

COVER SHEET

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S.E.C. Registration Number

[illegible]

(Company's Full Name)

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8	7	4	1		P	a	s	e	o		d	e		R	o	x	a	s															
M	a	k	a	t	i		C	i	t	y		1	2	0	9		P	h	i	l	i	p	p	i	n	e	s						

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

Mr. Nino Ray D. Aguirre

Contact Person

8810 44 74 to 77

Company Telephone Number

1	2
Month	Day

Calendar Year

SEC FORM

1	7	-	Q	
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FORM TYPE

0	6
<i>Month</i>	

1	5
<i>Day</i>	

Annual Meeting

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

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File Number

File Number

LCU

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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 June 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 Code Postal
- (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 June 30, 2023) | 1,496,551,803 shares |
| Total Debt (as of June 30, 2023) | ₱1,412,188,648 |
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 – June 30, 2023 (unaudited) and December 31, 2022 (audited).
- b. Consolidated Statements of Comprehensive Income – Three Months Ended June 30, 2023 and 2022 (unaudited).
- c. Consolidated Statements of Comprehensive Income – Six Months Ended June 30, 2023 and 2022 (unaudited).
- d. Consolidated Statements of Changes in Stockholders’ Equity – Six Months Ended June 30, 2023 and 2022 (unaudited).
- e. Consolidated Statements of Cash Flows – Six Months ended June 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 June 30, 2023 and 2022

The second-quarter net income improved by 66.2% to ₱ 557.5 million from ₱ 335.5 million in the same period last year. This was primarily due to the strong operating results of all business segments except KSPC which saw lower sales to the spot market during the period. Interest income from short-term placement of temporary excess funds also contributed significantly to the bottom line.

Equity share in the earnings of KSPC, one of the investee companies, decreased by 11.7% to ₱224.9 million in the second quarter of 2023, from ₱ 254.5 million in the same period last year. This was attributed mainly to the 35.5% decrease in sales to WESM which was not fully offset by the increase in sales to Distribution Utilities (DUs) and Electric Cooperatives (ECs).

MECO (another investee company), on the other hand, managed to increase its April-June 2023 contribution by 109.0% year-on-year to ₱ 79.4 million, from ₱ 38.0 million in the same period last year, as the economy picks up with the recovery of the commercial sector.

In sum, the combined equity shares in the earnings of investee companies increased by 4.0% to ₱304.3 million in the second quarter of 2023, from ₱292.5 million a year ago.

The power generation business segment contributed ₱244.9 million to the consolidated net income, substantially higher by 477.7% as compared with last year's ₱42.9 million. This was due mainly to recovery of fuel costs incurred in prior year for incidental energy generated in the rendering of ASPA services. It is 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 ₱8.4 million in the first quarter of 2023, from ₱0.5 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 the power generation and power distribution business segments for the second quarter of 2023 increased by 44.1% to ₱1,321.6 million, from ₱916.9 million in the same period last year. 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.

Consolidated cost of services increased by 19.2% to ₱1,039.0 million from ₱871.5 million. This was due mainly to the higher cost of purchased power which correlates to revenue and being passed on to the customers.

Consolidated administrative and general expenses went up by 35.8% to ₱61.6 million in April-June 2023, from ₱ 45.3 million in the same period last year, due largely to higher expenses for business development, personnel, taxes and licenses, and professional fees.

Interest income substantially increased to ₱46.2 million, from ₱0.8 million, because of higher effective interest rate and higher amount of temporary excess cash invested in short-term money market placements.

Because of weaker US dollar, the Group logged a decrease in the net foreign exchange gains from its foreign currency-denominated net financial assets to ₱ 18.4 million in the second quarter of 2023 from ₱ 44.8 million in the same period a year earlier.

Provision for income tax had a substantial increase of 329.7% to ₱ 44.9 million, from ₱ 10.5 million due to higher taxable income.

Six Months Ended June 30, 2023 and 2022

The Group boosted its consolidated comprehensive income to ₱826.1 million in the first half of 2023, 77.1% higher as compared to the ₱466.4 million recorded in the same period last year, on the back of significant increase in the income contribution of all business segments. Furthermore, interest income coming from short term money market placements contributed ₱67.3 million, which was more than a tenfold increase as compared with the same period last year, due to increase in both the amount of temporary excess funds and interest rates.

The combined equity shares in the earnings of investee companies accounted for 57.4% of the Group's total comprehensive income in the first half of 2023. Power generation and power distribution business segments contributed 40.4% and 2.2%, respectively.

With higher results, earnings per share increased to P0.55 in the first half of 2023 as compared to P0.31 in the same period in 2022.

Despite lower total equity share in the second quarter of 2023, the total equity shares in the earnings of the investee companies in the first half of 2023 still increased by 36.1% to P474.0 million, from P348.4 million in the same period last year, driven by higher net generation and higher revenues from electricity sales as demand continued to shift towards pre-pandemic levels. Operation of the investee companies in the first half of 2023 was also benefitted by the combined effects of lower outages of power generating units and post-typhoon Odette recovery.

The power generation business segment contributed P333.6 million to the consolidated net income (net of inter-company transactions) in the first half of 2023, 208.9% higher compared with last year's P108.1 million. The substantial increase was due mainly to recovery of fuel costs incurred in prior year for incidental energy generated in the rendering of ASPA services, recovery from the impact of Typhoon Odette, and 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 P18.5 million in the first half of 2023, up 82.2% and fueled mainly by the increase in the volume of electricity sold and other income. The high sales volume reflected a strong rebound in terms of power demand across all customer segments following continued recovery from the impact of the coronavirus pandemic and typhoon Odette.

Hereunder are the major specific income and expense items that registered significant variances in the first half of 2023 as compared with the same period in 2022.

Consolidated revenues rose 40.5% to P2,236.4 million, from P1,591.3 million in the same period last year, due mainly to higher pass-through cost of 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 22.7% to P1,752.9 million, from P1,428.3 million in the previous 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 196.6% to P483.5 million from P163.0 million in the same period a year earlier.

The Group increased its administrative and general expenses by 15.5% to P128.5 million in 2023, from P111.2 million in the previous year. The increase was due largely to higher expenses for business development, personnel, taxes and licenses, and professional fees.

Interest income substantially increased to P67.3 million, from P6 million, because of higher effective interest rates and higher amount of temporary excess cash invested in short-term money market placements.

Net foreign exchange loss from the restatement of U.S. dollar-denominated assets amounted to P11.8 million in the first half of 2023, in contrast from last year's net foreign exchange gain of P77.0 million. This was due to the 1.0% average depreciation of the US Dollar in the first half of 2023 as compared to the 7.2% average appreciation of the US Dollar in the same period last year.

Financial Condition

June 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.

Total consolidated assets expanded by 8.9% to ₱12,637.8 million as at end-June 2023 from the last audited balance of ₱11,607.7 million as at end-2022. The increase was attributed mainly to additional cash generated from operating activities and appreciation of the carrying value of investments in associates.

Total liabilities increased by 16.9% to ₱1,412.2 million, from ₱1,208.2 million, due mainly to higher balance of trade and other payables as at end-June 2023.

Stockholders' equity grew by 7.9% to ₱11,225.6 million as at end-June 2023. The continued increase in the value of total assets contributed to the rise in stockholders' equity from ₱10,399.5 million as at end-2022.

Further details of significant items that contributed to the major changes in assets, liabilities and stockholders' equity (from December 31, 2022 balances to June 30, 2023 balances) were discussed below.

Cash and cash equivalents are discussed under **Cash Flows** below.

Trade and other receivables increased by 20.0% to ₱835.2 million, from ₱695.8 million, due mainly to increase in trade receivables amounting to ₱99.3 million and increase in dividends receivable amounting to ₱40.0 million.

Materials and supplies inventory decreased by 11.7% to ₱412.7 million, from ₱467.5 million due mainly to lower volume and lower cost of fuel in the inventory as of end-June 2023.

Investment in associates decreased by 6.9% to ₱5,806.4 million, from ₱5,432.5 million, due to fresh equity share in the net earnings of investee companies amounting to ₱474.0 million less cash dividends received from the investee companies amounting to ₱100.0 million.

Trade and other payables increased by 30.0% to ₱1,010.3 million, from ₱777.0 million, on account mainly of: (i) increase in SPC/SIPC's fuel purchases; and (ii) increase in BLCI's purchased power in 2023.

Other noncurrent liabilities decreased by 51.7% to ₱17.2 million, from ₱35.6 million, due mainly to amortization of cost recovery adjustment approved by ERC to be recovered by PSALM through the distribution business segment of the Group over a period of seven years from January 2018. The original amount of ₱257.6 million was booked as noncurrent liabilities pending remittance to PSALM the amount collected from customers over a period of seven years from January 2018.

Unappropriated retained earnings increased by 11.8% to ₱7,745.0 million, from ₱6,927.4 million. The increase is reflective of the comprehensive income attributable to equity holders of the Parent Company amounting to ₱817.6 million in the six months ended June 30, 2023.

Cash Flows

The Group's cash flow and liquidity remains strong and we have material headroom to fund investment and further capital management initiatives.

Cash and cash equivalents increased by 14.3% to ₱4,609.9 million as at end-June 2023, from ₱4,031.4 million as at end-2022.

Major sources of cash and cash equivalents in the first half of 2023 were from operating activities and cash dividends received from investee companies amounting to ₱574.7 million and ₱60.0 million, respectively.

The major applications of funds in the first half of 2023 were: (i) new additions to property, plant and equipment amounting to ₱44.4 million, and (ii) payment of previously unclaimed cash dividends amounting to ₱4.3 million.

KEY PERFORMANCE INDICATORS

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

Key Performance Indicators	2023	2022
A. For Six Months Ended June 30, 2023 and 2022:		
Earnings Per Share	P0.55	P0.31
Share In Net Earnings of Associates	P473,994,797	P348,362,830
Return on Equity (total comprehensive income divided by average total equity)	7.64%	4.91%
Return on Assets (total comprehensive income divided by average total assets)	6.81%	4.42%
Cash Flows:		
Net cash inflows generated from operating activities	P574,746,465	P156,709,205
Net cash inflows provided by investing activities	P20,685,927	P226,856,317
Net cash flows used in financing activities	(P5,209,152)	(P301,869,568)
Solvency ratio (total comprehensive income before depreciation and amortization divided by total liabilities)	0.62	0.44
B. As of June 30, 2023 and December 31, 2022:		
Cash and cash equivalents at end of period	P4,609,862,593	P4,031,421,593
Current ratio (total current assets divided by current liabilities)	5.75	6.52
Debt ratio (total liabilities divided by total assets)	0.11	0.10
Debt-to-equity ratio (total liabilities divided by total equity)	0.13	0.12

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 June 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 POWER CORPORATION
Issuer

By


MARY ANN G. DAUGDAUG
Assistant Finance Manager

Date: August 11, 2023


NINO RAY D. AGUIRRE
VP Finance

Date: August 11, 2023

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

	June 30, 2023	Dec. 31, 2022	Incr. / (Decr.)	
	(Unaudited)	(Audited)	Amount	Percent
ASSETS				
Current Assets				
Cash and cash equivalents	4,609,862,593	4,031,421,593	578,441,000	14.3%
Trade and other receivables - net	835,212,155	695,835,058	139,377,097	20.0%
Inventories - at cost	412,690,976	467,547,381	(54,856,405)	(11.7%)
Prepayments and other current assets	98,762,303	100,931,667	(2,169,364)	(2.1%)
Total Current Assets	5,956,528,027	5,295,735,699	660,792,328	12.5%
Noncurrent Assets				
Investment in associates	5,806,448,573	5,432,453,664	373,994,909	6.9%
Property, plant and equipment - net	736,143,370	734,717,862	1,425,508	0.2%
Deferred income tax assets	33,759,913	34,227,789	(467,876)	(1.4%)
Goodwill	32,522,016	32,522,016	-	0.0%
Intangible Assets	2,714,212	3,257,057	(542,845)	(16.7%)
Other noncurrent assets - net	69,657,449	74,789,209	(5,131,760)	(6.9%)
Total Noncurrent Assets	6,681,245,533	6,311,967,597	369,277,936	5.9%
TOTAL ASSETS	12,637,773,560	11,607,703,296	1,030,070,264	8.9%
LIABILITIES & EQUITY				
Current Liabilities				
Trade and other payables	1,010,259,585	777,024,871	233,234,714	30.0%
Income tax payable	23,992,374	33,967,216	(9,974,842)	(29.4%)
Current portion of lease liabilities	1,828,196	1,828,196	-	0.0%
Total current liabilities	1,036,080,155	812,820,283	223,259,872	27.5%
Noncurrent Liabilities				
Customers' deposits	193,100,648	191,579,049	1,521,599	0.8%
Asset retirement obligation	94,302,870	94,302,870	-	0.0%
Net pension liabilities	42,820,117	43,731,722	(911,605)	(2.1%)
Deferred income tax liabilities	20,019,407	20,652,099	(632,692)	(3.1%)
Lease liabilities - net of current portion	8,692,829	9,559,496	(866,667)	(9.1%)
Other noncurrent liability	17,172,622	35,571,861	(18,399,239)	(51.7%)
Total noncurrent liabilities	376,108,493	395,397,097	(19,288,604)	(4.9%)
Total Liabilities	1,412,188,648	1,208,217,380	203,971,268	16.9%

(Forward)

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

	June 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	7,745,017,183	6,927,417,031	817,600,152	11.8%
Appropriated	1,800,000,000	1,800,000,000	-	0.0%
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	11,084,603,586	10,267,003,434	817,600,152	8.0%
Equity attributable to Non-controlling				
interests	140,981,326	132,482,482	8,498,844	6.4%
Total Equity	11,225,584,912	10,399,485,916	826,098,996	7.9%
TOTAL LIABILITIES and EQUITY	12,637,773,560	11,607,703,296	1,030,070,264	8.9%

See accompanying Notes to Consolidated Financial Statements.

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

	Six Months Ended June 30		Increase / (Decrease)	
	2023 (Unaudited)	2022 (Unaudited)	Amount	Percent
REVENUE	2,236,350,224	1,591,276,510	645,073,714	40.5%
COST OF OPERATIONS	1,752,861,565	1,428,253,863	324,607,702	22.7%
GROSS MARGIN	483,488,659	163,022,647	320,466,012	196.6%
GENERAL AND ADMINISTRATIVE EXPENSES	(128,499,447)	(111,227,379)	(17,272,068)	15.5%
OTHER INCOME (CHARGES) - Net				
Equity in net earnings of associates	473,994,797	348,362,830	125,631,967	36.1%
Interest Income	67,348,825	6,026,050	61,322,775	1017.6%
Interest Expense	(374,307)	(43,042)	(331,265)	769.6%
Foreign exchange gains (losses) - net	(11,775,395)	76,992,520	(88,767,915)	(115.3%)
Others - net	16,968,017	12,393,479	4,574,538	36.9%
	546,161,937	443,731,837	102,430,100	23.1%
INCOME BEFORE INCOME TAX	901,151,149	495,527,105	405,624,044	81.9%
PROVISION FOR INCOME TAX				
Current	75,216,969	28,852,543	46,364,426	160.7%
Deferred	(164,816)	9,732	(174,548)	(1793.5%)
	75,052,153	28,862,275	46,189,878	160.0%
NET INCOME	826,098,996	466,664,830	359,434,166	77.0%
OTHER COMPREHENSIVE INCOME	-	(257,831)	257,831	0.0%
TOTAL COMPREHENSIVE INCOME	826,098,996	466,406,999	359,691,997	77.1%
NET INCOME ATTRIBUTABLE TO:				
Equity holders of the Parent	817,600,152	462,132,162	355,467,990	76.9%
Non-controlling interests	8,498,844	4,532,668	3,966,176	87.5%
	826,098,996	466,664,830	359,434,166	77.0%
TOTAL COMPREHENSIVE INCOME ATTRIBUTABLE TO:				
Equity holders of the Parent	817,600,152	461,874,331	355,725,821	77.0%
Non-controlling interests	8,498,844	4,532,668	3,966,176	87.5%
	826,098,996	466,406,999	359,691,997	77.1%
EARNINGS PER SHARE (Note 3):				
Basic/diluted, for income for the period				
attributable to equity holders of the Parent	0.55	0.31	0.24	76.9%

See accompanying Notes to Consolidated Financial Statements.

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

	Three Months Ended June 30		Increase / (Decrease)	
	2023 (Unaudited)	2022 (Unaudited)	Amount	Percent
REVENUE	1,321,599,992	916,909,825	404,690,167	44.1%
COST OF OPERATIONS	1,039,036,131	871,543,528	167,492,603	19.2%
GROSS MARGIN	282,563,861	45,366,297	237,197,564	522.8%
GENERAL AND ADMINISTRATIVE EXPENSES	(61,574,745)	(45,342,131)	(16,232,614)	35.8%
OTHER INCOME (CHARGES) - Net				
Equity in net earnings of associates	304,270,013	292,523,524	11,746,489	4.0%
Interest Income	46,216,432	839,935	45,376,497	5402.4%
Interest Expense	(185,843)	(14,589)	(171,254)	1173.9%
Foreign exchange gains (losses) - net	18,407,245	44,768,876	(26,361,631)	(58.9%)
Others - net	12,757,316	7,771,551	4,985,765	64.2%
	381,465,163	345,889,297	35,575,866	10.3%
INCOME BEFORE INCOME TAX	602,454,279	345,913,463	256,540,816	74.2%
PROVISION FOR INCOME TAX				
Current	45,054,798	10,435,220	34,619,578	331.8%
Deferred	(115,606)	23,242	(138,848)	(597.4%)
	44,939,192	10,458,462	34,480,730	329.7%
NET INCOME	557,515,087	335,455,001	222,060,086	66.2%
OTHER COMPREHENSIVE INCOME	-	-	-	0.0%
TOTAL COMPREHENSIVE INCOME	557,515,087	335,455,001	222,060,086	66.2%
ATTRIBUTABLE TO:				
Equity holders of the Parent	553,632,317	335,416,617	218,215,700	65.1%
Non-controlling interests	3,882,770	38,384	3,844,386	10015.6%
	557,515,087	335,455,001	222,060,086	66.2%
EARNINGS PER SHARE (Note 3):				
Basic/diluted, for income for the period				
attributable to equity holders of the Parent	0.37	0.22	0.15	65.1%

See accompanying Notes to Consolidated Financial Statements.

SPC POWER CORPORATION AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY
FOR SIX MONTHS ENDED JUNE 30, 2023 AND 2022

	Equity Attributable to Equity Holders of the Parent									
	Retained Earnings					Net Unrealized Valuation Gains on Financial Assets at FVOCI				
	Capital Stock	Additional Paid-In Capital	Treasury Stock at Cost	Remeasurement of Employee Benefits	Share of Associates in OCI	Appropriated	Unappropriated	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
Total comprehensive income	-	-	-	-	-	-	817,600,152	-	817,600,152	8,498,844
Cash dividends	-	-	-	-	-	-	-	-	-	-
Balances at June 30, 2023	₱1,569,491,900	₱86,810,752	(₱131,008,174)	(₱3,858,148)	₱6,800,073	₱1,800,000,000	₱7,745,017,183	₱11,350,000	₱11,084,603,586	₱140,981,326
Balances at January 1, 2022	₱1,569,491,900	₱86,810,752	(₱131,008,174)	(₱367,132)	₱270,792	₱1,800,000,000	₱5,954,370,912	₱6,350,000	₱9,285,919,050	₱136,439,885
Total comprehensive income	-	-	-	(257,831)	-	-	462,132,162	-	461,874,331	4,532,668
Cash dividends	-	-	-	-	-	-	(299,310,361)	-	(299,310,361)	-
Balances at June 30, 2022	₱1,569,491,900	₱86,810,752	(₱131,008,174)	(₱624,963)	₱270,792	₱1,800,000,000	₱6,117,192,713	₱6,350,000	₱9,448,483,020	₱140,972,553

See accompanying Notes to Consolidated Financial Statements.

SPC POWER CORPORATION AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF CASH FLOWS

	Six Months ended June 30	
	2023	2022
	(Unaudited)	(Unaudited)
CASH FLOWS FROM OPERATING ACTIVITIES		
Income before income tax	901,151,149	495,527,105
Adjustments for:		
Equity in net losses (earnings) of associates	(473,994,797)	(348,362,830)
Depreciation and amortizations	43,563,100	41,294,284
Interest expense	374,307	43,042
Net changes in pension liability	(911,606)	(1,085,516)
Interest income	(67,348,825)	(6,026,050)
Others -net	11,782,241	(45,987,303)
Operating income before working capital changes	414,615,569	135,402,732
Decrease (increase) in:		
Trade and other receivables	(102,455,736)	(140,808,721)
Prepayments and other current assets	2,169,363	(7,478,222)
Inventories - at cost	54,856,404	(52,664,457)
Increase (decrease) in:		
Trade and other payables	222,313,170	243,336,382
Customers' deposits	1,491,414	1,730,144
Net cash generated from operations	592,990,184	179,517,858
Income tax paid	(85,191,812)	(28,729,311)
Interest paid	(400,732)	(124,454)
Interest received	67,348,825	6,045,112
Net cash flows from operating activities	574,746,465	156,709,205
CASH FLOWS FROM INVESTING ACTIVITIES		
Cash dividends received	59,999,932	323,926,239
Additions to plant, property and equipment	(44,445,766)	(94,181,183)
Proceeds from disposal of plant, property and equipment	-	-
Decrease (increase) in:		
Other noncurrent assets	5,131,761	(2,888,739)
Net cash provided by (used in) investing activities	20,685,927	226,856,317
CASH FLOWS FROM FINANCING ACTIVITIES		
Payment of lease liabilities	(866,667)	(2,559,207)
Cash dividends paid	(4,342,485)	(299,310,361)
Net cash provided by (used in) financing activities	(5,209,152)	(301,869,568)
NET EFFECT OF EXCHANGE RATE CHANGES	(11,782,240)	58,126,907
NET INCREASE IN CASH AND CASH EQUIVALENTS	578,441,000	139,822,861
CASH AND CASH EQUIVALENTS AT BEG. OF PERIOD	4,031,421,593	2,984,110,635
CASH AND CASH EQUIVALENTS AT END OF PERIOD	4,609,862,593	3,123,933,496

See accompanying Notes to Financial Statements.

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

1. General

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

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

2. Accounting Policies

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

The accounting policies adopted in the preparation of the interim financial statements are the same as those mentioned in the audited financial statements for the year 2022.

3. Earnings Per Share

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

	Six Months Ended June 30	
	2023	2022
Net income attributable to equity holders of the parent	₱817,600,152	₱462,132,162
Weighted average number of common shares issued and outstanding	1,496,551,803	1,496,551,803
Basic/Diluted earnings per share	₱0.55	₱0.31

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 June 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 semester of 2023.

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

There are no issuances, repurchases and repayments of debt and equity securities during the six months ended June 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 six months ended June 30, 2023 and 2022.

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

June 30, 2023						
	Before Eliminations			Total	Adjustments and Eliminations	After Eliminations/ Consolidated
	Generation	Distribution	Others			
Revenue	₱1,369,475,116	₱866,875,108	₱—	₱2,236,350,224	₱—	₱2,236,350,224
Income before income tax	503,194,979	24,125,934	(164,673)	527,156,240	373,994,909	901,151,149
Net income	433,747,140	18,521,620	(164,673)	452,104,087	373,994,909	826,098,996
Total assets	9,141,674,584	844,387,160	62,963,484	10,049,025,228	2,588,748,332	12,637,773,560
Property, plant and equipment	458,356,436	276,519,029	—	734,875,465	1,267,905	736,143,370
Total liabilities	810,194,510	602,642,033	135,598	1,412,972,141	(783,493)	1,412,188,648
Depreciation and amortization	29,927,566	13,635,534	—	43,563,100	—	43,563,100

June 30, 2022						
	Before Eliminations			Total	Adjustments and Eliminations	After Eliminations/ Consolidated
	Generation	Distribution	Others			
Revenue	₱1,106,930,998	₱484,345,512	₱—	₱1,591,276,510	₱—	₱1,591,276,510
Income before income tax	456,225,325	14,780,087	85,102	471,090,514	24,436,591	495,527,105
Net income	431,980,647	10,162,490	85,102	442,228,239	24,436,591	466,664,830
Total assets	7,660,504,290	686,294,868	80,059,049	8,426,858,207	2,312,678,028	10,739,536,235
Property, plant and equipment	549,230,495	222,516,146	—	771,746,641	1,268,382	773,015,023
Total liabilities	688,369,298	461,702,890	93,880	1,150,166,068	(85,406)	1,150,080,662
Depreciation and amortization	28,209,925	13,084,359	—	41,294,284	—	41,294,284

Adjustments and eliminations are part of detailed reconciliations presented below:

Reconciliation of Net Income

	Six Mos. Ended June 30	
	2023	2022
Segment net income	₱452,104,087	₱442,228,239
Equity in net earnings of associates	473,994,797	348,362,830
Dividend Income	(99,999,888)	(323,926,239)
Group net income	₱826,098,996	₱466,664,830

Reconciliation of Total Assets

	June 30, 2023	Dec. 31, 2022
Segment assets	₱10,049,025,228	₱9,398,750,278
Inter-segment receivables	(9,422,351)	(15,222,757)
Property, plant and equipment	1,267,905	1,267,905
Investments in associates and subsidiaries	2,564,380,762	2,190,385,854
Goodwill	32,522,016	32,522,016
Group assets	₱12,637,773,560	₱11,607,703,296

Reconciliation of Total Liabilities

	June 30, 2023	Dec. 31, 2022
Segment liabilities	₱1,412,972,141	₱1,214,801,278
Inter-segment payables	(783,493)	(6,583,898)
Group liabilities	₱1,412,188,648	₱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.

Interest Rate Risk

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

As of June 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 June 30 2023 and December 31, 2022 based on contractual undiscounted payments:

	June 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	P4,609,862,593	P4,609,862,593	P-	P-	P-	P-
Trade and other receivables						
Receivable from customers	672,781,114	488,397,300	37,444,342	18,998,737	28,241,199	99,699,536
Dividends receivable	39,999,954	-	-	-	39,999,954	-
Current portion of PSALM						
deferred adjustments	24,532,318	3,066,540	3,066,540	3,066,540	3,066,540	12,266,158
Due from related parties	2,768,963	487,702	15,759	20,318	18,713	2,226,471
Others	95,129,806	39,642,167	5,302,354	6,030,746	1,663,487	42,491,052
	835,212,155	531,593,709	45,828,995	28,116,341	72,989,893	156,683,217
PSALM deferred adjustments	17,172,622	-	-	-	-	17,172,622

June 30, 2023						
	Total	Current	1 to 30 Days	31 to 60 Days	61 to 90 Days	Over 90 Days
(included in "Other noncurrent assets")						
At FVOCI:	5,462,247,370	5,141,456,302	45,828,995	28,116,341	72,989,893	173,855,839
Investment in proprietary club shares	13,000,000	—	—	—	—	13,000,000
	5,475,247,370	5,141,456,302	45,828,995	28,116,341	72,989,893	186,855,839
Financial Liabilities						
Trade and other payables						
Trade	722,067,761	698,666,923	2,781,973	339,101	89,513	20,190,251
Nontrade	42,694,145	3,481,275	3,066,540	3,066,540	3,101,040	29,978,750
Accrued expenses	65,019,701	25,178,363	257,675	626,920	38,229	38,918,514
Due to related parties	502,643	—	—	—	—	502,643
	830,284,250	727,326,561	6,106,188	4,032,561	3,228,782	89,590,158
Customers' deposits	193,100,648	—	—	—	—	193,100,648
Lease liabilities	12,029,647	—	—	—	—	12,029,647
Other noncurrent liability	17,172,622	—	—	—	—	17,172,622
	1,052,587,167	727,326,561	6,106,188	4,032,561	3,228,782	311,893,075
Net Financial Assets (Liabilities)	₱4,422,660,203	₱4,414,129,741	₱39,722,807	₱24,083,780	₱69,761,111	(₱125,037,236)

December 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)

Credit Risk

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

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

With respect to credit risk arising from the financial assets of the Group, which comprise cash and cash equivalents, trade and other receivables, due from related parties and PSALM deferred adjustments

included in “Other noncurrent assets”, the Group’s exposure to credit risk arises from default of the counterparty.

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

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

June 30, 2023			
	Maximum exposure	Offset	Exposure to credit risk
At amortized cost:			
Cash and cash equivalents (excluding cash on hand)	₱4,609,140,615	(₱10,137,440)	₱4,599,003,175
Trade and other receivables	835,212,155	(60,342,329)	774,869,826
PSALM deferred adjustments (included in “Other noncurrent assets”)	17,172,622	—	17,172,622
	₱5,461,525,392	(₱70,479,769)	₱5,391,045,623
December 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 June 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 ₱852.4 million and ₱731.4 million, respectively, and impaired financial assets, determined based on probability of collection, are adequately covered with allowance.

Applicable for the second quarter and year ended June 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 June 30, 2023 and December 31, 2022:

General Approach

- *Cash and cash equivalents* - As of June 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 June 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 June 30, 2023 and December 31, 2022, the allowance for impairment losses as a result from

performing collective and specific impairment test amounted to P45.7 million. Management evaluated that the Parent Company's trade receivables are of high grade and of good credit quality.

June 30, 2023					
	Stage 1 12-month ECL	Stage 2 Lifetime ECL	Stage 3 Lifetime ECL	Lifetime ECL Simplified Approach	Total
Gross carrying amount	P–	P–	P45,655,447	P835,212,155	P880,867,602
Loss allowance	–	–	(45,655,447)	–	(45,655,447)
Carrying amount	P–	P–	P–	P835,212,155	P835,212,155

December 31, 2022					
	Stage 1 12-month ECL	Stage 2 Lifetime ECL	Stage 3 Lifetime ECL	Lifetime ECL Simplified Approach	Total
Gross carrying amount	P–	P–	P48,283,304	P693,207,201	P741,490,505
Loss allowance	–	–	(48,283,304)	2,627,857	(45,655,447)
Carrying amount	P–	P–	P–	P695,835,058	P695,835,058

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 June 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 June 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 ₱17.2 million and ₱35.6 million as of June 30, 2023 and December 31, 2022, respectively, noncurrent liability amounting to ₱17.2 million and ₱35.6 million as of June 30, 2023 and December 31, 2022, and customers' deposits amounting to ₱193.1 million and ₱191.6 million as of June 30, 2023 and December 31, 2022, respectively, under the Level 3 classification.

During the reporting period ended June 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.

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 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:

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

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

IN WITNESS WHEREOF, I have hereunto set my hand this 14th day of August, 2023.

Mishelle Anne R. Rubio-Aguinaldo
Affiant

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

Doc. No. 65 ;
Page No. 19 ;
Book No. 9 ;
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. 2028
PTR NO. 9563564 / JAN. 03, 2023 / MAKATI CITY
IBP NO. 261994 / JAN. 03, 2023 / PASIG CITY
7707 D BATAAN ST. GUADALUPE NUEVO MAKATI CITY