

SECURITIES AND EXCHANGE COMMISSION

SEC FORM 17-Q

**QUARTERLY REPORT UNDER SECTION 17 OF THE SECURITIES
REGULATION CODE AND SRC RULE 17 (2) (b) THEREUNDER**

- | | | | | | | |
|----|--------------------------------|--------------------------------|--------------------|---------------------------|-----|-------------|
| 1. | For the quarterly period ended | | September 30, 2022 | | | |
| 2. | SEC
Number | Identification
AS094-002365 | 3. | BIR
Identification No. | Tax | 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)

7th Floor, Cebu Holdings Center, Cebu Business Park, Cebu City 6000
(Manila Office: 7th 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, 2022)

1,496,551,803 shares

Total Debt (as of September 30, 2022)

₱1,192,469,163

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

Yes [✓]

No []

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, 2022 (unaudited) and December 31, 2021 (audited).
- b. Consolidated Statements of Comprehensive Income – Three Months Ended September 30, 2022 and 2021 (unaudited).
- c. Consolidated Statements of Comprehensive Income – Nine Months Ended September 30, 2022 and 2021 (unaudited).
- d. Consolidated Statements of Changes in Stockholders’ Equity – Nine Months Ended September 30, 2022 and 2021 (unaudited).
- e. Consolidated Statements of Cash Flows – Nine Months ended September 30, 2022 and 2021 (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, 2022 and 2021

The Group registered a third-quarter consolidated net income of P462.3 million, down by 20.5% from P581.7 million in the same period a year ago. This was due largely to lower gross margin and lower equity share in the earnings of associates - net of the help provided by lower provision for income tax and higher nonrecurring foreign exchange gains.

Service revenues for the quarter grew by 8.7% to P948.7 million (including high pass-through cost of fuel and electricity purchased by BLCI for distribution to its customers), from P872.7 million in the same period a year ago. However, cost of

services also increased to P861.2 million (due to high cost of fuel and purchased power) versus P614.0 million only in the same period a year ago, bringing the gross margin to just P87.5 million, down by 66.2% from P258.8 million in the same period last year.

The substantial reduction in third-quarter gross margin was attributed mainly to the following: (i) Overstatement of revenue in the third quarter of 2021 by P125.5 million due to IEMOP's collections of congestion charges resulting from the damage caused by DPWH on the Cebu-Negros submarine cable in June 2021 which were subsequently refunded in the fourth quarter of 2021 based on subsequent ERC order and (ii) temporary under-recovery of P40.6 million from power cost purchased by BLCI for distribution to its customers.

Equity share in the third-quarter earnings of investee companies also went down by 11.4% to P333.8 million, from P376.9 million in the same period last year. This was traced mainly to higher cost of power purchased by MECO from WESM coupled by higher cost of coal used by KSPC for power generation resulting in lower gross margin from sales to the spot market.

Consolidated administrative and general expenses went down by 4.7% to P37.9 million in July – September 2022.

Driven by the appreciation of the US dollar, the Group booked nonrecurring foreign exchange gains of P79.6 million in the third quarter, in contrast to P6.6 million only in the same quarter last year.

Provision for income tax in the third-quarter decreased by 57.4% to P15.3 million, from P35.9 million in the same period last year, due to lower taxable income.

Nine Months Ended September 30, 2022 and 2021

For the January to September period, the Group's consolidated net income declined by 32.5% to P928.7 million from P1,376.4 million a year ago. The decline was attributed mainly to lower gross margin and lower equity share in the earnings of associates - net of the help provided by higher nonrecurring foreign exchange gains and lower provision for income tax.

Equity share from the earnings of investee companies contributed 73.4% of the total consolidated net income in 2022. The power generation and power distribution business segments provided the other 26.6%.

With lower results, earnings per share decreased to P0.63 in the nine months to September 2022 as compared with P0.91 in the same nine-month span last year.

The performance also translated to a return on equity of 9.54% in the first nine months of 2022 versus 13.11% in the same period last year.

In spite of the challenges, the Group believes it remains on track to reach its full-year income guidance that is better than the previous year.

Service revenues grew by 27.3% to P2,540.0 million (including high pass-through cost of fuel and electricity purchased by BLCI for distribution to its customers),

from ₱1,994.9 million in the same period a year ago. However, cost of services also increased by 62.2% to ₱2,289.5 million (due to high cost of pass-through fuel and purchased power) versus ₱1,411.8 million only in the same period a year ago, bringing the gross margin to just ₱250.5 million, down by 57.0% from ₱583.1 million in the same period last year.

The substantial reduction in gross margin was attributed mainly to the following:

- (i) Overstatement of revenue in the nine months ended September 30, 2021 by ₱132.6 million due to collections of congestion charges resulting from the damage caused by DPWH on the Cebu-Negros submarine cable in June 2021 which were subsequently refunded by the Group in the fourth quarter of 2021 based on ERC order;
- (ii) Under-recovery of fuel cost amounting to ₱61.1 million incurred for rendering ancillary services in February and April 2022 pending reconciliation with NGCP as at end-September 2022 (already paid by NGCP in October 2022);
- (iii) Temporary under-recovery of ₱31.4 million from power cost purchased by BLCI for distribution to its customers; and
- (iv) Spillover impact of Typhoon Odette on January and February 2022 operations including elimination of inter-company transactions (particularly sale of power by SPC and SIPC to BLCI amounting to ₱70.2 million).

Equity share in the earnings of investee companies decreased by 25.9% to ₱682.1 million, from ₱920.4 million in the same period last year. This was traced mainly to higher cost of power purchased by MECO from WESM coupled by higher cost of coal used by KSPC for power generation resulting in lower gross margin from sales to the spot market.

Year-to-date administrative and general expenses went up by 12.5% to ₱149.1 million in January – September 2022 due mainly to higher expenses for personnel, professional fees, business development, and rentals.

In the nine months ended September 30, 2022, the Group recorded nonrecurring foreign exchange gains of ₱156.5 million, driven by the appreciation of the US dollar, compared with the ₱8.0 million only that was recorded a year ago.

Provision for income tax in the first nine months of 2022 decreased by 49.2% to ₱44.1 million, from ₱86.8 million in the same period last year, due to lower taxable income.

Financial Condition

September 30, 2022 Vs. December 31, 2021

The Group ended the first nine months of 2022 with consolidated assets standing at ₱11,244.3 million, 8.6% higher compared to the last audited balance of ₱10,352.2 million as at end-2021. The increase in total assets was due largely to

the rise in the carrying value of investments, cash and cash equivalents, trade and other receivables, and materials and supplies inventory.

Total liabilities went up to ₱1,192.5 million as at end-September 2022, 28.2% higher from ₱929.9 million at the beginning of the year, due mainly to increase in trade and other payables.

Total stockholders' equity likewise increased by 6.7% to ₱10,051.8 million as at end-September 2022, from ₱9,422.4 million at the beginning of the year, due to comprehensive income attributable to equity holders of the Parent Company - net of interim cash dividends declared amounting to ₱299.3 million.

Further details of significant items that contributed to the changes in assets, liabilities and stockholders' equity **(from December 31, 2021 balances to September 30, 2022 balances)** are discussed below.

Trade and other receivables increased by 22.5% to ₱599.9 million, from ₱489.8 million, due to increase in sales that included higher pass-through cost of fuel and purchased power.

Materials and supplies inventory grew by 24.0% to ₱483.3 million, from ₱389.8 million, due mainly to higher volume and price of fuel inventory as well as higher replacement cost of inventories used during restoration of damage caused by Typhoon Odette.

Prepayments and other current assets increased by 44.2% to ₱110.1 million, from ₱76.3 million, due mainly to deferred/unexpired insurance premiums and accumulated input tax awaiting application against output tax.

Investment in associates increased by 6.5% to ₱5,863.4 million, from ₱5,505.2 million, due to fresh equity share in the net earnings of associates amounting to ₱682.1 million less dividends received amounting to ₱323.9 million.

Property, plant and equipment decreased by 4.3% to ₱700.4 million, from ₱731.8 million. This was attributed to the net effect of the following: (i) increase due to new additions to property, plant and equipment amounting to ₱29.8 million; and (ii) reduction due to depreciation and reclassifications amounting to ₱61.2 million.

Other noncurrent assets increased by 43.3% to ₱157.5 million from ₱109.9 million. The increase was attributed mainly to the net effect of the following: (i) increase due to the accumulated costs to acquire PB 102 and PB 103 pending reclassification to inventories (₱81.9 million), and (ii) decrease due to amortization of ERC-approved Deferred Accounting Adjustments which were incurred by PSALM in supplying energy during the previous years to be 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 (₱42.0 million).

Trade and other payables increased by 52.8% to ₱820.3 million, from ₱536.7 million, due mainly to higher volume and price of purchased fuel for generation of electricity as well as higher volume and price of purchased power for distribution to BLCI customers.

Other noncurrent liabilities decreased by 42.4% to P41.7 million, from P72.4 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 the amount collected from customers over a period of seven years from January 2018.

Unappropriated retained earnings increased by 10.7% to P6,591.1 million, from P5,954.4 million. The net increase is reflective of the comprehensive income attributable to equity holders of the Parent Company amounting to P936.1 million in the first nine months of 2022 less interim cash dividends declared on May 31, 2022 amounting to P299.3 million.

Cash Flows

Cash and cash equivalents increased by 9.4% to P3,265.1 million as at end-September 2022 from the end-2021 level of P2,984.1 million. Net cash flows used in financing activities were lower compared to the combined net cash flows provided by operating and investing activities.

Major sources of cash and cash equivalents in the first nine months of 2022 were from operating activities and cash dividends received from investee companies amounting to P240.7 million and P323.9 million, respectively.

The major applications of funds in the first nine months of 2022 were: (i) payment of cash dividends amounting to P303.7 million, (ii) new additions to property, plant and equipment amounting to P29.8 million, and (iii) payments for other noncurrent assets amounting to P78.2 million.

Key Performance Indicators

The following financial indicators are used, among others, to evaluate the performance of the Group as of September 30, 2022 and December 31, 2021 and for the nine months ended September 30, 2022 and 2021:

Key Performance Indicators	2022	2021
A. For Nine Months Ended September 30, 2022 and 2021:		
Earnings Per Share	P0.63	P0.91
Share In Net Earnings of Associates	P682,129,315	P920,446,245
Return on Equity (total comprehensive income divided by average total equity)	9.54%	13.11%
Return on Assets (total comprehensive income divided by average total assets)	8.60%	12.02%
Cash Flows:		
Net cash flows generated from operating activities	P240,683,052	P529,801,096
Net cash flows provided by investing activities	P215,925,496	P636,597,610
Net cash flows provided by (used in) financing activities	(P306,212,053)	(P1,503,557,486)
Solvency ratio (total comprehensive income before depreciation and amortization divided by total liabilities)	0.83	1.55
B. As of September 30, 2022 and December 31, 2021:		
Cash and cash equivalents at end of period	P3,265,149,104	P2,984,110,635
Current ratio (total current assets divided by current liabilities)	5.32	7.21
Debt ratio (total liabilities divided by total assets)	0.11	0.09
Debt-to-equity ratio (total liabilities divided by total equity)	0.12	0.10

Further descriptions of the performance indicators are shown below:

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 relevant 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.

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 = 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.

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, 2022, 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 operating activities.

Known Trends

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
Asst. Finance Manager



JAIME M. BALISACAN
SVP – Finance and Administration

Date: November 11, 2022

Date: November 11, 2022

SPC POWER CORPORATION AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF FINANCIAL POSITION

(Amounts in Philippine Pesos)

	Sept. 30, 2022 (Unaudited)	Dec. 31, 2021 (Audited)	Incr. / (Decr.)	
			Amount	Percent
ASSETS				
Current Assets				
Cash and cash equivalents	3,265,149,104	2,984,110,635	281,038,469	9.4%
Trade and other receivables - net	599,935,605	489,827,621	110,107,984	22.5%
Material and supplies	483,318,430	389,819,368	93,499,062	24.0%
Prepayments and other current assets	110,066,332	76,307,342	33,758,990	44.2%
Total Current Assets	4,458,469,471	3,940,064,966	518,404,505	13.2%
Noncurrent Assets				
Investment in associates	5,863,446,672	5,505,243,597	358,203,075	6.5%
Property, plant and equipment - net	700,389,040	731,765,902	(31,376,862)	-4.3%
Deferred income tax assets	28,397,879	28,346,424	51,455	0.2%
Goodwill	32,522,016	32,522,016	0	0.0%
Intangible Assets	3,528,476	4,342,740	(814,264)	-18.8%
Other noncurrent assets - net	157,506,322	109,939,293	47,567,029	43.3%
Total Noncurrent Assets	6,785,790,405	6,412,159,972	373,630,433	5.8%
TOTAL ASSETS	11,244,259,876	10,352,224,938	892,034,938	8.6%
LIABILITIES & STOCKHOLDERS' EQUITY				
Current Liabilities				
Trade and other payables	820,295,642	536,682,592	283,613,050	52.8%
Income tax payable	17,449,408	6,878,630	10,570,778	153.7%
Current portion of lease liabilities	103,110	2,662,317	(2,559,207)	-96.1%
Total current liabilities	837,848,160	546,223,539	291,624,621	53.4%
Noncurrent Liabilities				
Customers' deposits	189,617,880	186,776,397	2,841,483	1.5%
Asset retirement obligation	89,721,893	89,721,893	0	0.0%
Net pension liabilities	33,576,289	34,773,836	(1,197,547)	-3.4%
Other noncurrent liability	41,704,941	72,370,338	(30,665,397)	-42.4%
Total noncurrent liabilities	354,621,003	383,642,464	(29,021,461)	-7.6%
Total Liabilities	1,192,469,163	929,866,003	262,603,160	28.2%
(Forward)				

SPC POWER CORPORATION AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF FINANCIAL POSITION

(Amounts in Philippine Pesos)

	<u>Sept. 30, 2022</u> <u>(Unaudited)</u>	<u>Dec. 31, 2021</u> <u>(Audited)</u>	<u>Incr. / (Decr.)</u>	
			<u>Amount</u>	<u>Percent</u>
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:				
Unappropriated	6,591,149,873	5,954,370,912	636,778,961	10.7%
Appropriated	1,800,000,000	1,800,000,000	0	0.0%
Other comprehensive income:				
Remeasurement of employee benefits	(624,963)	(367,132)	(257,831)	70.2%
Net unrealized valuation gains				
on financial asset at FVOCI	6,350,000	6,350,000	0	0.0%
Share in remeasurement of employee				
benefits of associates	270,792	270,792	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	9,922,440,180	9,285,919,050	636,521,130	6.9%
Equity attributable to Non-controlling interests	129,350,533	136,439,885	(7,089,352)	-5.2%
Total Stockholders' Equity	10,051,790,713	9,422,358,935	629,431,778	6.7%
TOTAL LIABILITIES and EQUITY	<u>11,244,259,876</u>	<u>10,352,224,938</u>	<u>892,034,938</u>	<u>8.6%</u>

See accompanying Notes to Consolidated Financial Statements.


Mary Ann G. Daugdaug
 Asst. Finance Manager


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)	
	2022	2021	Amount	Percent
	(Unaudited)	(Unaudited)		
REVENUE	948,677,067	872,713,864	75,963,203	8.7%
COST OF SERVICES				
Plant operations	861,206,895	613,954,775	247,252,120	40.3%
GROSS MARGIN	87,470,172	258,759,089	(171,288,917)	-66.2%
GENERAL AND ADM. EXPENSES	(37,887,450)	(39,776,843)	1,889,393	-4.7%
OTHER INCOME (CHARGES):				
Equity in net earnings of associates	333,766,485	376,909,808	(43,143,323)	-11.4%
Interest Income	7,045,312	8,710,888	(1,665,576)	-19.1%
Interest Expense	(14,964)	(49,611)	34,647	-69.8%
Foreign exchange gains (losses) - net	79,551,760	6,612,263	72,939,497	1103.1%
Others - net	7,664,502	6,401,012	1,263,490	19.7%
INCOME BEFORE INCOME TAX	477,595,817	617,566,606	(139,970,789)	-22.7%
PROVISION FOR/(BENEFIT FROM) INCOME TAX				
Current	15,321,867	35,224,766	(19,902,899)	-56.5%
Deferred	(61,190)	637,971	(699,161)	-109.6%
	15,260,677	35,862,737	(20,602,060)	-57.4%
NET INCOME	462,335,140	581,703,869	(119,368,729)	-20.5%
OTHER COMPREHENSIVE INCOME	0	0	0	0.0%
TOTAL COMPREHENSIVE INCOME	462,335,140	581,703,869	(119,368,729)	-20.5%
ATTRIBUTABLE TO:				
Equity holders of the Parent	473,957,160	567,017,135	(93,059,975)	-16.4%
Non-controlling interests	(11,622,020)	14,686,734	(26,308,754)	-179.1%
	462,335,140	581,703,869	(119,368,729)	-20.5%
EARNINGS PER SHARE:				
Basic/diluted, for income for the period attributable to equity holders of the Parent	0.32	0.38	(0.06)	-16.4%

See accompanying Notes to Consolidated Financial Statements.


Mary Ann G. Daugdaug
Asst. Finance Manager


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)	
	2022 (Unaudited)	2021 (Unaudited)	Amount	Percent
REVENUE	2,539,953,577	1,994,914,309	545,039,268	27.3%
COST OF SERVICES				
Plant operations	2,289,460,758	1,411,844,976	877,615,782	62.2%
GROSS MARGIN	250,492,819	583,069,333	(332,576,514)	-57.0%
GENERAL AND ADM. EXPENSES	(149,114,829)	(132,508,161)	(16,606,668)	12.5%
OTHER INCOME (CHARGES):				
Equity in net earnings of associates	682,129,315	920,446,245	(238,316,930)	-25.9%
Interest Income	13,071,362	26,057,874	(12,986,512)	-49.8%
Interest Expense	(58,006)	(189,540)	131,534	-69.4%
Service Income	0	40,002,385	(40,002,385)	-100.0%
Foreign exchange gains (losses) - net	156,544,280	7,994,639	148,549,641	1858.1%
Others - net	20,057,981	17,950,212	2,107,769	11.7%
INCOME BEFORE INCOME TAX	973,122,922	1,462,822,987	(489,700,065)	-33.5%
PROVISION FOR/(BENEFIT FROM) INCOME TAX				
Current	44,174,410	85,668,995	(41,494,585)	-48.4%
Deferred	(51,458)	1,106,782	(1,158,240)	-104.6%
	44,122,952	86,775,777	(42,652,825)	-49.2%
NET INCOME	928,999,970	1,376,047,210	(447,047,240)	-32.5%
OTHER COMPREHENSIVE INCOME	(257,831)	0	(257,831)	0.0%
TOTAL COMPREHENSIVE INCOME	928,742,139	1,376,047,210	(447,305,071)	-32.5%
NET INCOME ATTRIBUTABLE TO:				
Equity holders of the Parent	936,089,322	1,361,822,811	(425,733,489)	-31.3%
Non-controlling interests	(7,089,352)	14,224,399	(21,313,751)	-149.8%
	928,999,970	1,376,047,210	(447,047,240)	-32.5%
COMPREHENSIVE INCOME ATTRIBUTABLE TO:				
Equity holders of the Parent	935,831,491	1,361,822,811	(425,991,320)	-31.3%
Non-controlling interests	(7,089,352)	14,224,399	(21,313,751)	-149.8%
	928,742,139	1,376,047,210	(447,305,071)	-32.5%
EARNINGS PER SHARE (Note 3):				
Basic/diluted, for income for the period attributable to equity holders of the Parent	0.63	0.91	(0.28)	-31.3%

See accompanying Notes to Consolidated Financial Statements.


Mary Ann G. Daugdaug
Asst. Finance Manager


Jaime M. Balisacan
SVP - Finance & Administration

**Equity Attributable to Equity Holders of the Parent
Retained Earnings**

[illegible]

See accompanying Notes to Consolidated Financial Statements.


Mary Ann G. Daugdaug
Asst. Finance Manager

Jaime M. Balisacan
SVP - Finance & Administration

SPC POWER CORPORATION AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF CASH FLOWS

	Nine Months ended Sept. 30	
	2022	2021
	(Unaudited)	(Unaudited)
CASH FLOWS FROM OPERATING ACTIVITIES		
Income before income tax	973,122,922	1,462,822,987
Adjustments for:		
Equity in net losses (earnings) of associates	(682,129,315)	(920,446,245)
Depreciation and amortizations	61,959,442	65,297,158
Interest expense	58,006	189,540
Interest income	(13,071,362)	(26,057,874)
Unrealized foreign exchange losses (gains)	(130,641,974)	(2,785,687)
Others -net	(1,455,375)	(539,080)
Operating income before working capital changes	207,842,344	578,480,799
Decrease (increase) in:		
Trade and other receivables	(109,661,193)	(128,812,856)
Due from related parties	(464,094)	(10,329,473)
Prepayments and other current assets	(33,758,989)	(6,080,120)
Materials and supplies	(93,499,062)	(33,052,233)
Increase (decrease) in:		
Trade and other payables	288,589,763	163,592,347
Due to related parties	(509,711)	105,551
Customers' deposits	2,783,477	10,050,040
Net cash generated from operations	261,322,535	573,954,055
Income tax paid	(33,603,632)	(73,321,526)
Interest paid	(124,517)	(155,539)
Interest received	13,088,666	29,324,106
Net cash flows from operating activities	240,683,052	529,801,096
CASH FLOWS FROM INVESTING ACTIVITIES		
Cash dividends received	323,926,239	691,813,394
Additions to plant, property and equipment	(29,768,316)	(54,673,193)
Decrease (increase) in:		
Other noncurrent assets	(78,232,427)	(542,591)
Net cash provided by (used in) investing activities	215,925,496	636,597,610
CASH FLOWS FROM FINANCING ACTIVITIES		
Payment of lease liabilities	(2,559,207)	(1,792,433)
Cash dividends paid	(303,652,846)	(1,501,765,053)
Net cash provided by (used in) financing activities	(306,212,053)	(1,503,557,486)
NET EFFECT OF EXCHANGE RATE CHANGES	130,641,974	(2,785,687)
NET INCREASE IN CASH AND CASH EQUIVALENTS	281,038,469	(339,944,467)
CASH AND CASH EQUIVALENTS AT BEG. OF PERIOD	2,984,110,635	3,944,306,886
CASH AND CASH EQUIVALENTS AT END OF PERIOD	3,265,149,104	3,604,362,419

See accompanying Notes to Financial Statements.


Mary Ann G. Daugdaug
Asst. Finance Manager


Jaime M. Balisacan
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 2021.

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 September 30	
	2022	2021
Net income attributable to equity holders of the parent	₱936,089,322	₱1,361,822,811
Weighted average number of common shares issued and outstanding	1,496,551,803	1,496,551,803
Basic/Diluted earnings per share	₱0.63	₱0.91

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
	<u>1,496,551,803</u>

There are no dilutive potential common stocks issued as of September 30, 2022.

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, 2022.

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, 2022.

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, 2022 and 2021.

The following tables present revenue and income information and certain asset and liability information regarding the business segments as of September 30, 2022 and 2021:

September 30, 2022						
	Before Eliminations			Adjustments and Eliminations	After Eliminations/ Consolidated	
	Generation	Distribution	Others			
Revenue	₱1,766,374,720	₱843,739,785	₱—	₱2,610,114,505	(₱70,160,928)	₱2,539,953,577
Income before income tax	628,057,249	(13,276,730)	139,327	614,919,846	358,203,076	973,122,922
Net income	585,635,020	(14,977,453)	139,327	570,796,894	358,203,076	928,999,970
Total assets	7,807,964,332	710,912,831	80,026,046	8,598,903,209	2,645,356,667	11,244,259,876
Property, plant and equipment	476,225,818	222,894,840	—	699,120,658	1,268,382	700,389,040
Total liabilities	682,174,968	511,460,795	6,652	1,193,642,415	(1,173,252)	1,192,469,163
Depreciation and amortization	42,282,835	19,676,607	—	61,959,442	—	61,959,442

September 30, 2021						
	Before Eliminations			Adjustments and Eliminations	After Eliminations/ Consolidated	
	Generation	Distribution	Others			
Revenue	₱1,220,329,198	₱774,585,111	₱—	₱1,994,914,309	₱—	₱1,994,914,309
Income before income tax	1,201,708,902	35,997,928	2,520,056	1,240,226,886	222,596,101	1,462,822,987
Net income	1,122,221,032	28,710,021	2,520,056	1,153,451,109	222,596,101	1,376,047,210
Total assets	7,885,138,799	707,261,872	77,542,936	8,669,943,607	2,795,338,402	11,465,282,009
Property, plant and equipment	515,290,830	223,663,350	—	738,954,180	1,268,383	740,222,563
Total liabilities	570,811,890	464,128,439	32,034	1,034,972,363	755,665	1,035,728,028
Depreciation and amortization	46,352,004	18,945,154	—	65,297,158	—	65,297,158

Adjustments and Eliminations

Adjustments and eliminations are part of detailed reconciliations presented below:

Reconciliation of Net Income

	Nine Mos. Ended September 30	
	2022	2021
Segment net income	₱570,796,894	₱1,153,451,109
Equity in net earnings of associates	682,129,315	920,446,245
Dividend Income	(323,926,239)	(697,850,144)
Group net income	₱928,999,970	₱1,376,047,210

Reconciliation of Total Assets

	Sept. 30, 2022	Dec. 31, 2021
Segment assets	₱8,600,171,591	₱8,071,102,510
Inter-segment receivables	(9,812,593)	(14,575,375)
Investments in associates and subsidiaries	2,621,378,862	2,263,175,787
Goodwill	32,522,016	32,522,016
Group assets	₱11,244,259,876	₱10,352,224,938

Reconciliation of Total Liabilities

	Sept. 30, 2022	Dec. 31, 2021
Segment liabilities	₱1,193,642,415	₱935,802,036
Inter-segment payables	(1,173,252)	(5,936,033)
Group liabilities	₱1,192,469,163	₱929,866,003

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, 2022 and December 31, 2021, 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, 2022 and December 31, 2021 based on contractual undiscounted payments:

September 30, 2022						
	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	₱3,265,149,104	₱3,265,149,104	₱—	₱—	₱—	₱—
Trade and other receivables						
PSALM	—	—	—	—	—	—
Receivable from customers	464,283,408	315,200,164	48,583,157	16,031,594	21,097,852	63,370,641
Current portion of PSALM						
deferred adjustments	36,798,477	36,798,477	—	—	—	—
Due from related parties	2,654,603	208,934	57,440	29,166	45,246	2,313,817
Others	96,199,117	28,340,442	11,127,660	14,350,396	7,831,257	34,549,362
	599,935,605	380,548,017	59,768,257	30,411,156	28,974,355	100,233,820
PSALM deferred adjustments (included in "Other noncurrent assets")	41,704,941	—	—	—	—	41,704,941
	3,906,789,650	3,645,697,121	59,768,257	30,411,156	28,974,355	141,938,761
At FVOCI:						
Investment in proprietary club shares	8,000,000	—	—	—	—	8,000,000
	3,914,789,650	3,645,697,121	59,768,257	30,411,156	28,974,355	149,938,761
Financial Liabilities						
Trade and other payables						
Trade	590,033,527	583,521,245	4,284,056	1,320,071	—	908,155
Nontrade	46,058,779	37,216,776	—	—	—	8,842,003
Accrued expenses	46,663,131	26,972,780	—	490,999	379,363	18,819,989
Due to related parties	502,643	—	—	—	—	502,643
	683,258,080	647,710,801	4,284,056	1,811,070	379,363	29,072,790
Customers' deposits	189,617,880	—	—	—	—	189,617,880
Lease liabilities	103,110	—	—	—	—	103,110
Other noncurrent liability	41,704,941	—	—	—	—	41,704,941
	914,684,011	647,710,801	4,284,056	1,811,070	379,363	260,498,721
Net Financial Assets (Liabilities)	₱3,000,105,639	₱2,997,986,320	₱55,484,201	₱28,600,086	₱28,594,992	(₱110,559,960)

December 31, 2021						
	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	₱2,984,110,635	₱2,984,110,635	₱—	₱—	₱—	₱—
Trade and other receivables						
PSALM	1,015,262	—	—	—	—	1,015,262
Receivable from customers	307,274,236	156,633,651	44,133,687	13,797,096	10,952,451	81,757,351
Dividends receivable	79,999,911	79,999,911	—	—	—	—
Current portion of PSALM						
deferred adjustments	36,798,477	36,798,477	—	—	—	—
Due from related parties	2,190,509	79,314	15,000	18,450	72,762	2,004,983
Others	62,549,226	32,934,724	4,661,276	3,431,009	2,119,080	19,403,137
	489,827,621	306,446,077	48,809,963	17,246,555	13,144,293	104,180,733
PSALM deferred adjustments (included in "Other noncurrent assets")	72,370,338	—	—	—	—	72,370,338
	3,546,308,594	3,290,556,712	48,809,963	17,246,555	13,144,293	176,551,071
At FVOCI:						
Investment in proprietary club shares	8,000,000	—	—	—	—	8,000,000
	3,554,308,594	3,290,556,712	48,809,963	17,246,555	13,144,293	184,551,071
Financial Liabilities						
Trade and other payables						
Trade	329,057,824	308,846,970	7,172,718	5,308,674	1,980,569	5,748,893
Nontrade	48,837,121	40,412,010	66,544	52,037	—	8,306,530
Accrued expenses	24,945,253	17,357,746	59,338	59,338	356,029	7,112,802
Dividends payable	4,342,484	4,342,484	—	—	—	—
Due to related parties	1,012,353	194,600	—	—	—	817,753
	408,195,035	371,153,810	7,298,600	5,420,049	2,336,598	21,985,978
Customers' deposits	186,776,397	—	—	—	—	186,776,397
Lease liabilities	2,662,317	—	—	—	—	2,662,317
Other noncurrent liability	72,370,338	—	—	—	—	72,370,338
	670,004,087	371,153,810	7,298,600	5,420,049	2,336,598	283,795,030
Net Financial Assets (Liabilities)	₱ 2,884,304,507	₱2,919,402,902	₱41,511,363	₱11,826,506	₱10,807,695	(₱99,243,959)

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, 2022			
	Maximum exposure	Offset	Exposure to credit risk
At amortized cost:			
Cash and cash equivalents (excluding cash on hand)	₱3,264,478,491	(₱9,434,975)	₱3,255,043,516
Trade and other receivables	599,935,605	(115,381,160)	484,554,445
PSALM deferred adjustments (included in "Other noncurrent assets")	41,704,941	—	41,704,941
	₱3,906,119,037	(₱124,816,135)	₱3,781,302,902

December 31, 2021			
	Maximum exposure	Offset	Exposure to credit risk
At amortized cost:			
Cash and cash equivalents (excluding cash on hand)	₱2,983,125,816	(₱9,020,940)	₱2,974,104,876
Trade and other receivables	489,827,621	(115,381,160)	374,446,461
PSALM deferred adjustments (included in "Other noncurrent assets")	72,370,338	—	72,370,338
	₱3,545,323,775	(₱124,402,100)	₱3,420,921,675

As of September 30, 2022 and December 31, 2021, the Group's significant concentration of credit risk pertains to its trade and other receivables and PSALM deferred adjustments amounting to ₱641.6 million and ₱562.2 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, 2022 and December 31, 2021.

The following are the details of the Group's assessment of credit quality and the related ECLs as at September 30, 2022 and December 31, 2021:

General Approach

- *Cash and cash equivalents* - As of September 30, 2022 and December 31, 2021, 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, 2022 and December 31, 2021, 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, 2022 and December 31, 2021, the allowance for impairment losses as a result from performing collective and specific impairment test amounted to ₱48.3 million. Management evaluated that the Parent Company's trade receivables are of high grade and of good credit quality.

September 30, 2022					
	Stage 1 12-month ECL	Stage 2 Lifetime ECL	Stage 3 Lifetime ECL	Lifetime ECL Simplified Approach	Total
Gross carrying amount	₱—	₱—	₱48,283,301	₱599,935,605	₱648,218,906
Loss allowance	—	—	(48,283,301)	—	(48,283,301)
Carrying amount	₱—	₱—	₱—	₱599,935,605	₱599,935,605

December 31, 2021					
	Stage 1 12-month ECL	Stage 2 Lifetime ECL	Stage 3 Lifetime ECL	Lifetime ECL Simplified Approach	Total
Gross carrying amount	₱—	₱—	₱39,789,858	₱498,321,064	₱538,110,922
Loss allowance	—	—	(39,789,858)	(8,493,443)	(48,283,301)
Carrying amount	₱—	₱—	₱—	₱489,827,621	₱489,827,621

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, 2022 and December 31, 2021, 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, 2022 and December 31, 2021, the Group considers its investment in proprietary club shares measured and carried at fair values of ₱8.0 million under Level 1 classification, respectively. The Group also considers its noncurrent receivable amounting to ₱41.7 million and ₱72.4 million as of September 30, 2022 and December 31, 2021, respectively, noncurrent liability amounting to ₱41.7 million and ₱72.4 million as of September 30, 2022 and December 31, 2021, and customers' deposits amounting to ₱189.6 million and ₱186.8 million as of September 30, 2022 and December 31, 2021, respectively, under the Level 3 classification.

During the reporting period ended September 30, 2022, 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. Acquisition of 40.5% Interest in STEAG State Power, Inc. (SPI)

On September 20, 2021, the Parent Company was invited by STEAG GmbH (Seller) to participate in the submission of Firm Offer for the acquisition of its 51% interest in STEAG State Power, Inc. (SPI).

SPI owns and operates Mindanao's first coal-fired power plant located at the PHIVIDEC Industrial Estate in Villanueva, Misamis Oriental. The plant was built through a Build-Operate-Transfer scheme with the NPC as the other party to the Power Purchase Agreement with a period of twenty-five (25) years.

On December 10, 2021, the Parent Company and its affiliate Intrepid Holdings, Inc. (IHI), together as Purchasers, were selected as the Preferred Prospective Purchasers with the view to negotiate the Sale and Purchase Agreement (SPA) expeditiously. Negotiations on the SPA commenced on December 13, 2021.

After series of negotiations, the SPA was executed among the parties on February 10, 2022. Subject to the terms and conditions of the SPA, the Seller shall sell its 51% interest in the outstanding capital stock of SPI to the Purchasers, with the Parent Company acquiring 40.5% interest and IHI acquiring 10.5% interest. The Consideration for the transfer of ownership rights over the shares shall be the sum of: (i) the consideration for both the common and redeemable shares of US\$52.0 million (allocated between the Parent Company and IHI at US\$41.3 million and US\$10.7 million, respectively) and (ii) interest accrued at the Locked Box Interest Rate as provided for in the SPA.

The Completion of the sale is subject to certain closing conditions and the final purchase price shall be confirmed after closing. Completion shall be on the tenth (10th) business day after the date on which the conditions are satisfied or waived or at such other date that the parties agree in writing, but no later than June 1, 2022, unless the parties agree to extend such date if Completion does not occur by such date.

However, due to the unlikelihood of securing completely the satisfaction or waiver of the conditions precedent, the Parties mutually agreed to terminate the SPA effective May 5, 2022 at 6:15 PM.

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

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.


Certification

I, Mishelle Anne Rubio-Aguinaldo. Assistant Corporate Secretary of SPC Power Corporation with SEC registration number AS094-002365 with principal office at the 7/F BDO Towers Paseo, 8741 Paseo de Roxas, Makati City, on oath state:

- 1) That on behalf of SPC Power Corporation, I have caused SEC Form 17-Q (Quarterly Report of SPC Power Corporation) report to be prepared;
- 2) That I read and understood its contents which are true and correct of my own personal knowledge and/or based on true records;
- 3) That SPC Power Corporation will comply with the requirements set forth in SEC Notice dated June 24, 2020 for a complete and official submission of reports and/or documents through electronic mail; and
- 4) That I am fully aware that documents filed online which requires pre-evaluation and/or processing fee shall be considered complete and officially received only upon payment of the filing fee.

The Certification was issued by the undersigned Assistant Corporate Secretary in lieu of the Corporate Secretary since the latter, by reason of his health condition (i.e. diabetic, cancer survivor, and had also lost one of his kidneys) and advanced age, has to observe health and safety protocols. Moreover, since the onset pandemic in 2020, it has been a practice that the Assistant Corporate Secretary issue certifications and other reportorial requirements for reasons of practicality, convenience, and accessibility. Rest assured, the Assistant Corporate Secretary is supervised by the Corporate Secretary and has personal knowledge on all corporate matter that she certifies.

IN WITNESS WHEREOF, I have hereunto set my hand this 14th day of November, 2022.


Mishelle Anne R. Rubio-Aguinaldo
Affiant

SUBSCRIBED AND SWORN TO before me this NOV 14 2022, at Makati City, Philippines by the affiant who exhibited to me her Philippine Non-Professional Driver's License No. N26-001204 valid until February 2023.

Doc. No. 40;
Page No. 9;
Book No. 6;
Series of 2022.

JOSHUA P. LAPUZ
Notary Public for Makati City
Appointment No. M-17 / Until 12-31-23
Roll No. 45790 / 1181 / Life No. 04897 / 07-03-03
PTR-O.R. No. 3952510 / 01-03-22 / Makati City
MCLE No. VI-0016865 / 01-14-19
G/F Freeman Suites 199 Salcedo St.
Legaspi Village, 1229 Makati City