	1,332,766	1,102,451	30,663,353
	440,381,334	277,565,709	38,767,958	15,217,671	16,944,397	91,885,599
Due from related parties	1,899,674	173,014	13,557	15,634	32,755	1,664,714
PSALM deferred adjustments (included in "Other noncurrent assets")	118,368,434	–	–	–	–	118,368,434
	4,540,292,707	4,257,381,988	38,781,515	15,233,305	16,977,152	211,918,747
At FVOCI:						
Investment in proprietary club shares	7,300,000	–	–	–	–	7,300,000
	4,547,592,707	4,257,381,988	38,781,515	15,233,305	16,977,152	219,218,747
Financial Liabilities						
Trade and other payables						
Trade	152,160,228	135,855,367	6,878,908	3,554,302	679,761	5,191,890
Accrued expenses	40,121,121	28,299,573	650,055	101,199	46,998	11,023,296
Nontrade	64,714,751	53,366,867	54,868	300,208	–	10,992,808
	256,996,100	217,521,807	7,583,831	3,955,709	726,759	27,207,994
Due to related parties	497,043	–	–	–	–	497,043
Customers' deposits	165,756,042	–	–	–	–	165,756,042
Lease liabilities	9,922,052	–	–	–	–	9,922,052
Other noncurrent liability	118,368,434	–	–	–	–	118,368,434
	551,539,671	217,521,807	7,583,831	3,955,709	726,759	321,751,565
Net Financial Assets (Liabilities)	₱3,996,053,036	₱4,039,860,181	₱31,197,684	₱11,277,596	₱16,250,393	(₱102,532,818)

December 31, 2019						
	Total	Current	1 to 30 Days	31 to 60 Days	61 to 90 Days	Over 90 Days
Financial Assets						
At amortized cost:						
Cash and cash equivalents	₱3,227,403,650	₱3,227,403,650	₱–	₱–	₱–	₱–
Trade and other receivables						
PSALM	1,015,262	–	–	–	–	1,015,262
Receivable from customers	346,415,517	224,498,606	32,635,928	16,940,626	16,866,642	55,473,715
Current portion of PSALM deferred adjustments	36,798,477	36,798,477	–	–	–	–
Others	32,994,619	1,327,622	1,572,107	1,406,431	1,283,492	27,404,967
	417,223,875	262,624,705	34,208,035	18,347,057	18,150,134	83,893,944
Due from related parties	1,673,605	139,476	49,571	20,366	21,959	1,442,233
PSALM deferred adjustments (included in "Other noncurrent assets")	145,967,292	–	–	–	–	145,967,292
	3,792,268,422	3,490,167,831	34,257,606	18,367,423	18,172,093	231,303,469
At FVOCI:						
Investment in proprietary club shares	7,300,000	–	–	–	–	7,300,000
	3,799,568,422	3,490,167,831	34,257,606	18,367,423	18,172,093	238,603,469
Financial Liabilities						
Trade and other payables						
Trade	263,978,646	240,273,771	5,362,375	4,536,461	224,099	13,581,940
Accrued expenses	34,604,487	22,649,303	181	–	–	11,955,003
Nontrade	65,990,324	54,526,290	70,671	156,484	88,777	11,148,102
	364,573,457	317,449,364	5,433,227	4,692,945	312,876	36,685,045
Due to related parties	605,080	22,570	43,467	–	42,000	497,043
Customers' deposits	149,096,391	–	–	–	–	149,096,391
Lease liabilities	11,443,592	–	–	–	–	11,443,592
Dividends payable	–	–	–	–	–	–
Other noncurrent liability	145,967,292	–	–	–	–	145,967,292
	671,685,812	317,471,934	5,476,694	4,692,945	354,876	343,689,363
Net Financial Assets (Liabilities)	₱3,127,882,610	₱3,172,695,897	₱28,780,912	₱13,674,478	₱17,817,217	(₱105,085,894)

Credit Risk

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

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

With respect to credit risk arising from the financial assets of the Group, which comprise cash and cash equivalents, trade and other receivables, due from related parties and PSALM deferred adjustments included in "Other noncurrent assets", the Group's exposure to credit risk arises from default of the counterparty.

The Group's credit risk from cash and cash equivalents is mitigated by Philippine Deposit Insurance Corporation's (PDIC) insurance coverage on the cash in bank. While the Group does not hold collateral as security, its credit risk from trade and other receivables is mitigated by the customers' deposits which are collected to guarantee any uncollected bills from the customers upon termination of the service contract.

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

September 30, 2020			
	Maximum exposure	Offset	Exposure to credit risk
At amortized cost:			
Cash and cash equivalents (excluding cash on hand)	₱3,979,014,367	(₱9,396,009)	₱3,969,618,358
Trade and other receivables	440,381,334	(96,843,836)	343,537,498
Due from related parties	1,899,674	–	1,899,674
PSALM deferred adjustments (included in "Other noncurrent assets")	118,368,434	–	118,368,434
	₱4,539,663,809	(₱106,239,845)	₱4,433,423,964
December 31, 2019			
	Maximum exposure	Offset	Exposure to credit risk
At amortized cost:			
Cash and cash equivalents (excluding cash on hand)	₱3,220,366,103	(₱9,421,306)	₱3,210,944,797
Trade and other receivables	417,223,875	(96,843,836)	320,380,039
Due from related parties	1,673,605	–	1,673,605
PSALM deferred adjustments (included in "Other noncurrent assets")	145,967,292	–	145,967,292
	₱3,785,230,875	(₱106,265,142)	₱3,678,965,733

As of September 30, 2020 and December 31, 2019, the Group's significant concentration of credit risk pertains to its trade and other receivables and PSALM deferred adjustments amounting to ₱558.7 million and ₱563.2 million, respectively, and impaired financial assets, determined based on probability of collection, are adequately covered with allowance.

Applicable for the third quarter and year ended September 30, 2020 and December 31, 2019.

The following are the details of the Group's assessment of credit quality and the related ECLs as at September 30, 2020 and December 31, 2019:

General Approach

- *Cash and cash equivalents* - As of September 30, 2020 and December 31, 2019, the ECL relating to the cash and cash equivalents of the Group is minimal as these are deposited in reputable banks which have good bank standing, and is considered to have low credit risk.
- *Due from NPC/PSALM, related parties, and other receivables* - As of September 30, 2020 and December 31, 2019, there were no individually impaired accounts. No ECL is recognized for these receivables since there were no history of default payments. This assessment is undertaken each financial year through examining the financial position of the parties and the markets in which the parties operate.

Simplified Approach

- *Trade and other receivables* - The Group applied the simplified approach using a 'provision matrix'. As of September 30, 2020 and December 31, 2019, the allowance for impairment losses as a result from performing collective and specific impairment test amounted to ₱37.2 million. Management evaluated that the Parent Company's trade receivables are of high grade and of good credit quality.

September 30, 2020					
	Stage 1 12-month ECL	Stage 2 Lifetime ECL	Stage 3 Lifetime ECL	Lifetime ECL Simplified Approach	Total
Gross carrying amount	₱-	₱-	₱34,702,715	₱442,840,806	₱477,543,521
Loss allowance	-	-	(34,702,715)	(2,459,472)	(37,162,187)
Carrying amount	₱-	₱-	₱-	₱440,381,334	₱440,381,334

December 31, 2019					
	Stage 1 12-month ECL	Stage 2 Lifetime ECL	Stage 3 Lifetime ECL	Lifetime ECL Simplified Approach	Total
Gross carrying amount	₱-	₱-	₱34,702,715	₱419,683,347	₱454,386,062
Loss allowance	-	-	(34,702,715)	(2,459,472)	(37,162,187)
Carrying amount	₱-	₱-	₱-	₱417,223,875	₱417,223,875

The Group grades its financial assets as follows:

- *Cash and Cash Equivalents*: These are assessed as high grade since these are deposited in reputable banks which have good bank standing, thus credit risk is minimal.
- *Receivable/Due from NPC/PSALM, NGCP and Distribution Utilities*: These are assessed as high grade since these receivables arose from the contract provisions of the ROMM Agreement, Operation and Maintenance Service Contracts (OMSC), Ancillary Services Procurement Agreements (ASPA), Power Supply Contracts (PSCs), and/or collectible from government institution.
- *Receivable from Customers of BLCI*: Receivables from commercial customers are classified as high grade; receivables from residential customers as standard; and receivables from the government, hospitals and radio stations as substandard. Classification is based on the collection history with these customers.

- *Due from Related Parties:* These are assessed as standard, although recoverability of these receivables is certain, as these are given secondary priority as to settlement by the related parties compared to third party obligations.
- *Other Receivables:* Grading of financial assets is determined individually based on the Group's collection experience with the counterparty.

Fair Value of Financial Assets and Financial Liabilities

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

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

- *Cash and Cash Equivalents, Trade and Other Receivables, Trade and Other Payables and Due From/To Related Parties.* The carrying amounts of cash and cash equivalents, trade and other receivables, trade and other payables and due from/to related parties approximate their value due to the relatively short-term maturity of these financial instruments.
- *Investment in Proprietary Club Shares.* Market values have been used to determine the fair value of listed proprietary club shares.
- *Noncurrent Receivable (included in "Other Noncurrent Assets") and Other Noncurrent Liability.* The fair values of the noncurrent receivable and noncurrent liability are based on the net present value of cash flows using the prevailing market rate of interest. As of September 30, 2020 and December 31, 2019, the carrying values of the noncurrent receivable and noncurrent liability approximate their fair values.
- *Customers' Deposits.* The fair value of customers' deposits approximates the carrying value as (1) bill deposits earn interest at the prevailing market interest rate in accordance with regulatory guidelines and (2) the timing and related amounts of future cash flows relating to material deposits cannot be reasonably and reliably estimated for purposes of establishing their fair values using an alternative valuation technique.

As of September 30, 2020 and December 31, 2019, the Group considers its investment in proprietary club shares measured and carried at fair values of ₱7.3 million under Level 1 classification, respectively. The Group also considers its noncurrent receivable amounting to ₱118.4 million and ₱146.0 million as of September 30, 2020 and December 31, 2019, respectively, noncurrent liability amounting to ₱118.4 million and ₱146.0 million as of September 30, 2020 and December 31, 2019, and customers' deposits amounting to ₱165.8 million and ₱149.1 million as of September 30, 2020 and December 31, 2019, respectively, under the Level 3 classification.

During the reporting period ended September 30, 2020, there were no transfers between Level 1 and Level 2 fair value measurements, and no transfers into and out of Level 3 fair value measurements.

12. Existence of Material Contingencies and any Other Events or Transactions that are Material to an Understanding of the Current Interim Period.

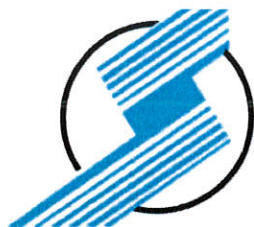
- a. In a move to contain the COVID-19 outbreak, on March 13, 2020, the Office of the President of the Philippines issued a Memorandum directive to impose stringent social distancing measures in the National Capital Region effective March 15, 2020. On March 16, 2020, Presidential Proclamation No. 929 was issued, declaring a State of Calamity throughout the Philippines for a period of six (6) months and imposed an enhanced community quarantine throughout the island of Luzon until April 12, 2020, which was subsequently extended to April 30, 2020 and further extended to May 15, 2020 and May 31, 2020 for most parts of Luzon. On various dates after March 13, 2020, the respective local governments of Cebu, Bohol and Iloilo implemented similar quarantine measures through issuance of Executive Orders. These measures have caused disruptions to businesses and economic activities, and its impact on businesses continue to evolve.

The Group registered a 27.6% earnings drop in the second quarter of 2020 as its businesses were affected by weak power demand of industrial and commercial customers when the government implemented strict community quarantine measures to arrest the coronavirus outbreak during the period.

Despite the subsequent gradual easing of pandemic-related restrictions, the earnings of the Group continued to decline in the third quarter of the current year due mainly to preventive maintenance of 2x100 MW power generating units implemented in August and September 2020. Better performance is expected in the fourth quarter.

The Group anticipates its full year consolidated net income to be lower by 6% - 10% from its P1,818.2 million finish last year, as recovery from the coronavirus pandemic is seen to take beyond 2020.

- b. Except as already discussed in the Management's Discussion and Analysis of Financial Conditions and Results of Operations as well as in the schedules and disclosures set forth in this Selected Notes to Interim Consolidated Financial Statements, there are no other material contingencies and any other events or transactions that are material to an understanding of the current interim period.



SPC Power Corporation

CERTIFICATION

This is to certify the information contained in our reports are true and correct.

Issued on November 13, 2020 at Makati City, Philippines.

Very truly yours,

Mishelle Anne Rubio - Aguinaldo
Asst. Corporate Secretary