

COVER SHEET

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S.E.C. Registration Number

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

(Company's Full Name)

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

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

Mr. Jaime M. Balisacan

Contact Person

810 44 74 to 77

Company Telephone Number

1 2

Month

3 1

Day

Calendar Year

SEC FORM

1 7 - Q

FORM TYPE

0 5

Month

2 8

Day

Annual Meeting

Secondary License Type, If Applicable

Dept. Requiring this Doc.

Amended Articles Number / Section

Total Amount of Borrowings

Total No. of Stockholders

Domestic

Foreign

To be accomplished by SEC Personnel concerned

File Number

LCU

Document I.D.

Cashier

STAMPS

Remarks = pls. use black ink for scanning purposes

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, 2018
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 [REDACTED] (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, 2018) | 1,496,551,803 shares |
| Total Debt (as of September 30, 2018) | ₱812,772,716 |
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, 2018 (unaudited) and December 31, 2017 (audited).
- b. Consolidated Statements of Comprehensive Income – Three Months Ended September 30, 2018 and 2017 (unaudited).
- c. Consolidated Statements of Comprehensive Income – Nine Months Ended September 30, 2018 and 2017 (unaudited).
- d. Consolidated Statements of Changes in Stockholders’ Equity – Nine Months Ended September 30, 2018 and 2017 (unaudited).
- e. Consolidated Statements of Cash Flows – Nine Months ended September 30, 2018 and 2017 (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, 2018 and 2017

The Group substantially grew its third-quarter consolidated net income by 179.6% year-on-year to ₱615.0 million. All business segments generated more earnings as compared with the same period last year when operations were affected by prolonged power system disturbance brought about by a powerful earthquake that hit the Visayas region on July 6, 2017.

The bulk of the growth in consolidated net income came from equity share in the earnings of investees which expanded by 81.7% to P418.2 million in July – September 2018 as compared to the 13.3% income contraction recorded in the same three months last year. The significant growth was propelled by the investees' trouble-free operations during the period resulting to higher margins coupled by financing cost savings from prepayments of long-term bank loans in 2017.

The generation business segment's contribution to the consolidated net income amounted to P177.6 million including non-recurring gains of P103.7 million in the third quarter of 2018, a turnaround from the negative contribution of P23.3 million in the same period last year.

The distribution business unit also increased its contribution to the consolidated net income to P18.7 million in July – September 2018, from P12.8 million in the same three months last year, due mainly to 16.3% increase in the volume of electricity sold.

Consolidated revenues increased by 18.0% to P661.1 million in the third quarter of 2018, from P560.2 million in the same period last year, due to higher volume and price of electricity sold in the distribution business and higher capacity utilization of available power generating units.

Consolidated cost of services went up by 4.3% to P536.2 million in the third quarter of 2018, from P514.2 million in the same period last year. The increase in the cost of power purchased for distribution (due to both higher volume and price), as well as the increase in the cost of repairs and maintenance, was partially offset by lower cost of fuel and lubricants owing mainly to lower dispatch of power generating units serving as ancillary service provider.

Consolidated administrative and general expenses increased by 36.7% to P50.6 million in July – September 2018 from P37.0 million in the same period last year. This was traced mainly to higher expenses for transportation and travel (increased by P4.9 million due to reclassification of PB 104 expenses from start of rehabilitation); business development (increased by P3.6 million); office repairs and maintenance (increased by P2.9 million due to reclassification of PB 104 expenses as well as the repairs done for Makati and Cebu offices); insurance (increased by P2.5 million due to Protection and Indemnity and Marine Hull insurance covers of PB 104); and corporate social responsibility (increased by P1.12 million due to assistance given to landslide victims in the City of Naga).

Interest income increased by 126.8% to P14.0 million from P6.2 million due mainly to income from funds set aside for business expansion and temporarily placed under short-term investments.

Interest expense substantially dropped by 79.9% to P1.3 million from P6.7 million due to the prepayment of long-term bank loan of the Parent Company in October 2017.

Other income (others) amounted to P141.0 million in the third quarter of 2018, a reversal from other expenses of P32.0 million the year before. This was due mainly to non-recurring gains from disposal of excess inventories and tax refund amounting to P101.3 million and P28.9 million, respectively, before income tax.

Nine Months Ended September 30, 2018 and 2017

The significant improvement of the Group's performance in the third quarter of 2018 pushed the consolidated net income in the first nine months of 2018 to P1,582.5 million, 31.6% higher compared to the same nine-month period last year.

With better profitability, earnings per share reached P1.04 in the nine months to September 2018 as compared to P0.79 in the same nine-month span last year. Return on equity was computed at 16.07% versus 13.05% the year before.

Equity share in the earnings of investee companies accounted for 68% of the consolidated net income in the first nine months of 2018. Power generation and power distribution contributed 30% and 2%, respectively.

Boosted by strong performance in the third quarter of 2018 as compared with the previous year, the equity share in the earnings of investees rose by 26.1% to P1,076.5 million in the first nine months of 2018. The nine-month net income contribution from the generation business segment also surged by 51.3% year-on-year to P468.5 million. However, net income contribution from the power distribution unit of P36.3 million in January - September 30, 2018 was still 5.9% lower compared to the same period last year, in spite of the 10.6% increase in sales volume, due mainly to temporary under-recovery of higher pass-through cost of purchased power.

Consolidated revenues in the first nine months of 2018 increased by 3.4% year-on-year to P1,769.3 million. The increase was primarily attributed to higher volume and price of electricity sold in the distribution business.

Consolidated cost of services went up by 5.4% to P1,339.4 million in the first nine months of 2018, from P1,270.4 million the year before. The increase was attributed mainly to higher volume and price of purchased power as well as higher expenses for repairs and maintenance.

Consolidated administrative and general expenses increased by 10.2% to P124.6 million in the first nine months of 2018, from P113.1 million in the same period last year. This was traced mainly to higher expenses for business development (increased by P6.4 million); transportation and travel (increased by P5.3 million due to reclassification of PB 104 expenses from start of rehabilitation); insurance (increased by P2.8 million due to Protection and Indemnity and Marine Hull insurance covers of PB 104); office repairs and maintenance (increased by P2.9 million due to reclassification of PB 104 expenses as well as the repairs done for Makati and Cebu offices); and corporate social responsibility (increased by P1.13 million due to assistance given to landslide victims in the City of Naga).

Interest income increased by 42.3% to P23.5 million from P16.5 million due to income from funds set aside for business expansion and temporarily placed under short-term investments.

Interest expense substantially dropped by 81.0% to P4.0 million from P21.1 million due to the prepayment of long-term bank loan of the Parent Company in October 2017.

Other income (others) increased to P228.0 million from P50.4 million due mainly to non-recurring gains as mentioned earlier.

Financial Condition

September 30, 2018 Vs. December 31, 2017

The Group ended the first nine months of 2018 with consolidated assets reaching P11,146.9 million, 2.5% higher compared to the last audited balance of P10,872.1 million as at end-December 2017. The increase in total assets was attributed mainly to additional net cash inflows generated from operating and investing activities.

The growth in total assets was accompanied by 46.1% reduction in total liabilities to P812.8 million as at end-September 2018 from P1,507.9 million as at end-December 2017. The decrease was due mainly to payment of trade and other payables substantially outstanding as of December 31, 2017 as well as the settlement of payables to PSALM pursuant to a Memorandum of Agreement dated July 9, 2018 for the return of the Naga Power Plant Complex (NPPC). See note 12 of the interim financial statements.

Total stockholders' equity grew by 10.4% to P10,334.1 million as at end-September from P9,364.2 million as at end-December 2017. The net growth came from the total comprehensive income in the first nine months of 2018 amounting to P1,582.5 million less cash dividends declared amounting to P612.5 million. Book value per share likewise grew to P6.91 as at end-September 2018 compared to P6.26 as at end-December 2017.

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

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

Materials and supplies inventory decreased by 39.2% to P367.7 million as at end-September 2018, from P605.2 million at the beginning of the year, due mainly to settlement of fuel accountability pursuant to a Memorandum of Agreement with PSALM dated July 9, 2018 for the return of the NPPC (see note 12 of the interim financial statements).

Prepayments and other current assets decreased by 37.4% to P105.0 million as at end-September 2018, from P167.7 million as at end-December 2017, due mainly to reversal of deferred input tax previously recognized on unbilled fuel that was later on returned to PSALM pursuant to a Memorandum of Agreement dated July 9, 2018 (see note 12 of the interim financial statements).

Investment in associates decreased slightly by 0.6% to P6,142.9 million as of September 30, 2018 from P6,181.8 million as of December 31, 2017. The decrease reflected the net effect of the following : (i) decrease in investments due to cash dividends received from the investee companies amounting to P1,115.4

million and (ii) increase in investment due to fresh equity share in the net earnings of investee companies amounting to ₱1,076.5 million in the first nine months of 2018.

Other noncurrent assets substantially declined by 95.3% to ₱55.8 million, from ₱1,200.4 million at the beginning of the year. This was due mainly to the return of the NPPC Bid Price of ₱1,143.2 million pursuant to a Memorandum of Agreement with PSALM dated July 9, 2018. See note 12 of the interim financial statements.

Trade and other payables decreased by 28.0% to ₱513.3 million as at end-September 2018, from ₱712.7 million as at end-December 2017, due mainly to fuel purchases in November and December 2017 which were paid only in January 2018.

Due to NPC/PSALM was reduced to zero as at end-September 2018, from ₱511.7 million at the beginning of the year. This was on account of the fuel settlement with PSALM pursuant to a Memorandum of Agreement dated July 9, 2018. See note 12 of the interim financial statements.

Customers' deposits grew by 9.5% to ₱128.1 million as at end-September 2018, from ₱117.0 million due mainly to additional bill and material deposits received from customers of the distribution business in the first nine months of 2018.

Unappropriated retained earnings increased by 15.2% to ₱7,302.7 million from ₱6,338.5 million at the beginning of the year. The net increase is reflective of the comprehensive income attributable to equity holders of the Parent Company in the first nine months of 2018 amounting to ₱1,562.8 million, reduced by cash dividends amounting to ₱598.6 million that was declared by the Parent Company's Board of Directors on May 28, 2018.

Cash Flows

Cash and cash equivalents surged by 122.0% to ₱3,207.8 million as at end-September 2018 from ₱1,445.3 million as at end-December 2017. In the first nine months of 2018, total net cash inflows generated from operating and investing activities exceeded net cash flows used for financing activities.

Major sources of cash and cash equivalents in the first nine months of 2018 were: (i) net cash provided by operating activities, ₱176.8 million; (ii) cash dividends received from investee companies, ₱1,115.4 million; and (iii) Bid Price returned by PSALM (see note 12 of the interim financial statements), ₱1,143.2 million.

The major applications of funds in the first nine months of 2018 were: (i) payment of cash dividends amounting to ₱612.5 million, and (ii) new additions to property, plant and equipment amounting to ₱65.8 million.

Key Performance Indicators

The following financial indicators are used, among others, to evaluate the performance of the Group as of September 30, 2018 and December 31, 2017 and for the nine months ended September 30, 2018 and 2017:

Key Performance Indicators	2018	2017
A. For Nine Months Ended Sept. 30, 2018 and 2017:		
Earnings Per Share	1.04	0.79
Share in Net Earnings of Associates	P1,076,484,176	P853,424,165
Return on Equity	16.07%	13.05%
Return on Assets	14.37%	11.03%
Cash Flows:		
Net cash flows generated from operating activities	P176,756,194	P544,068,686
Net cash flows generated from investing activities	P2,194,491,706	P439,140,434
Net cash flows used in financing activities	(P612,522,721)	(P698,660,902)
B. As of Sept. 30, 2018, and December 31, 2017:		
Balance of cash and cash equivalents at end of period	P3,207,809,995	P1,445,250,136
Current ratio	7.33	2.10
Debt ratio	0.07	0.14
Debt-to-equity ratio	0.08	0.16
Solvency ratio	2.03	1.17

The formulas used to compute the performance indicators are shown below:

Earnings Per Share

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

Share in Net Earnings of Associates

This indicates profitability of the investments and investees' contribution to the Group's net income. It is determined by multiplying the associate's net income by the investor's percentage of ownership, less goodwill impairment cost, if any. Goodwill is the difference between the acquisition cost of the investment and the

investor's share in the value of the net identifiable assets of the investee at the date of acquisition.

Return on Equity

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

Return on Assets

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

Cash Flows

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

Current Ratio

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

Debt Ratio

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

Debt-to-Equity Ratio

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

Solvency Ratio

Solvency Ratio = the sum of comprehensive income, 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, 2018, 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 POWER CORPORATION
Issuer

By:


MARY ANN G. DAUGDAUG
Accountant


JAIME M. BALISACAN
SVP – Finance and Administration

Date: November 9, 2018

Date: November 9, 2018

SPC POWER CORPORATION AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF FINANCIAL POSITION

(Amounts in Philippine Pesos)

	Sept. 30, 2018 (Unaudited)	Dec. 31, 2017 (Audited)	Incr. / (Decr.)	
			Amount	Percent
ASSETS				
Current Assets				
Cash and cash equivalents	3,207,809,995	1,445,250,136	1,762,559,859	122.0%
Trade and other receivables - net	444,483,682	457,907,251	(13,423,569)	-2.9%
Due from related parties	8,248,036	1,845,907	6,402,129	346.8%
Due from NPC/PSALM	1,175,128	1,175,128	0	0.0%
Material and supplies	367,724,011	605,212,040	(237,488,029)	-39.2%
Prepayments and other current assets (Note 12)	105,008,027	167,670,855	(62,662,828)	-37.4%
Total Current Assets	4,134,448,879	2,679,061,317	1,455,387,562	54.3%
Noncurrent Assets				
Investment in associates	6,142,914,974	6,181,806,538	(38,891,564)	-0.6%
Property, plant and equipment - net	780,107,662	778,345,602	1,762,060	0.2%
Deferred income tax assets	33,576,662	32,495,775	1,080,887	3.3%
Other noncurrent assets (Note 12)	55,831,318	1,200,379,776	(1,144,548,458)	-95.3%
Total Noncurrent Assets	7,012,430,616	8,193,027,691	(1,180,597,075)	-14.4%
TOTAL ASSETS	11,146,879,495	10,872,089,008	274,790,487	2.5%
LIABILITIES & STOCKHOLDERS' EQUITY				
Current Liabilities				
Trade and other payables	513,317,920	712,737,725	(199,419,805)	-28.0%
Due to related parties	22,347	563,995	(541,648)	-96.0%
Income tax payable	50,577,266	48,630,922	1,946,344	4.0%
Due to NPC/PSALM (Note 12)	0	511,650,588	(511,650,588)	-100.0%
Total current liabilities	563,917,533	1,273,583,230	(709,665,697)	-55.7%
Noncurrent Liabilities				
Customers' deposits	128,109,727	117,045,681	11,064,046	9.5%
Asset retirement obligation	101,046,093	97,198,403	3,847,690	4.0%
Pension liability	19,699,363	20,107,378	(408,015)	-2.0%
Total noncurrent liabilities	248,855,183	234,351,462	14,503,721	6.2%
Total Liabilities	812,772,716	1,507,934,692	(695,161,976)	-46.1%

(Forward)

SPC POWER CORPORATION AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF FINANCIAL POSITION

(Amounts in Philippine Pesos)

	<u>Sept. 30, 2018</u> <u>(Unaudited)</u>	<u>Dec. 31, 2017</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	7,302,704,958	6,338,490,394	964,214,564	15.2%
Appropriated	1,350,000,000	1,350,000,000	0	0.0%
Other comprehensive income:				
Remeasurement of employee benefits	1,567,084	1,567,084	0	0.0%
Net unrealized valuation losses				
on available-for-sale investment	(350,000)	(350,000)	0	0.0%
Share in remeasurement of employee				
benefits of associates	(83,388)	(83,388)	0	0.0%
Treasury stock at cost - 72,940,097 shares	<u>(131,008,174)</u>	<u>(131,008,174)</u>	<u>0</u>	<u>0.0%</u>
Equity attributable to equity holders of Parent	10,179,133,132	9,214,918,568	964,214,564	10.5%
Equity attributable to Non-controlling interests	<u>154,973,647</u>	<u>149,235,748</u>	<u>5,737,899</u>	<u>3.8%</u>
Total Stockholders' Equity	<u>10,334,106,779</u>	<u>9,364,154,316</u>	<u>969,952,463</u>	<u>10.4%</u>
TOTAL LIABILITIES and EQUITY	<u>11,146,879,495</u>	<u>10,872,089,008</u>	<u>274,790,487</u>	<u>2.5%</u>

See accompanying Notes to Consolidated Financial Statements.


Mary Ann G. Daugdaug
 Accountant


Jaime M. Balisacan
 SVP - Finance & Administration

SPC POWER CORPORATION AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME

(Amounts in Philippine Pesos)

	Three Months Ended September 30		Increase / (Decrease)	
	2018 (Unaudited)	2017 (Unaudited)	Amount	Percent
REVENUE	661,137,113	560,172,021	100,965,092	18.0%
COST OF SERVICES				
Plant operations	536,163,088	514,211,167	21,951,921	4.3%
GROSS MARGIN	124,974,025	45,960,854	79,013,171	171.9%
GENERAL AND ADM. EXPENSES	(50,584,036)	(37,000,477)	(13,583,559)	36.7%
OTHER INCOME (CHARGES):				
Equity in net earnings of associates	418,223,008	230,198,231	188,024,777	81.7%
Interest Income	14,044,404	6,191,898	7,852,506	126.8%
Interest Expense	(1,335,259)	(6,650,479)	5,315,220	-79.9%
Service Income	18,182,902	18,182,903	(1)	0.0%
Foreign exchange gains - net	1,937,123	1,491,694	445,429	29.9%
Others - net	140,983,862	(32,026,239)	173,010,101	-540.2%
INCOME BEFORE INCOME TAX	666,426,029	226,348,386	440,077,643	194.4%
PROVISION FOR/(BENEFIT FROM) INCOME TAX				
Current	51,881,193	6,729,655	45,151,538	670.9%
Deferred	(406,128)	(313,169)	(92,959)	29.7%
	51,475,065	6,416,486	45,058,579	702.2%
NET INCOME	614,950,964	219,931,900	395,019,064	179.6%
OTHER COMPREHENSIVE INCOME	0	0	0	0.0%
TOTAL COMPREHENSIVE INCOME	614,950,964	219,931,900	395,019,064	179.6%
ATTRIBUTABLE TO:				
Equity holders of the Parent	606,090,084	212,756,583	393,333,501	184.9%
Non-controlling interests	8,860,880	7,175,317	1,685,563	23.5%
	614,950,964	219,931,900	395,019,064	179.6%
EARNINGS PER SHARE:				
Basic/diluted, for income for the period attributable to equity holders of the Parent	0.40	0.14	0.26	184.9%

See accompanying Notes to Consolidated Financial Statements.


Mary Ann G. Daugdaug
 Accountant


Jaime M. Balisacan
 SVP - Finance & Administration

SPC POWER CORPORATION AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME

(Amounts in Philippine Pesos)

	Nine Months Ended September 30		Increase / (Decrease)	
	2018 (Unaudited)	2017 (Unaudited)	Amount	Percent
REVENUE	1,769,309,005	1,710,925,525	58,383,480	3.4%
COST OF SERVICES				
Plant operations	1,339,401,402	1,270,366,000	69,035,402	5.4%
GROSS MARGIN	429,907,603	440,559,525	(10,651,922)	-2.4%
GENERAL AND ADM. EXPENSES	(124,649,896)	(113,074,740)	(11,575,156)	10.2%
OTHER INCOME (CHARGES):				
Equity in net earnings of associates	1,076,484,176	853,424,165	223,060,011	26.1%
Interest Income	23,483,514	16,502,855	6,980,659	42.3%
Interest Expense	(3,997,893)	(21,091,594)	17,093,701	-81.0%
Service Income	72,731,609	72,732,013	(404)	0.0%
Foreign exchange gains - net	13,115,817	4,444,420	8,671,397	195.1%
Others - net	228,020,525	50,448,562	177,571,963	352.0%
INCOME BEFORE INCOME TAX	1,715,095,455	1,303,945,207	411,150,248	31.5%
PROVISION FOR/(BENEFIT FROM) INCOME TAX				
Current	133,701,157	102,645,116	31,056,041	30.3%
Deferred	(1,080,888)	(1,302,947)	222,059	-17.0%
	132,620,269	101,342,169	31,278,100	30.9%
NET INCOME	1,582,475,186	1,202,603,038	379,872,148	31.6%
OTHER COMPREHENSIVE INCOME	0	0	0	0.0%
TOTAL COMPREHENSIVE INCOME	1,582,475,186	1,202,603,038	379,872,148	31.6%
ATTRIBUTABLE TO:				
Equity holders of the Parent	1,562,835,285	1,183,143,509	379,691,776	32.1%
Non-controlling interests	19,639,901	19,459,529	180,372	0.9%
	1,582,475,186	1,202,603,038	379,872,148	31.6%
EARNINGS PER SHARE (Note 3):				
Basic/diluted, for income for the period attributable to equity holders of the Parent	1.04	0.79	0.25	32.1%

See accompanying Notes to Consolidated Financial Statements.


Mary Ann G. Daugdaug
 Accountant


Jaime M. Balisacan
 SVP - Finance & Administration

SPC POWER CORPORATION AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY
FOR NINE MONTHS ENDED SEPTEMBER 30, 2018 AND 2017

	Equity Attributable to Equity Holders of the Parent							
	Capital Stock	Additional Paid-in Capital	Treasury Stock at Cost	Remeasurement of Employee	Share of Associates	Retained Earnings		Non-controlling Interest
						Appropriated	Unappropriated	
Balances at January 1, 2018	₱1,569,491,900	₱86,810,752	(₱131,008,174)	₱1,567,084	(₱83,388)	₱1,350,000,000	₱6,338,490,394	₱9,214,918,568
Total comprehensive income	-	-	-	-	-	-	1,562,835,285	₱3,364,154,316
Cash dividends	-	-	-	-	-	-	(598,620,721)	1,582,475,186
Appropriation	-	-	-	-	-	-	-	(13,902,002)
Balances at September 30, 2018	₱1,569,491,900	₱86,810,752	(₱131,008,174)	₱1,567,084	(₱83,388)	₱1,350,000,000	₱7,302,704,958	₱154,973,647
Balances at January 1, 2017	₱1,569,491,900	₱86,810,752	(₱131,008,174)	₱99,615	₱194,814	₱1,250,000,000	₱5,621,443,413	₱8,915,986,587
Total comprehensive income	-	-	-	-	-	-	1,183,143,509	1,202,603,038
Cash dividends	-	-	-	-	-	-	(598,620,721)	19,459,529
Appropriation	-	-	-	-	-	-	-	(5,790,001)
Balances at September 30, 2017	₱1,569,491,900	₱86,810,752	(₱131,008,174)	₱99,615	₱194,814	₱1,250,000,000	₱6,205,966,200	₱9,514,178,902

See accompanying Notes to Consolidated Financial Statements.


Mary Ann G. Daugdaug
Accountant

 **Jaime M. Balisacan**
SVP - Finance & Administration

SPC POWER CORPORATION AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF CASH FLOWS

	Nine Months ended September 30	
	2018	2017
	(Unaudited)	(Unaudited)
CASH FLOWS FROM OPERATING ACTIVITIES		
Income before income tax	1,715,095,455	1,303,945,207
Adjustments for:		
Equity in net losses (earnings) of associates	(1,076,484,176)	(853,424,165)
Depreciation and amortizations	64,116,860	59,969,712
Interest expense	3,997,293	21,091,594
Interest income	(23,483,514)	(16,502,855)
Others -net	(4,689,124)	1,717,370
Operating income before working capital changes	678,552,794	516,796,863
Decrease (increase) in:		
Trade and other receivables	13,466,425	(190,058,772)
Due from related parties	(6,402,129)	251,408
Prepayments and other current assets	62,662,828	(30,012,531)
Materials and supplies	237,488,029	(102,765,791)
Increase (decrease) in:		
Trade and other payables	(199,419,805)	286,962,295
Due to NPC/PSALM	(511,650,588)	183,823,609
Due to related parties	(541,648)	(510,922)
Customers' deposits	11,064,046	12,341,872
Net cash generated from operations	285,219,952	676,828,031
Income tax paid	(131,754,813)	(132,211,335)
Interest paid	(272,658)	(17,050,865)
Interest received	23,563,713	16,502,855
Net cash flows from operating activities	176,756,194	544,068,686
CASH FLOWS FROM INVESTING ACTIVITIES		
Cash dividends received	1,115,375,739	612,743,754
Additions to plant, property and equipment	(65,786,162)	(173,468,428)
Proceeds from disposal of plant, property and equipment	1,517,857	0
Decrease (increase) in:		
Other noncurrent assets	1,143,384,272	(134,892)
Net cash provided by (used in) investing activities	2,194,491,706	439,140,434
CASH FLOWS FROM FINANCING ACTIVITIES		
Payment of long-term debt	0	(72,222,222)
Cash dividends paid	(612,522,721)	(626,438,680)
Net cash provided by (used in) financing activities	(612,522,721)	(698,660,902)
NET EFFECT OF EXCHANGE RATE CHANGES	3,834,680	(31,166)
NET INCREASE IN CASH AND CASH EQUIVALENTS	1,762,559,859	284,517,052
CASH AND CASH EQUIVALENTS AT BEG. OF PERIOD	1,445,250,136	1,749,497,644
CASH AND CASH EQUIVALENTS AT END OF PERIOD	3,207,809,995	2,034,014,696

See accompanying Notes to Financial Statements.


Mary Ann G. Daugdaug
Accountant


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 available-for-sale (AFS) investments 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 2017.

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	
	2018	2017
Net income attributable to equity holders of the parent	₱1,562,835,285	₱1,183,143,509
Weighted average number of common shares issued and outstanding	1,496,551,803	1,496,551,803
Basic/Diluted earnings per share	₱1.04	₱0.79

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, 2018.

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, 2018.

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, 2018.

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, 2018 and 2017.

The following tables present revenue and income information and certain asset and liability information regarding the business segments as of September 30, 2018 and 2017:

September 30, 2018							
	Before Eliminations			Total	Adjustments and Eliminations	After Eliminations/ Consolidated	
	Generation	Distribution	Others				
Revenue	₱963,530,571	₱805,778,434	₱—	₱1,769,309,005	₱—	₱1,769,309,005	
Income before income tax	1,714,247,069	48,250,322	7,587,627	1,770,085,018	(54,989,563)	1,715,095,455	
Net income	1,593,547,771	36,329,351	7,587,627	1,637,464,749	(54,989,563)	1,582,475,186	
Total assets	7,561,813,170	535,419,537	122,016,021	8,219,248,728	2,927,630,767	11,146,879,495	
Property, plant and equipment	603,576,982	176,530,680	—	780,107,662	—	780,107,662	
Total liabilities	497,726,461	317,394,264	19,445	815,140,170	(2,367,454)	812,772,716	
Depreciation and amortization	50,426,117	13,690,743	—	64,116,860	—	64,116,860	

September 30, 2017							
	Before Eliminations			Total	Adjustments and Eliminations	After Eliminations/ Consolidated	
	Generation	Distribution	Others				
Revenue	₱1,031,158,555	₱679,766,970	₱—	₱1,710,925,525	₱—	₱1,710,925,525	
Income before income tax	1,017,518,737	50,738,497	4,217,560	1,072,474,794	231,470,412	1,303,945,206	
Net income	928,325,069	38,589,997	4,217,560	971,132,626	231,470,412	1,202,603,038	
Total assets	7,673,564,827	484,206,152	129,209,137	8,286,980,116	3,099,847,900	11,386,828,016	
Property, plant and equipment	636,900,147	151,495,423	—	788,395,570	—	788,395,570	
Total liabilities	1,604,271,083	269,276,711	11,557	1,873,559,351	(910,237)	1,872,649,114	
Depreciation and amortization	45,846,318	14,123,393	—	59,969,711	—	59,969,711	

Adjustments and Eliminations

Adjustments and eliminations are part of detailed reconciliations presented below:

Reconciliation of Net Income

	Nine Mos. Ended September 30	
	2018	2017
Segment net income	₱1,639,786,746	₱ 971,132,626
Equity in net earnings of associates	1,076,484,176	853,424,165
Dividend income	(1,133,795,736)	(621,953,753)
Group net income	₱1,582,475,186	₱ 1,202,603,038

Reconciliation of Total Assets

	Sept. 30, 2018	Dec. 31, 2017
Segment assets	₱8,219,248,727	₱ 7,904,282,717
Inter-segment receivables	(5,738,412)	(4,454,453)
Investments in associates and subsidiaries	2,900,847,164	2,939,738,728
Goodwill	32,522,016	32,522,016
Group assets	₱11,146,879,495	₱10,872,089,008

Reconciliation of Total Liabilities

	Sept. 30, 2018	Dec. 31, 2017
Segment liabilities	₱ 815,140,170	₱ 1,509,018,186
Inter-segment payables	(2,367,454)	(1,083,494)
Group liabilities	₱ 812,772,716	₱1,507,934,692

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 long-term debt and cash and cash equivalents. The Group has various other financial assets and liabilities such as trade and other receivables, trade and other payables, due from/due to NPC/PSALM, due from/due to related parties and customers' deposits, which arise directly from its operations.

The main risks arising from the Group's financial instruments are liquidity risk, foreign currency risk, credit risk and equity price 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.

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 and liabilities at September 30, 2018 and December 31, 2017 based on contractual undiscounted payments:

September 30, 2018						
	Total	Current	1 to 30 Days	31 to 60 Days	61 to 90 Days	Over 90 Days
Financial Assets						
Loans and receivables:						
Cash and cash equivalents	P3,207,809,995	P3,207,809,995	P—	P—	P—	P—
Trade and other receivables:						
NPC	1,015,262	—	—	—	—	1,015,262
Receivable from customers	387,473,286	263,888,444	24,115,736	15,169,145	15,619,905	68,680,056
Others	55,995,134	21,151,323	805,561	1,494,608	929,286	31,614,356
	444,483,682	285,039,767	24,921,297	16,663,753	16,549,191	101,309,674
Due from NPC/PSALM	1,175,128	—	—	—	—	1,175,128
Due from related parties	8,248,036	62,343	53,605	6,597,155	64,392	1,470,541
	3,661,716,841	3,492,912,105	24,974,902	23,260,908	16,613,583	103,955,343
AFS:						
Quoted equity security	1,300,000	1,300,000	—	—	—	—
	3,663,016,841	3,494,212,105	24,974,902	23,260,908	16,613,583	103,955,343
Financial Liabilities						
Trade and other payables:						
Trade	323,021,712	180,918,845	8,901,140	4,366,357	51,569,682	77,265,688
Accrued expenses	32,778,309	18,425,083	465,770	476,949	201,002	13,209,505
Nontrade	57,874,762	26,801,634	211,680	410	500	30,860,538
	413,674,783	226,145,562	9,578,590	4,843,716	51,771,184	121,335,731
Due to NPC/PSALM	—	—	—	—	—	—
Due to related parties	22,347	—	22,347	—	—	—
Customers' deposits	128,109,727	—	—	—	—	128,109,727
	541,806,857	226,145,562	9,600,937	4,843,716	51,771,184	249,445,458
Net Financial Assets (Liabilities)	P3,121,209,984	P3,268,066,543	P15,373,965	P18,417,192	(P35,157,601)	(P145,490,115)

December 31, 2017						
	Total	Current	1 to 30 Days	31 to 60 Days	61 to 90 Days	Over 90 Days
Financial Assets						
Loans and receivables:						
Cash and cash equivalents	P1,445,250,136	P1,445,250,136	P—	P—	P—	P—
Trade and other receivables:						
NPC	1,497,011	—	—	—	—	1,497,011
Receivable from customers	405,974,878	302,960,726	31,407,755	15,428,333	29,007,423	27,170,641
Others	50,435,362	19,376,748	2,023,952	1,496,866	507,258	27,030,538
	457,907,251	322,337,474	33,431,707	16,925,199	29,514,681	55,698,190
Due from NPC/PSALM	1,175,128	—	—	—	—	1,175,128
Due from related parties	1,845,907	106,643	17,300	473,708	33,110	1,215,146
	1,906,178,422	1,767,694,253	33,449,007	17,398,907	29,547,791	58,088,464
AFS:						
Quoted equity security	1,300,000	1,300,000	—	—	—	—
	1,907,478,422	1,768,994,253	33,449,007	17,398,907	29,547,791	58,088,464
Financial Liabilities						
Trade and other payables:						
Trade	526,206,010	411,579,834	96,048,060	1,645,788	562,052	16,370,276
Accrued expenses	47,443,412	36,408,744	528,934	198,859	234,753	10,072,122
Nontrade	48,971,352	17,995,469	1,181,994	316,821	431,909	29,045,159
	622,620,774	465,984,047	97,758,988	2,161,468	1,228,714	55,487,557
Due to NPC/PSALM	511,650,588	—	—	—	—	511,650,588
Due to related parties	563,995	22,259	44,693	—	—	497,043
Customers' deposits	117,045,681	—	—	—	—	117,045,681
	1,251,881,038	466,006,306	97,803,681	2,161,468	1,228,714	684,680,869
Net Financial Assets (Liabilities)	P655,597,384	P1,302,987,947	(P64,354,674)	P15,237,439	P28,319,077	(P626,592,405)

Foreign Currency Risk

Foreign currency risk is the risk that the future cash flows of a financial instrument will fluctuate because of changes in foreign exchange rates. Fair value foreign currency risk is the risk that the fair value of a financial instrument will fluctuate due to changes in foreign exchange rates.

The Group follows a policy to manage its currency risk by closely monitoring its cash flow position and exposure in U.S. dollar currency.

The following table demonstrates the sensitivity to a reasonably possible change in the US dollar exchange rate, with all other variables held constant, of the Group's income before income tax (due to changes in the fair value of monetary assets and liabilities). Philippine Dealing System (PDS) closing rates used are ₱54.020 and ₱49.930 on September 30, 2018 and December 31, 2017, respectively. There is no other impact on the Group's equity other than those already affecting the profit and loss.

	Increase (decrease) in US dollar rate	Effect on income before income tax
2018	+1	(₱1,658,760)
	-1	1,658,760
2017	+1	(₱1,753,725)
	-1	1,753,725

Foreign Currency-denominated Monetary Assets and Liabilities

The foreign currency-denominated monetary assets and liabilities and their Philippine Peso equivalents follow:

	U.S. Dollar		Peso Equivalent	
	Sept. 30, 2018	Dec. 31, 2017	Sept. 30, 2018	Dec. 31, 2017
Cash and cash equivalents	US\$3,075,641	US\$3,517,368	₱166,146,125	₱175,622,193
Trade and other payables:				
Trade	(5,000)	(5,000)	(270,100)	(249,650)
Long-term debt	—	—	—	—
Net foreign-currency-denominated monetary assets	US\$3,070,641	US\$3,512,368	₱165,876,025	₱175,372,543

Credit Risk

Credit risk refers to the risk that a counter party 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 NPC/PSALM, due from related parties and noncurrent receivable, 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, 2018			
	Maximum exposure	Offset	Exposure to credit risk
Loans and receivables:			
Cash and cash equivalents (excluding cash on hand)	₱3,207,469,017	(₱8,506,769)	3,198,962,248
Trade and other receivables	444,483,682	(109,630,339)	334,853,343
Due from related parties	8,248,036	—	8,248,036
Due from NPC/PSALM	1,175,128	—	1,175,128
Noncurrent receivable (included in "Other noncurrent assets")	—	—	—
	3,661,375,863	(118,137,108)	3,543,238,755
AFS financial asset	1,300,000	—	1,300,000
	₱3,662,675,863	(₱118,137,108)	₱3,544,538,755

December 31, 2017			
	Maximum exposure	Offset	Exposure to credit risk
Loans and receivables:			
Cash and cash equivalents (excluding cash on hand)	₱1,444,922,676	(₱8,167,421)	₱1,436,755,255
Trade and other receivables	457,907,251	(75,707,947)	382,199,304
Due from related parties	1,845,907	—	1,845,907
Due from NPC/PSALM	1,175,128	—	1,175,128
Noncurrent receivable (included in "Other noncurrent assets")	1,143,240,000	—	1,143,240,000
	3,049,090,962	(83,875,368)	2,965,215,594
AFS financial asset	1,300,000	—	1,300,000
	₱3,050,390,962	(₱83,875,368)	₱2,966,515,594

As of September 30, 2018 and December 31, 2017, the Group's significant concentration of credit risk pertains to its trade and other receivables and due from NPC/PSALM amounting to ₱445.7 million and ₱1,602.3 million, respectively, and impaired financial assets, determined based on probability of collection, are adequately covered with allowance.

The following tables set out the aging analysis of the Group's past due but not impaired financial assets as of September 30, 2018 and December 31, 2017:

September 30, 2018							
	Total	Neither Past Due nor Impaired	Past Due but Not Impaired				Impaired
			1 to 30 Days	31 to 60 Days	61 to 90 Days	Over 90 Days	
Loans and Receivables							
Cash and cash equivalents (excluding cash on hand)	₱3,207,469,017	₱3,207,469,017	₱—	₱—	₱—	₱—	₱—
Trade and other receivables:							
NPC/PSALM	1,015,262	—	—	—	—	1,015,262	—
Receivable from customers	410,441,675	263,888,444	24,115,736	15,169,145	15,619,905	68,680,056	22,968,389
Others	55,995,134	21,151,323	805,561	1,494,608	929,286	31,614,356	—
	467,452,071	285,039,767	24,921,297	16,663,753	16,549,191	101,309,674	22,968,389
Due from NPC/PSALM	1,175,128	—	—	—	—	1,175,128	—
Due from related parties	8,248,036	62,343	53,605	6,597,155	64,392	1,470,541	—
Noncurrent receivable (included in "Other noncurrent assets")	—	—	—	—	—	—	—
	3,684,344,252	3,492,571,127	24,974,902	23,260,908	16,613,583	103,955,343	22,968,389
AFS Financial Asset							
Quoted equity security	1,300,000	1,300,000	—	—	—	—	—
	₱3,685,644,252	₱3,493,871,127	₱24,974,902	₱23,260,908	₱16,613,583	₱103,955,343	₱22,968,389

December 31, 2017							
	Total	Neither Past Due nor Impaired	Past Due but Not Impaired				Impaired
			1 to 30 Days	31 to 60 Days	61 to 90 Days	Over 90 Days	
Loans and Receivables							
Cash and cash equivalents (excluding cash on hand)	P1,444,922,676	P1,444,922,676	P-	P-	P-	P-	P-
Trade and other receivables:							
NPC/PSALM	1,497,011	-	-	-	-	1,497,011	-
Receivable from customers	428,905,375	302,960,725	31,407,754	15,428,333	29,007,424	27,170,642	22,930,497
Others	50,435,362	19,376,748	2,023,953	1,496,865	507,258	27,030,538	-
	480,837,748	322,337,473	33,431,707	16,925,198	29,514,682	55,698,191	22,930,497
Due from NPC/PSALM	1,175,128	-	-	-	-	1,175,128	-
Due from related parties	1,845,907	106,644	17,300	473,709	33,109	1,215,145	-
Noncurrent receivable (included in "Other noncurrent assets")	1,143,240,000	-	-	-	-	1,143,240,000	-
	3,072,021,459	1,767,366,793	33,449,007	17,398,907	29,547,791	1,201,328,464	22,930,497
AFS Financial Asset							
Quoted equity security	1,300,000	1,300,000	-	-	-	-	-
	P3,073,321,459	P1,768,666,793	P33,449,007	P17,398,907	P29,547,791	P1,201,328,464	P22,930,497

Financial assets classified as neither past due nor impaired are assessed by the Group to be highly probable of collection, taking into consideration the parties involved and its collection experience.

The tables below summarize the credit quality of the Group's neither past due nor impaired financial assets as of September 30, 2018 and December 31, 2017:

September 30, 2018						
	Total	Neither Past Due nor Impaired			Past Due	Individually Impaired
		High Grade	Standard	Substandard		
Loans and Receivables						
Cash and cash equivalents (excluding cash on hand)	P3,207,469,017	P3,207,469,017	P-	P-	P-	P-
Trade and other receivables:						
NPC/PSALM	1,015,262	-	-	-	1,015,262	-
Receivable from customers	410,441,675	199,283,376	60,739,797	3,865,271	123,584,842	22,968,389
Others	55,995,134	20,519,220	632,103	-	34,843,811	-
	467,452,071	219,802,596	61,371,900	3,865,271	159,443,915	22,968,389
Due from NPC/PSALM	1,175,128	-	-	-	1,175,128	-
Due from related parties	8,248,036	29,967	32,376	-	8,185,693	-
Noncurrent receivable (included in "Other noncurrent assets")	-	-	-	-	-	-
	3,684,344,252	3,427,301,580	61,404,276	3,865,271	168,804,736	22,968,389
AFS Financial Asset						
Quoted equity security	1,300,000	1,300,000	-	-	-	-
	P3,685,644,252	P3,428,601,580	P61,404,276	P3,865,271	P168,804,736	P22,968,389

December 31, 2017						
	Total	Neither Past Due nor Impaired			Past Due	Individually Impaired
		High Grade	Standard	Substandard		
Loans and Receivables						
Cash and cash equivalents (excluding cash on hand)	P1,444,922,676	P1,444,922,676	P-	P-	P-	P-
Trade and other receivables:						
NPC/PSALM	1,497,011	-	-	-	1,497,011	-
Receivable from customers	428,905,375	188,139,334	111,428,522	3,392,869	103,014,153	22,930,497
Others	50,435,362	18,409,057	967,691	-	31,058,614	-
	480,837,748	206,548,391	112,396,213	3,392,869	135,569,778	22,930,497
Due from NPC/PSALM	1,175,128	-	-	-	1,175,128	-
Due from related parties	1,845,907	25,763	80,880	-	1,739,264	-
Noncurrent receivable (included in "Other noncurrent assets")	1,143,240,000	-	-	-	1,143,240,000	-
	3,072,021,459	1,651,496,830	112,477,093	3,392,869	1,281,724,170	22,930,497
AFS Financial Asset						
Quoted equity security	1,300,000	1,300,000	-	-	-	-
	P3,073,321,459	P1,652,796,830	P112,477,093	P3,392,869	P1,281,724,170	P22,930,497

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, OMSC, Ancillary Services Procurement Agreement, and 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 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, and Trade and Other Payables. The carrying amounts of cash and cash equivalents, trade and other receivables, and trade and other payables approximate their value due to the relatively short-term maturity of these financial instruments.

AFS Investments. Market values have been used to determine the fair value of listed AFS investments.

Noncurrent receivable (included in "Other noncurrent assets"). The fair value of noncurrent receivable is based on the net present value of cash flows using the prevailing market rate of interest. As of September 30, 2018 and December 31, 2017, the carrying value of the noncurrent receivable approximates its fair value.

As of September 30, 2018 and December 31, 2017, the carrying values of the Group's financial instruments, except for the long-term debt, approximate fair values due to their relatively short-term maturity.

Capital Management

The Group manages its capital structure and makes adjustments to it in the light of changes in economic conditions. To maintain or adjust the capital structure, the Group may adjust the dividend payment to stockholders, return capital to stockholders or

issue new shares. No changes were made in the objectives, policies or processes during as of September 30, 2018 and December 31, 2017.

The Group considers its equity as capital and is not subject to any externally imposed capital requirements. As of September 30, 2018 and December 31, 2017, the Group's equity amounted to ₱10,334.1 million and ₱9,364.2 million, respectively.

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

a. 153.1 MW Naga Power Plant Complex (NPPC)

Prior to the expiration of the OMSC on September 25, 2014, the Parent Company purchased the NPPC after exercising its "right-to-top" (RTT) the winning bid, which right was pursuant to the LLA with PSALM that was executed when the LBGTs were acquired by the Parent Company in 2010. Pursuant to the APA executed by the Parent Company and PSALM covering the purchase of the assets consisting of the thermal and diesel power plants (CTPP 1 and CTPP 2, and CDPP 1), the Parent Company paid PSALM a total of ₱463.3 million. The Parent Company and PSALM also entered into an LLA, as an ancillary contract to the APA, covering the land where the purchased assets are located, and paid in full the total lease rentals amounting to ₱712.5 million. Following the issuance of Notice of Award on July 28, 2014 and after completing all the conditions for Closing, PSALM turned over the NPPC to the Parent Company on September 25, 2014, coinciding with the termination of the OMSC.

More than one year after PSALM awarded the NPPC to the Parent Company, the Supreme Court (SC) declared the APA and the LLA for the sale of the NPPC to be null and void per decision promulgated on September 28, 2015.

On December 1, 2015, the Parent Company filed its Motion for Reconsideration of the SC Decision dated September 28, 2015. In said Motion for Reconsideration, the Parent Company stressed that, as the owner of the LBGT and the lease on the land on which the LBGT stands, it has an interest in the whole of the Complex and not just within the leased premises. This is due to the fact that the Parent Company's payment for the LBGT necessarily includes payment for the RTT, the LBGT and the land subject of the LBGT-LLA which forms part of the Complex, and the Parent Company shares in the use, upkeep and maintenance of the Co-Use Facilities within the Complex, thus, showing that the Parent Company's interest extends to the whole of the Complex.

On December 9, 2015, the SC resolved to deny the Motion for Reconsideration. Thus, a Motion For Leave to File and Admit the Attached Urgent Motion for Second Reconsideration and/or Referral to the En Banc was filed by the Parent Company on February 2, 2016. However, on April 6, 2016, the SC issued a Resolution where it resolved among others to deny the said Motion For Leave and noted without action, the attached Urgent Motion for Second Reconsideration and /or Referral to En Banc, in view of the denial of the Motion for Leave. Accordingly, an amount equivalent to ₱ 1.143 billion (i.e., amount paid by the Parent Company to PSALM in 2014, net of withholding tax) was recognized as other noncurrent receivable as of December 31, 2017, 2016 and 2015. On October 5, 2016, the SC granted the manifestation/motion of Therma Power Visayas, Inc. (TPVI) dated March 16, 2016 praying for the reinstatement of the notice of award in favor of TPVI dated April 30, 2014. The Parent Company then filed an Urgent Motion For Reconsideration with Alternative Motion to Refer to the En Banc, on November 2, 2016. In a Resolution dated

November 28, 2016, the SC denied the same. Another Urgent Motion For Reconsideration was filed by the Parent Company on December 9, 2016. This was followed up by the filing on January 19, 2017 of a Supplemental Motion/Petition for Referral to the En Banc which argued that there was a violation of SPC's substantive right to due process in reinstating the Notice of Award in favour of TPVI and a violation of procedural due process in lifting the Entry of Judgment of September 28, 2015.

On February 21, 2017, the Parent Company received the Entry of Judgment through its legal counsel certifying that the September 28, 2015 Decision and October 5, 2016 Resolution have become final and executory on November 28, 2016 and were recorded in the Books of Entries of Judgments.

On April 26, 2017, the SC issued a final resolution denying both the Motion for Reconsideration and the Supplemental Motion/Petition for Referral to the En Banc filed on December 9, 2016 and January 19, 2017, respectively. In its final resolution, the SC confirmed that the September 28, 2015 Decision and the October 5, 2016 Resolution became final on November 28, 2016.

After receipt of the Notice of the Second Entry of Judgment in February 2017, the Parent Company was anticipating a speedy turnover of the NPPC. However, serious negotiations never transpired as of December 31, 2017 through no fault of the Parent Company.

Considering that the NPPC has been in the possession of the Parent Company even after November 28, 2016, it has to operate the plant as the best way to preserve it in preparation for the eventual turn-over to PSALM and the return of the purchase price (SPC Bid) to the Parent Company as well as the reimbursement of expenses for the necessary and useful improvements made on the NPPC.

On July 9, 2018, PSALM and the Parent Company finally entered into a Memorandum of Agreement (MOU) containing the terms and conditions for the return of the NPPC to PSALM, return of the SPC Bid to SPC, and the settlement of all claims between the Parties.

In accordance with the MOU, PSALM and the Parent Company executed the Joint Certificate of Turnover on July 13, 2018. Thus, the Parent Company turned over the NPPC and paid the Fuel Payable to PSALM while PSALM returned the SPC Bid to the Parent Company.

Effect of NPPC turnover. The immediate effect of the turnover of NPPC on the Parent Company's business is the loss of revenue generated from the Cebu Diesel Power Plant with a dependable capacity of 33 MW. However, the said loss is expected to be substantially recovered with the completion of rehabilitation and full commercial operation of the 32-MW Power Barge 104 (PB 104, acquired from PSALM in 2016) within the second half of the current year. With the development of a new power plant at the NPPC already halted, the Parent Company has set its sights on power project opportunities in other parts of Visayas and Luzon.

b. Others

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.