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, 2023

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)

7th Floor, BDO Towers Paseo, 8741 Paseo de Roxas, Makati City, 1209

7. Address of Issuer's principal office Postal Code

(63 2) 8810-4474 to 77

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, 2023)	1,496,551,803 shares
Total Debt (as of September 30, 2023)	₱1,327,921,927

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, 2023 (unaudited) and December 31, 2022 (audited).

b. Consolidated Statements of Comprehensive Income – Three Months Ended September 30, 2023 and 2022 (unaudited).

c. Consolidated Statements of Comprehensive Income – Nine Months Ended September 30, 2023 and 2022 (unaudited).

d. Consolidated Statements of Changes in Stockholders' Equity – Nine Months Ended September 30, 2023 and 2022 (unaudited).

e. Consolidated Statements of Cash Flows – Nine Months ended September 30, 2023 and 2022 (unaudited).

f. Notes to the Consolidated Interim 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, 2023 and 2022

The Group registered a third-quarter consolidated net income of ₱394.9 million, under by 14.6% from ₱462.3 million in the same period a year ago. The improved gross margin generated from power generation and distribution business segments were negated mainly by substantial decrease in equity from the earnings of associates, lower foreign exchange gains, and increase in non-operating expenses.

Equity share in the earnings of KSPC, one of the investee companies, substantially decreased by 97.7% to ₱6.5 million in the third quarter of 2023, from ₱287.3 million in the same period last year. This was mainly due to planned outages attributable to the last Preventive Maintenance Schedule (PMS) of units 1 and 2 for the year 2023 which both lasted 35 days, although unit 2 downtime for this reporting period is only at 15 days. In contrast, the last PMS of units 1 and 2 in the previous year was done in the fourth quarter of 2022.

MECO (another investee company), on the other hand, increased its July-September 2023 contribution by 178.2% year-on-year to ₱129.2 million, from ₱46.5 million in the same period last year, as the economy picks up with the recovery of the commercial sector while the third quarter of 2022 was still the period of restoration after the Dec 16, 2021 Typhoon Odette hit MECO's franchise areas.

In sum, the combined equity shares in the earnings of investee companies decreased by 59.3% to ₱135.7 million in the third quarter of 2023, from ₱333.8 million a year ago.

The power generation business segment contributed ₱227.1 million to the consolidated net income, substantially higher by 47.8% as compared with last year's ₱153.7 million. This was due mainly to recovery of fuel costs incurred in previous periods for incidental energy generated in the rendering of ASPA services. It was also due to higher interest income earned from short-term placement of temporary excess funds

The distribution business unit likewise increased its contribution to the total comprehensive income to ₱32.1 million in the third quarter of 2023, from net loss of ₱25.1 million in the previous year, fueled mainly by the increase in the volume of electricity sold, better recovery of pass-through charges, and higher other income.

Consolidated revenues from power generation and power distribution business segments for the third quarter grew by 39.8% to ₱1,326.4 million from ₱948.7 million in the same period a year ago. The increase was traced mainly to higher pass-through cost of purchased power and recovery of prior periods' cost of fuel used in the generation of incidental energy for rendering ancillary services.

Alongside revenue increase, the consolidated cost of services also increased by 19.4% to ₱1,028.4 million, from ₱861.2 million in the same period a year ago, due mainly to high cost of fuel and purchased power.

As the amount of revenues grew faster than costs, gross margin increased to ₱298.0 million, up by 240.6% from ₱87.5 million in the same period last year.

Consolidated administrative and general expenses went up by 92.8% to ₱73.0 million, from ₱37.9 million in July - September 2022, due largely to higher expenses for business development, personnel, taxes and licenses, and professional fees.

Driven by the appreciation of the US dollar, the Group booked nonrecurring foreign exchange gains of ₱30.1 million in the third quarter of 2023, lower by 62.2% as compared with the ₱79.6 million foreign exchange gains recorded in the same quarter last year.

Interest income substantially increased to ₱42.3 million, from ₱7.0 million, because of higher effective interest rates and higher amount of temporary excess cash invested in short-term money market placements.

Provision for income tax had a substantial increase of 227.0% to ₱49.9 million, from ₱15.3 million, due to higher taxable income this year.

Nine Months Ended September 30, 2023 and 2022

The Group's consolidated total comprehensive income for the January to September period increased by 31.5% to ₱1,221.0 million, from ₱928.7 million during the same nine-month period a year ago, even with the net income reduction in the third quarter. The sustained gross margins generated from power generation and distribution business segments, as well as higher interest income from short-term placement of temporary excess funds, more than offset lower equity share in the earnings of associates, lower foreign exchange gains, and higher non-operating expenses.

The power generation and power distribution business segments contributed 50.1% of the total consolidated net income in 2023. The equity-share from the earnings of investee companies provided the other 49.9%.

With higher results, earnings per share increased to ₱0.80 in the nine months to September 2023 as compared with ₱0.63 in the same nine-month span last year.

The performance also translated to a return on equity of 11.2% in the first nine months of 2023 versus 9.4% in the same period last year.

Consolidated revenues rose by 40.3% to ₱3,562.7 million from ₱2,540.0 million in the same period last year due mainly to higher pass-through cost of fuel and purchased power distributed by BLCI and recovery of prior periods' cost of fuel used in the generation of incidental energy for rendering ancillary services.

Consolidated cost of services likewise rose by 21.5% to ₱2,781.3 million from ₱2,289.5 million in the same period last year. This was due mainly to higher volume and cost of purchased power distributed by BLCI.

As the amount of revenues grew faster than costs, gross margin increased by 212.0% to ₱781.5 million from ₱250.5 million in the same period a year earlier.

The Group increased its administrative and general expenses by 35.3% to ₱201.8 million in 2023 from ₱149.1 million in the previous year. The increase was due largely to higher expenses for business development, personnel, taxes and licenses, and professional fees.

Equity share in the earnings of KSPC, one of the investee companies, decreased by 41.7% to ₱332.7 million in the first nine months of 2023, from ₱570.8 million in the same period last year. This was due mainly to the planned outages attributable to the last Preventive Maintenance Schedule (PMS) of units 1 and 2 for the year 2023. In contrast, the last PMS of units 1 and 2 in the previous year was done in the fourth quarter.

On the other hand, equity share in the earnings of MECO (another investee company) increased by 148.9% year-on-year to ₱277.0 million, from ₱111.3 million in the same period last year, as the economy picks up with the recovery of the commercial sector while 2022 was still the period of restoration after the Dec 16, 2021 Typhoon Odette hit MECO's franchise areas.

In sum, the combined equity shares in the earnings of investee companies decreased by 10.6% to ₱609.7 million in the first nine months of 2023, from ₱682.1 million in the same period a year ago.

Interest income substantially increased to ₱109.7 million, from ₱13.1 million, because of higher effective interest rates and higher amount of temporary excess cash invested in short-term money market placements.

In the nine months ended September 30, 2023, the Group recorded nonrecurring foreign exchange gains of ₱18.3 million driven by the appreciation of the US dollar, however, fluctuation is not as high as compared with the ₱156.5 million that was recorded a year ago.

Provision for income tax in the first nine months of 2023 increased by 183.2% to ₱124.9 million, from ₱44.1 million in the same period last year, due to higher taxable income.

Financial Condition

September 30, 2023 Vs. December 31, 2022

A solid financial position is maintained to allow the Group to take advantage of opportunities for growth in new markets and customer segments.

The Group ended the first nine months of 2023 with consolidated assets standing at ₱12,649.1 million, 9.0% higher compared to the last audited balance of ₱11,607.7 million as at end-2022. The increase in total assets was attributed mainly to additional cash generated from operating activities, trade and other receivables and appreciation of the carrying value of investments in associates.

Total liabilities went up to ₱1,327.9 million as at end-September 2023, 9.9% higher from ₱1,208.2 million at the beginning of the year, due mainly to increase in trade and other payables.

Total stockholders' equity likewise increased by 8.9% to ₱11,321.1 million as at end-September 2023, from ₱10,399.5 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, 2022 balances to September 30, 2023 balances) are discussed below.

Trade and other receivables increased by 14.3% to ₱795.4 million, from ₱695.8 million, due to increase in sales that included higher pass-through cost of fuel and purchased power.

Materials and supplies inventory decreased by 9.8% to ₱421.5 million, from ₱467.5million, due mainly to lower volume of fuel inventory. Moreover, last year's replacement cost of inventories was augmented during restoration of damage caused by Typhoon Odette.

Prepayments and other current assets decreased by 20.4% to ₱80.3 million, from ₱100.9 million, due mainly to last year's deferred/unexpired insurance premiums and accumulated input tax awaiting application against output tax.

Investment in associates increased by 9.4% to ₱5,942.1 million, from ₱5,432.5 million, due to fresh equity share in the net earnings of associates amounting to ₱609.7 million less dividends received amounting to ₱100.0 million.

Property, plant and equipment increased by 2.4% to ₱752.6 million, from ₱734.7 million. This was attributed to the new additions to property, plant and equipment amounting to P85.4 million, less depreciation amounting to P67.5 million.

Trade and other payables increased by 21.9% to ₱946.8 million, from ₱777.0 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.

Unappropriated retained earnings decreased by 41.9% to ₱4,025.7 million, from ₱6,927.4 million. The decrease is reflective of the net effect of the following: (i) increase due to comprehensive income attributable to equity holders of the Parent Company amounting to ₱1,197.6 million in the first nine months of 2023, (ii) decrease due to interim cash dividends declared on July 26, 2023 amounting to ₱299.3 million, (ii) increase due to reversal of prior years' appropriation of retained earnings amounting to ₱1,800.0 million, and (iii) decrease due to new appropriation for a new project amounting to ₱5,600.0 million.

On July 26, 2023, the Board of Directors (BOD) of the Parent Company approved the reversal of prior years' appropriation of retained earnings amounting to ₱1,800.00 million as a consequence of recent developments. On the same date, the BOD approved a new appropriation of retained earnings amounting to P5,600.00 million for the acquisition of KSPC shares owned by KEPCO Philippines Holdings, Inc. in 2023 and 2024. Please see Note 12 of the Interim Consolidated Financial Statements for further details.

Cash Flows

Cash and cash equivalents increased by 39.3% to ₱4,547.4 million as at end- September 2023 from the end-2022 level of ₱3,265.1 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 2023 were from operating activities and cash dividends received from investee companies amounting to ₱661.3 million and ₱80 million, respectively.

The major applications of funds in the first nine months of 2023 were: (i) payment of cash dividends amounting to ₱189.9 million, and (ii) new additions to property, plant and equipment amounting to ₱85.4 million.

KEY PERFORMANCE INDICATORS

The following financial indicators are used, among others, to evaluate the performance of the Group as of September 30, 2023 and December 31, 2022 and for the nine months ended September 30, 2023 and 2022:

Key Performance Indicators	2023	2022
A. For Nine months ended Sept. 30 2023 & 2022.		
Earnings Per Share	₱ 0.80	₱ 0.63
Share In Net Earnings of Associates	₱ 609,687,355	₱ 682,129,315
Return on Equity (total comprehensive income divided by average total equity)	11.43%	9.54%
Return on Assets (total comprehensive income divided by average total assets)	10.22%	8.60%
Cash Flows:		
Net cash inflows generated from operating activities	₱ 661,254,642	₱ 240,683,052
Net cash flows provided by investing activities	₱ 28,265,665	₱ 215,925,496
Net cash flows used in financing activities	(₱ 191,220,255)	(₱ 306,212,053)
Solvency ratio (total comprehensive income before depreciation and amortization divided by total liabilities)	0.97	0.83
B. As of September 30, 2023 and December 31, 2022:		
Cash and cash equivalents at end of period	₱ 4,547,394,922	₱ 4,031,421,593
Current ratio (total current assets divided by current liabilities)	6.03	6.52
Debt ratio (total liabilities divided by total assets)	0.10	0.10
Debt-to-equity ratio (total liabilities divided by total equity)	0.12	0.11

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

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, 2023, 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

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 POWERCORPORATION
Issuer

By:

MARY ANN G. DAUGDAUG
Assistant Finance Manager
Date: November 14, 2023

NIÑO RAY D. AGUIRRE
VP-Finance & Treasurer
Date: November 14, 2023

SPC POWER CORPORATION AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF FINANCIAL POSITION
(Amounts in Philippine Pesos)

	Sep. 30, 2023	Dec. 31, 2022	Incr. / (Decr.)	
	(Unaudited)	(Audited)	Amount	Percent
ASSETS				
Current Assets				
Cash and cash equivalents	**4,547,394,922**	4,031,421,593	515,973,329	12.8%
Trade and other receivables - net	**795,404,859**	695,835,058	99,569,801	14.3%
Inventories - at cost	**421,515,238**	467,547,381	(46,032,143)	(9.8%)
Prepayments and other current assets	**80,314,065**	100,931,667	(20,617,602)	(20.4%)
Total Current Assets	**5,844,629,084**	5,295,735,699	548,893,385	10.4%
Noncurrent Assets				
Investment in associates	**5,942,141,131**	5,432,453,664	509,687,467	9.4%
Property, plant and equipment - net	**752,639,034**	734,717,862	17,921,172	2.4%
Deferred income tax assets	**33,565,443**	34,227,789	(662,346)	(1.9%)
Goodwill	**32,522,016**	32,522,016	-	0.0%
Intangible Assets	**2,442,791**	3,257,057	(814,266)	(25.0%)
Other noncurrent assets - net	**41,115,372**	74,789,209	(33,673,837)	(45.0%)
Total Noncurrent Assets	**6,804,425,787**	6,311,967,597	492,458,190	7.8%
TOTAL ASSETS	**12,649,054,871**	11,607,703,296	1,041,351,575	9.0%
LIABILITIES & EQUITY				
Current Liabilities				
Trade and other payables	**946,782,798**	777,024,871	169,757,927	21.8%
Income tax payable	**19,865,636**	33,967,216	(14,101,580)	(41.5%)
Current portion of lease liabilities	**1,828,196**	1,828,196	-	0.0%
Total current liabilities	**968,476,630**	812,820,283	155,656,347	19.2%
Noncurrent Liabilities				
Customers' deposits	**193,035,938**	191,579,049	1,456,889	0.8%
Asset retirement obligation	**94,302,870**	94,302,870	-	0.0%
Net pension liabilities	**36,030,574**	43,731,722	(7,701,148)	(17.6%)
Deferred income tax liabilities	**19,898,661**	20,652,099	(753,438)	(3.6%)
Lease liabilities - net of current portion	**8,204,251**	9,559,496	(1,355,245)	(14.2%)
Other noncurrent liability	**7,973,003**	35,571,861	(27,598,858)	(77.6%)
Total noncurrent liabilities	**359,445,297**	395,397,097	(35,951,800)	(9.1%)
Total Liabilities	**1,327,921,927**	1,208,217,380	119,704,547	9.9%

(Forward)

SPC POWER CORPORATION AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF FINANCIAL POSITION

(Amounts in Philippine Pesos)

	Sep. 30, 2023	Dec. 31, 2022	Incr. / (Decr.)	
	(Unaudited)	(Audited)	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%
Additional paid-in capital	**86,810,752**	86,810,752	-	0.0%
Retained earnings:				
Unappropriated	**4,025,719,936**	6,927,417,031	(2,901,697,095)	(41.9%)
Appropriated	**5,600,000,000**	1,800,000,000	3,800,000,000	211.1%
Other comprehensive income:				
Remeasurement of employee benefits	**(3,858,148)**	(3,858,148)	-	0.0%
Net unrealized valuation gains on financial asset at FVOCI	**11,350,000**	11,350,000	-	0.0%
Share in remeasurement of employee benefits of associates	**6,800,073**	6,800,073	-	0.0%
Treasury stock at cost - 72,940,097 shares	**(131,008,174)**	(131,008,174)	-	0.0%
Equity attributable to equity holders of Parent	**11,165,306,339**	10,267,003,434	898,302,905	8.7%
Equity attributable to Non-controlling interests	**155,826,605**	132,482,482	23,344,123	17.6%
Total Equity	**11,321,132,944**	10,399,485,916	921,647,028	8.9%
TOTAL LIABILITIES and EQUITY	**12,649,054,871**	11,607,703,296	1,041,351,575	9.0%

See accompanying Notes to Consolidated Financial Statements.

SPC POWER CORPORATION AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME
(Amounts in Philippine Pesos)

	Three months ended Sep. 30		Increase / (Decrease)	
	2023 (Unaudited)	2022 (Unaudited)	Amount	Percent
REVENUE	**1,326,369,776**	948,677,067	377,692,709	39.8%
COST OF OPERATIONS	**1,028,618,595**	861,206,894	167,411,701	19.4%
GROSS MARGIN	**297,751,181**	87,470,173	210,281,008	240.4%
GENERAL AND ADMINISTRATIVE EXPENSES	**(73,035,881)**	(37,887,450)	(35,148,431)	92.8%
OTHER INCOME (CHARGES) - Net				
Equity in net earnings of associates	**135,692,558**	333,766,484	(198,073,926)	(59.3%)
Interest Income	**42,339,639**	7,045,312	35,294,327	501.0%
Interest Expense	**(178,953)**	(14,964)	(163,989)	1095.9%
Foreign exchange gains (losses)	**30,082,562**	79,551,760	(49,469,198)	(62.2%)
Others - net	**12,104,325**	7,664,502	4,439,823	57.9%
	220,040,131	428,013,094	(207,972,963)	(48.6%)
INCOME BEFORE INCOME TAX	**444,755,431**	477,595,817	(32,840,386)	(6.9%)
PROVISION FOR INCOME TAX				
Current	**49,823,314**	15,321,868	34,501,446	225.2%
Deferred	**73,724**	(61,190)	134,914	(220.5%)
	49,897,038	15,260,678	34,636,360	227.0%
NET INCOME	**394,858,393**	462,335,139	(67,476,746)	(14.6%)
OTHER COMPREHENSIVE INCOME	**-**	-	-	
TOTAL COMPREHENSIVE INCOME	**394,858,393**	462,335,139	(67,476,746)	(14.6%)
NET INCOME ATTRIBUTABLE TO:				
Equity holders of the Parent	**380,013,114**	473,957,158	(93,944,044)	(19.8%)
Non-controlling interests	**14,845,279**	(11,622,019)	26,467,298	(227.7%)
	394,858,393	462,335,139	(67,476,746)	(14.6%)
TOTAL COMPREHENSIVE INCOME ATTRIBUTABLE TO:				
Equity holders of the Parent	**380,013,114**	473,957,158	(93,944,044)	(19.8%)
Non-controlling interests	**14,845,279**	(11,622,019)	26,467,298	(227.7%)
	394,858,393	462,335,139	(67,476,746)	(14.6%)
EARNINGS PER SHARE (Note 3):				
Basic/diluted, for income for the period attributable to equity holders of the Parent	**0.25**	0.32	(0.06)	(19.8%)

See accompanying Notes to Consolidated Financial Statements.

SPC POWER CORPORATION AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME
(Amounts in Philippine Pesos)

	Nine months ended Sept. 30		Increase / (Decrease)	
	2023 (Unaudited)	2022 (Unaudited)	Amount	Percent
REVENUE	**3,562,720,001**	2,539,953,577	1,022,766,424	40.3%
COST OF OPERATIONS	**2,781,480,160**	2,289,460,758	492,019,402	21.5%
GROSS MARGIN	**781,239,841**	250,492,819	530,747,022	211.9%
GENERAL AND ADMINISTRATIVE EXPENSES	**(201,535,328)**	(149,114,829)	(52,420,499)	35.2%
OTHER INCOME (CHARGES) - Net				
Equity in net earnings of associates	**609,687,355**	682,129,315	(72,441,960)	(10.6%)
Interest Income	**109,688,464**	13,071,362	96,617,102	739.2%
Interest Expense	**(553,260)**	(58,006)	(495,254)	853.8%
Foreign exchange gains (losses)	**18,307,167**	156,544,280	(138,237,113)	(88.3%)
Others - net	**29,072,341**	20,057,981	9,014,360	44.9%
	766,202,067	871,744,932	(105,542,865)	(12.1%)
INCOME BEFORE INCOME TAX	**1,345,906,580**	973,122,922	372,783,658	38.3%
PROVISION FOR INCOME TAX				
Current	**125,040,283**	44,174,410	80,865,873	183.1%
Deferred	**(91,092)**	(51,458)	(39,634)	77.0%
	124,949,191	44,122,952	80,826,239	183.2%
NET INCOME	**1,220,957,389**	928,999,970	291,957,419	31.4%
OTHER COMPREHENSIVE INCOME	**-**	(257,830)	257,830	(100.0%)
TOTAL COMPREHENSIVE INCOME	**1,220,957,389**	928,742,140	292,215,249	31.5%
NET INCOME ATTRIBUTABLE TO:				
Equity holders of the Parent	**1,197,613,266**	936,089,321	261,523,945	27.9%
Non-controlling interests	**23,344,123**	(7,089,351)	30,433,474	(429.3%)
	1,220,957,389	928,999,970	291,957,419	31.4%
TOTAL COMPREHENSIVE INCOME ATTRIBUTABLE TO:				
Equity holders of the Parent	**1,197,613,266**	935,950,969	261,662,297	28.0%
Non-controlling interests	**23,344,123**	(7,208,829)	30,552,952	(423.8%)
	1,220,957,389	928,742,140	292,215,249	31.5%
EARNINGS PER SHARE (Note 3):				
Basic/diluted, for income for the period attributable to equity holders of the Parent	**0.80**	0.63	0.17	27.9%

See accompanying Notes to Consolidated Financial Statements.

SPC POWER CORPORATION AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY

FOR THE 9 MONTHS ENDED SEPTEMBER 30, 2023 AND 2022

	Equity Attributable to Equity Holders of the Parent										
						Retained Earnings					
	Capital Stock	Additional Paid-In Capital	Treasury Stock at Cost	Remeasurement of Employee Benefits	Share of Associates in OCI	Appropriated	Unappropriated	Net Unrealized Valuation Gains on Financial Assets at FVOCI	Total	Non-controlling Interest	Total
Balances at January 1, 2023	1,569,491,900	86,810,752	(131,008,174)	(3,858,148)	6,800,073	1,800,000,000	6,927,417,031	11,350,000	10,267,003,434	132,482,482	10,399,485,916
Total comprehensive income	0	0	0	0	0	0	1,197,613,266	0	1,197,613,266	23,344,123	1,220,957,389
Cash dividends	0	0	0	0	0	0	(299,310,361)	0	(299,310,361)	0	(299,310,361)
Reversal of appropriations	0	0	0	0	0	(1,800,000,000)	1,800,000,000	0	0	0	0
Appropriation (Note 12)	0	0	0	0	0	5,600,000,000	(5,600,000,000)	0	0	0	0
Balances at Sep. 30, 2023	1,569,491,900	86,810,752	(131,008,174)	(3,858,148)	6,800,073	5,600,000,000	4,025,719,936	11,350,000	11,165,306,339	155,826,605	11,321,132,944
Balances at January 1, 2022	1,569,491,900	86,810,752	(131,008,174)	(367,133)	270,792	1,800,000,000	5,954,370,914	6,350,000	9,285,919,051	136,439,883	9,422,358,934
Total comprehensive income	0	0	0	(257,830)	0	0	936,089,321	0	935,831,491	(7,089,351)	928,742,140
Cash dividends	0	0	0	0	0	0	(299,310,361)	0	(299,310,361)	0	(299,310,361)
Balances at Sep. 30, 2022	1,569,491,900	86,810,752	(131,008,174)	(624,963)	270,792	1,800,000,000	6,591,149,874	6,350,000	9,922,440,181	129,350,532	10,051,790,713

See accompanying Notes to Consolidated Financial Statements.

SPC POWER CORPORATION AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF CASH FLOWS
(Amounts in Philippine Pesos)

	Nine months ended Sept. 30	
	2023 (Unaudited)	**2022 (Unaudited)**
CASH FLOWS FROM OPERATING ACTIVITIES		
INCOME BEFORE INCOME TAX	**1,345,906,580**	**973,122,922**
Adjustments for:		
Equity in Net Earnings (Losses) of Associates	(609,687,355)	(682,129,315)
Depreciation and amortization	68,301,176	61,959,442
Interest expense	553,260	58,006
Net changes in pension liability	(7,701,151)	(1,414,360)
Interest income	(109,688,465)	(13,071,362)
Unrealized foreign exchange losses (gains)	(17,673,277)	(130,641,974)
Others	-	(41,016)
Operating income before working capital changes	670,010,768	207,842,343
Decrease (increase) in:		
Trade and Other Receivables - net	(82,271,777)	(109,661,193)
Due from Related Parties	(376,642)	(464,094)
Materials and Supplies - net of allowance	46,032,143	(93,499,062)
Prepayments and Other Current Assets	20,617,603	(33,758,989)
Increase (decrease) in:		
Trade and other payables	35,850,494	288,589,764
Due to Related Parties	(1,126)	(509,711)
Customers' deposits	1,411,339	2,783,477
Net cash generated from operations	**691,272,802**	**261,322,535**
Income Tax Paid	(139,141,863)	(33,603,632)
Interest paid	(564,762)	(124,517)
Interest received	109,688,465	13,088,666
Net cash flows from operating activities	**661,254,642**	**240,683,052**
CASH FLOWS FROM INVESTING ACTIVITIES		
Cash dividends received	79,999,911	323,926,239
Additions to plant, property and equipment	(85,408,084)	(29,768,316)
Decrease in other noncurrent assets	33,673,838	(78,232,427)
Net cash provided by (used in) investing activities	28,265,665	215,925,496
CASH FLOWS FROM FINANCING ACTIVITIES		
Cash dividends paid	(189,865,010)	(303,652,846)
Payment of lease liabilities	(1,355,245)	(2,559,207)
Net cash provided by (used in) financing activities	(191,220,255)	(306,212,053)
NET EFFECT OF EXCHANGE RATE CHANGES	17,673,277	130,641,974
NET INCREASE IN CASH AND CASH EQUIVALENTS	498,300,052	150,396,495
CASH AND CASH EQUIVALENTS AT BEG. OF PERIOD	4,031,421,593	2,984,110,635
CASH AND CASH EQUIVALENTS AT END OF PERIOD	4,547,394,922	3,265,149,104

See accompanying Notes to 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:

		% of Ownership		
	Nature of Business	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 2022.

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	
	2023	2022
Net income attributable to equity holders of the parent	₱ **1,197,613,266**	₱ 936,089,321
Weighted average number of common shares issued and outstanding	**1,496,551,803**	1,496,551,803
Basic/Diluted earnings per share	₱ **0.80**	₱ 0.63

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, 2023.

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 first three quarters of 2023.

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, 2023.

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, 2023 and 2022.

The following tables present revenue and income information and certain asset and liability information regarding the business segments as of September 30, 2023 and 2022:

Sep. 30, 2023

	Before Eliminations				Adjustments and Eliminations	After Eliminations/ Consolidated
	Generation	Distribution	Others	Total		
Revenue	**₱2,244,273,445**	**₱1,318,446,556**	**₱ -**	**₱ 3,562,720,001**	**₱ -**	**₱3,562,720,001**
Income before income tax	**768,732,430**	**67,648,540**	**(161,857)**	**836,219,113**	**509,687,467**	**1,345,906,580**
Net income	**660,851,108**	**50,580,671**	**(161,857)**	**711,269,922**	**509,687,467**	**1,220,957,389**
Total assets	**8,971,230,874**	**890,780,372**	**62,833,484**	**9,924,844,730**	**2,724,210,142**	**12,649,054,871**
Property, plant and equipment	**475,067,461**	**276,303,668**	**-**	**751,371,129**	**1,267,905**	**752,639,034**
Total liabilities	**711,957,193**	**616,976,194**	**2,779**	**1,328,936,166**	**(1,014,239)**	**1,327,921,927**
Depreciation and amortization	**47,160,648**	**21,140,528**	**-**	**68,301,176**	**-**	**68,301,176**

Sep. 30, 2022

	Before Eliminations				Adjustments and Eliminations	After Eliminations/ Consolidated
	Generation	Distribution	Others	Total		
Revenue	₱1,766,374,720	₱ 843,739,785	₱ -	₱ 2,610,114,505	(₱ 70,160,929)	₱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	2,646,963,116	11,245,866,325
Property, plant and equipment	476,225,818	222,894,840	-	699,120,658	1,268,382	700,389,040
Total liabilities	682,174,968	508,958,834	6,652	1,191,140,454	433,248	1,191,573,702
Depreciation and amortization	42,282,835	19,676,607	-	61,959,442	-	61,959,442

Adjustments and eliminations are part of detailed reconciliations presented below:

Reconciliation of Net Income	Nine months ended Sept. 30	
	2023	2022
Segment net income	**₱ 711,269,922**	₱ 570,796,894
Equity in net earnings of associates	**609,687,355**	682,129,315
Dividend Income	**(99,999,888)**	(323,926,239)
Group net income	**₱ 1,220,957,389**	₱ 928,999,970

Reconciliation of Total Assets	**Sep. 30, 2023**	Dec. 31, 2022
Segment assets	**₱ 9,924,844,729**	₱ 9,398,750,278
Inter-segment receivables	**(9,653,100)**	(15,222,757)
Property, plant and equipment	**1,267,905**	1,267,905
Investments in associates and subsidiaries	**2,700,073,321**	2,190,385,854
Goodwill	**32,522,016**	32,522,016
Group assets	**₱ 12,649,054,871**	₱ 11,607,703,296

Reconciliation of Total Liabilities	**Sep. 30, 2023**	Dec. 31, 2022
Segment liabilities	**₱ 1,328,936,164**	₱ 1,214,801,278
Inter-segment payables	**(1,014,237)**	(6,583,898)
Group liabilities	**₱ 1,327,921,927**	₱ 1,208,217,380

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.

<u>Interest Rate Risk</u>

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, 2023 and December 31, 2022, 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 2023 and December 31, 2022 based on contractual undiscounted payments:

	Sep. 30, 2023					
	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	₱ 4,547,394,922	₱ 4,547,394,922	₱ -	₱ -	₱ -	₱ -
Trade and other receivables						
Receivable from customers	638,511,483	443,126,476	46,025,514	25,028,155	19,453,015	104,878,323
Dividends receivable	19,999,977	-	-	-	19,999,977	-
Current portion of PSALM deferred adjustments	36,798,477	36,798,477	-	-	-	-
Due from related parties	3,065,937	436,190	15,158	46,127	287,201	2,281,261
Others	97,028,985	51,539,861	9,473,734	4,915,123	3,585,199	27,515,068
	795,404,859	531,901,004	55,514,406	29,989,405	43,325,392	134,674,652
PSALM deferred adjustments (included in "Other noncurrent assets")	7,973,003	-	-	-	-	7,973,003
	5,350,772,784	5,079,295,926	55,514,406	29,989,405	43,325,392	142,647,655
At FVOCI:						
Investment in proprietary club shares	13,000,000	-	-	-	-	13,000,000
	5,363,772,784	5,079,295,926	55,514,406	29,989,405	43,325,392	155,647,655
Financial Liabilities						
Trade and other payables	520,415,014	493,626,825	5,237,246	1,180,422	192,918	20,177,603
Trade	113,787,835	-	113,787,835	-	-	-
Nontrade	52,898,281	4,407,441	3,145,738	3,066,887	3,066,540	39,211,675
Accrued expenses	66,444,651	30,278,951	129,038	243,140	(377,816)	36,171,338
Due to related parties	501,516	-	-	-	-	501,516
	754,047,297	528,313,217	122,299,857	4,490,449	2,881,642	96,062,132
Customers' deposits	193,035,938	-	-	-	-	193,035,938
Lease liabilities	11,377,482	-	-	-	-	11,377,482
Other noncurrent liability	7,973,003	-	-	-	-	7,973,003
	966,433,720	528,313,217	122,299,857	4,490,449	2,881,642	308,448,555
Net Financial Assets (Liabilities)	₱ 4,397,339,064	₱ 4,550,982,709	(₱ 66,785,451)	₱ 25,498,956	₱ 40,443,750	(₱ 152,800,900)

	Dec. 31, 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	₱ 4,031,421,593	₱ 4,031,421,593	₱ -	₱ -	₱ -	₱ -
Trade and other receivables						
Receivable from customers	593,891,475	369,709,365	46,790,364	24,642,283	13,110,124	139,639,339
Dividends receivable	-	-	-	-	-	-
Current portion of PSALM deferred adjustments	36,798,477	36,798,477	-	-	-	-
Due from related parties	2,689,294	249,598	16,787	15,000	131,842	2,276,067
Others	62,455,812	17,809,500	16,412,138	14,244,441	5,734,827	8,254,906
	695,835,058	424,566,940	63,219,289	38,901,724	18,976,793	150,170,312
PSALM deferred adjustments (included in "Other noncurrent assets")	35,571,861	-	-	-	-	35,571,861
	4,762,828,512	4,455,988,533	63,219,289	38,901,724	18,976,793	185,742,173
At FVOCI:						
Investment in proprietary club shares	13,000,000	-	-	-	-	13,000,000
	4,775,828,512	4,455,988,533	63,219,289	38,901,724	18,976,793	198,742,173
Financial Liabilities						
Trade and other payables						
Trade	520,165,764	478,726,389	5,812,963	3,567,007	1,558,500	30,500,905
Nontrade	46,975,567	4,754,292	3,141,306	3,066,540	3,066,554	32,946,875
Accrued expenses	49,082,493	38,740,025	121,898	301,058	211,743	9,707,769
Due to related parties	502,642	-	-	-	-	502,642
	616,726,466	522,220,706	9,076,167	6,934,605	4,836,797	73,658,191
Customers' deposits	191,579,049	-	-	-	-	191,579,049
Lease liabilities	13,215,403	-	-	-	-	13,215,403
Other noncurrent liability	35,571,861	-	-	-	-	35,571,861
	857,092,779	522,220,706	9,076,167	6,934,605	4,836,797	314,024,504
Net Financial Assets (Liabilities)	₱ 3,918,735,733	₱ 3,933,767,827	₱ 54,143,122	₱ 31,967,119	₱ 14,139,996	(₱ 115,282,331)

<u>Credit Risk</u>

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.

	Sep. 30, 2023		
	Maximum exposure	**Offset**	**Exposure to credit risk**
At amortized cost:			
Cash and cash equivalents (excluding cash on hand)	**₱ 4,546,928,229**	**(₱ 10,550,409)**	**₱4,536,377,820**
Trade and other receivables	**795,404,859**	**(60,342,329)**	**735,062,530**
PSALM deferred adjustments (included in "Other noncurrent assets")	**7,973,003**	**-**	**7,973,003**
	₱ 5,350,306,091	**(₱ 70,892,738)**	**₱5,279,413,353**

	Dec. 31, 2022		
	Maximum exposure	**Offset**	**Exposure to credit risk**
At amortized cost:			
Cash and cash equivalents (excluding cash on hand)	₱ 4,030,740,465	(₱ 9,507,428)	₱4,021,233,037
Trade and other receivables	695,835,058	(60,342,329)	635,492,729
PSALM deferred adjustments (included in "Other noncurrent assets")	35,571,861	-	35,571,861
	₱ 4,762,147,384	(₱ 69,849,757)	₱4,692,297,627

As of September 30, 2023 and December 31, 2022, the Group's significant concentration of credit risk pertains to its trade and other receivables and PSALM deferred adjustments amounting to ₱803.4 million and ₱731.4 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, 2023 and December 31, 2022.

The following are the details of the Group's assessment of credit quality and the related ECLs as at September 30, 2023 and December 31, 2022:

General Approach

- *Cash and cash equivalents* - As of September 30, 2023 and December 31, 2022, 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, 2023 and December 31, 2022, 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, 2023 and December 31, 2022, the allowance for impairment losses as a result from performing collective and specific impairment test amounted to ₱45.7 million. Management evaluated that the Parent Company's trade receivables are of high grade and of good credit quality.

	Sep. 30, 2023				
	Stage 1 12-month ECL	Stage 2 Lifetime ECL	Stage 3 Lifetime ECL	Lifetime ECL Simplified Approach	Total
Gross carrying amount	₱ -	₱ -	₱ **45,655,447**	₱ **795,404,859**	₱ **841,060,306**
Loss allowance	-	-	**(45,655,447)**	-	**(45,655,447)**
Carrying amount	₱ -	₱ -	₱ -	₱ **795,404,859**	₱ **795,404,859**

	Dec. 31, 2022				
	Stage 1 12-month ECL	Stage 2 Lifetime ECL	Stage 3 Lifetime ECL	Lifetime ECL Simplified Approach	Total
Gross carrying amount	₱ -	₱ -	₱ 48,283,304	₱ 693,207,201	₱ 741,490,505
Loss allowance	-	-	(48,283,304)	2,627,857	(45,655,447)
Carrying amount	₱ -	₱ -	₱ -	₱ 695,835,058	₱ 695,835,058

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, 2023 and December 31, 2022, 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, 2023 and December 31, 2022, the Group considers its investment in proprietary club shares measured and carried at fair values of ₱13.0 million under Level 1 classification, respectively. The Group also considers its noncurrent receivable amounting to ₱8.0 million and ₱35.6 million as of September 30, 2023 and December 31, 2022, respectively, and customers' deposits amounting to ₱193.0 million and ₱191.6 million as of September 30, 2023 and December 31, 2022, respectively, under the Level 3 classification.

During the reporting period ended September 30, 2023, 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.

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

a. On July 26, 2023, the BOD of the Parent Company approved the following:
   i. reversal of retained earnings appropriated for the construction and operation of new generating power plant capacity to supply 39MW full demand requirements in the mainland of Occidental Mindoro amounting to ₱1,300.0 million;
   ii. reversal of retained earnings appropriated for 1Bohol Power Project that will serve the long-term power requirements of three distribution utilities in Bohol starting December 26, 2023 amounting to ₱500.0 million;
   iii. appropriation of retained earnings for the acquisition of KSPC shares owned by KEPCO Philippines Holdings Inc. amounting to ₱5.6 billion for 2023 to 2024;
   iv. declaration of cash dividends equivalent to ₱0.20 per share, or for a total of ₱299.31 million, to all stockholders of records as of August 9, 2023, payable on or before August 23, 2023.

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.

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:

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, 2023.

Mishelle Anne R. Rubio-Aguinaldo
Affiant

SUBSCRIBED AND SWORN TO before me this NOV 14 2023, at Makati City, Philippines by the affiant who exhibited to me her Passport No.P7454258B, issued on August 24, 2021 at DFA Manila, valid until August 23, 2031.

Doc. No. 267;
Page No. 55;
Book No. 10;
Series of 2023.

ATTY. JOEL FERRER FLORES
NOTARY PUBLIC FOR MAKATI CITY
UNTIL DECEMBER 31, 2023 (2023-2024)
APPOINTMENT NO. M-115
ROLL NO. 77376
MCLE COMPLIANCE NO. 0001393 Jan. 03, 2023 Until Apr. 14, 2028
PTR NO. 9563564 / JAN 03 2023/MAKATI CITY
IBP NO. 261994 / JAN 03 2023 / PASIG CITY
1107 D BATAAN ST., GUADALUPE NUEVO, MAKATI CITY