

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 March 31, 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 [REDACTED] (SEC Use Only)
- 7th Floor, BDO Towers Paseo, 8741 Paseo de Roxas, Makati City) 1209
7. Address of Issuer's principal office Postal Code
- (63 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 |
|---|---|
| <u>Common Shares (as of March 31, 2023)</u> | <u>1,496,551,803 shares</u> |
| <u>Total Debt (as of March 31, 2023)</u> | <u>₱1,184,981,335</u> |
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 – March 31, 2023 (unaudited) and December 31, 2022 (audited).
- b. Consolidated Statements of Comprehensive Income – Three Months Ended March 31, 2023 and 2022 (unaudited).
- c. Consolidated Statements of Changes in Stockholders’ Equity – Three Months Ended March 31, 2023 and 2022 (unaudited).
- d. Consolidated Statements of Cash Flows – Three Months ended March 31, 2023 and 2022 (unaudited).
- e. 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 March 31, 2023 and 2022

The Group boosted its consolidated net income to P268.6 million in the first quarter of 2023, more than double the P131.0 million recorded in the same period last year, on the back of significant increase in the income contribution of the investee companies and the power generation business segment.

With higher results, earnings per share increased to P0.18 in the first quarter of 2023 as compared to P0.08 in the same quarter in 2022.

Equity share in the earnings of the investee companies soared by 204.0% to P169.7 million in the first quarter of 2023, from P55.8 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 quarter 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 ₱88.9 million to the consolidated net income (net of inter-company transactions) in the first quarter of 2023, 35.3% higher compared with last year's ₱65.7 million.

The distribution business unit likewise increased its contribution to the total comprehensive income to ₱10.1 million in the first quarter of 2023, up 7.5% and fueled mainly by the increase in the volume of electricity sold and other income.

The combined equity shares in the earnings of investee companies accounted for 63.1% of the Group's total comprehensive income in the first quarter of 2023. Power generation and power distribution business segments contributed 33.1% and 3.8%, respectively.

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

Consolidated revenues rose 35.6% to ₱914.8 million, from ₱674.4 million in the same period last year, due mainly to higher pass-through cost of purchased power distributed by Distribution Utility, BLCI.

Consolidated cost of services likewise rose by 28.2% to ₱713.8 million, from ₱556.7million 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 70.8% to ₱200.9 million from ₱117.7 million in the same period a year earlier.

The Group reined in administrative and general expenses which increased only slightly by 1.6% to ₱66.9 million in 2023, from ₱65.9 million in the previous year.

Interest income substantially increased by 307.5% to ₱21.1 million, from ₱5.2 million, because of higher effective interest rate and higher amount of temporary excess cash invested in short-term money market placements.

Foreign exchange losses from the restatement of U.S. dollar-denominated assets amounted to ₱30.2 million in 2023, in contrast from last year's net foreign exchange gains of ₱32.2 million. This was due to the 2.5% depreciation of the peso vis-à-vis the U.S. dollar from December 31, 2022 to March 31, 2023.

Financial Condition

March 31, 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 2.1% to ₱11,853.1 million as at end-March 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 slightly decreased by 1.9% to ₱1,185.0 million, from ₱1,208.2 million, due mainly to lower balance of trade and other payables as at end-March 2023.

Stockholders' equity grew by 2.6% to ₱10,668.1 million as at end-March 2023. The continued increase in the value of total assets, along with a decline in total liabilities, 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 changes in assets, liabilities and stockholders' equity (from December 31, 2022 balances to March 31, 2023 balances) are discussed below.

Cash and cash equivalents are discussed under Cash Flows below.

Trade and other receivables decreased by 5.4% to ₱658.2 million, from ₱695.8 million, due mainly to collection of previously overdue receivables - net of increase in dividends receivable amounting to ₱80.0 million.

Materials and supplies inventory decreased by 4.2% to ₱448.1 million, from ₱467.5 million due mainly to lower volume and lower cost of fuel in the inventory as of end-March 2023.

Prepayments and other current assets increased by 9.2% to ₱110.2 million, from ₱100.9 million, due mainly to the following: (i) prepaid expenses to be amortized in the following months and (ii) Input VAT and prepaid income tax to be applied in the following quarter.

Investment in associates increased slightly by 1.3% to ₱5,502.2 million, from ₱5,432.5 million, due to fresh equity share in the net earnings of investee companies amounting to ₱169.7 million less dividends received amounting to ₱100.0 million.

Trade and other payables dropped by 6.7% to ₱725.2 million, from ₱777.0 million, on account mainly of the net effect of: (i) 2023 payments pertaining to 2022 purchases; and (ii) increase in BLCI's purchased power in 2023.

Income tax payable substantially went up by 87.8% to ₱63.8 million, from ₱34.0 million, due to higher taxable income.

Unappropriated retained earnings increased by 3.8% to ₱7,191.4 million, from ₱6,927.4 million. The increase is reflective of the comprehensive income attributable to equity holders of the Parent Company amounting to ₱264.0 million in the three months ended March 31, 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 5.4% to ₱4,247.1 million as at end-March 2023, from ₱4,031.4 million as at end-2022. This was primarily on account of net cash inflows generated from operating activities amounting to ₱259.5 million in the three months ended March 31, 2023.

Key Performance Indicators

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

Key Performance Indicators	2023	2022
A. For Three Months Ended March 31, 2023 and 2022:		
Earnings Per Share	P0.18	P0.08
Share In Net Earnings of Associates	P169,724,784	P55,839,306
Return on Equity (total comprehensive income divided by average total equity)	2.55%	1.38%
Return on Assets (total comprehensive income divided by average total assets)	2.29%	1.25%
Cash Flows:		
Net cash inflows generated from operating activities	P259,465,330	P13,685,070
Net cash outflows used in investing activities	(P9,611,747)	(P51,317,129)
Net cash flows used in financing activities	(P4,761,867)	(P2,559,207)
Solvency ratio (total comprehensive income before depreciation and amortization divided by total liabilities)	0.24	0.15
B. As of March 31, 2023 and December 31, 2022:		
Cash and cash equivalents at end of period	P4,247,104,360	P4,031,421,593
Current ratio (total current assets divided by current liabilities)	6.91	6.52
Debt ratio (total liabilities divided by total assets)	0.10	0.10
Debt-to-equity ratio (total liabilities divided by total equity)	0.11	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 March 31, 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



JAIME M. BALISACAN
SVP-Finance and Administration

Date: May 9, 2023

Date: May 9, 2023

SPC POWER CORPORATION AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF FINANCIAL POSITION

(Amounts in Philippine Pesos)

	March 31, 2023 (Unaudited)	Dec. 31, 2022 (Audited)	Incr. / (Decr.)	
			Amount	Percent
ASSETS				
Current Assets				
Cash and cash equivalents	4,247,104,360	4,031,421,593	215,682,767	5.4%
Trade and other receivables - net	658,225,876	695,835,058	(37,609,182)	-5.4%
Inventories - at cost	448,129,593	467,547,381	(19,417,788)	-4.2%
Prepayments and other current assets	110,230,141	100,931,667	9,298,474	9.2%
Total Current Assets	5,463,689,970	5,295,735,699	167,954,271	3.2%
Noncurrent Assets				
Investment in associates	5,502,178,560	5,432,453,664	69,724,896	1.3%
Property, plant and equipment - net	735,418,995	734,717,862	701,133	0.1%
Deferred income tax assets	33,803,557	34,227,789	(424,232)	-1.2%
Goodwill	32,522,016	32,522,016	0	0.0%
Intangible Assets	2,985,634	3,257,057	(271,423)	-8.3%
Other noncurrent assets - net	82,452,428	74,789,209	7,663,219	10.2%
Total Noncurrent Assets	6,389,361,190	6,311,967,597	77,393,593	1.2%
TOTAL ASSETS	11,853,051,160	11,607,703,296	245,347,864	2.1%
LIABILITIES & STOCKHOLDERS' EQUITY				
Current Liabilities				
Trade and other payables	725,242,995	777,024,871	(51,781,876)	-6.7%
Income tax payable	63,791,497	33,967,216	29,824,281	87.8%
Current portion of lease liabilities	1,828,196	1,828,196	0	0.0%
Total current liabilities	790,862,688	812,820,283	(21,957,595)	-2.7%
Noncurrent Liabilities				
Customers' deposits	191,886,246	191,579,049	307,197	0.2%
Asset retirement obligation	94,302,870	94,302,870	0	0.0%
Net pension liabilities	43,038,899	43,731,722	(692,823)	-1.6%
Deferred income tax liabilities	20,178,657	20,652,099	(473,442)	-2.3%
Lease liabilities - net of current portion	9,140,114	9,559,496	(419,382)	-4.4%
Other noncurrent liability	35,571,861	35,571,861	0	0.0%
Total noncurrent liabilities	394,118,647	395,397,097	(1,278,450)	-0.3%
Total Liabilities	1,184,981,335	1,208,217,380	(23,236,045)	-1.9%
(Forward)				

SPC POWER CORPORATION AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF FINANCIAL POSITION

(Amounts in Philippine Pesos)

	<u>March 31, 2023</u> <u>(Unaudited)</u>	<u>Dec. 31, 2022</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	7,191,384,866	6,927,417,031	263,967,835	3.8%
Appropriated	1,800,000,000	1,800,000,000	0	0.0%
Other comprehensive income:				
Remeasurement of employee benefits	(3,858,148)	(3,858,148)	0	0.0%
Net unrealized valuation gains				
on financial asset at FVOCI	11,350,000	11,350,000	0	0.0%
Share in remeasurement of employee				
benefits of associates	6,800,073	6,800,073	0	0.0%
Treasury stock at cost - 72,940,097 shares	(131,008,174)	(131,008,174)	0	0.0%
Equity attributable to equity holders of Parent	10,530,971,269	10,267,003,434	263,967,835	2.6%
Equity attributable to Non-controlling interests	137,098,556	132,482,482	4,616,074	3.5%
Total Stockholders' Equity	10,668,069,825	10,399,485,916	268,583,909	2.6%
TOTAL LIABILITIES and EQUITY	<u>11,853,051,160</u>	<u>11,607,703,296</u>	<u>245,347,864</u>	<u>2.1%</u>

See accompanying Notes to Consolidated Financial Statements.


Mary Ann G. Daugdaug
 Asst. Finance Manager


Jaime M. Balisacan
 SVP - Finance & Administration


SPC POWER CORPORATION AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME

(Amounts in Philippine Pesos)

	Three Months Ended March 31		Increase / (Decrease)	
	2023 (Unaudited)	2022 (Unaudited)	Amount	Percent
REVENUE	914,750,232	674,366,685	240,383,547	35.6%
COST OF SERVICES				
Plant operations	713,825,434	556,710,335	157,115,099	28.2%
GROSS MARGIN	200,924,798	117,656,350	83,268,448	70.8%
GENERAL AND ADM. EXPENSES	(66,924,702)	(65,885,248)	(1,039,454)	1.6%
OTHER INCOME (CHARGES):				
Equity in net earnings of associates	169,724,784	55,839,306	113,885,478	204.0%
Interest Income	21,132,393	5,186,115	15,946,278	307.5%
Interest Expense	(188,464)	(28,453)	(160,011)	562.4%
Foreign exchange gains (losses) - net	(30,182,640)	32,223,644	(62,406,284)	-193.7%
Others - net	4,210,701	4,621,928	(411,227)	-8.9%
INCOME BEFORE INCOME TAX	298,696,870	149,613,642	149,083,228	99.6%
PROVISION FOR/(BENEFIT FROM) INCOME TAX				
Current	30,162,171	18,417,323	11,744,848	63.8%
Deferred	(49,210)	(13,510)	(35,700)	264.2%
	30,112,961	18,403,813	11,709,148	63.6%
NET INCOME	268,583,909	131,209,829	137,374,080	104.7%
OTHER COMPREHENSIVE INCOME	0	(257,831)	257,831	-100.0%
TOTAL COMPREHENSIVE INCOME	268,583,909	130,951,998	137,631,911	105.1%
NET INCOME ATTRIBUTABLE TO:				
Equity holders of the Parent	263,967,835	126,715,545	137,252,290	108.3%
Non-controlling interests	4,616,074	4,494,284	121,790	2.7%
	268,583,909	131,209,829	137,374,080	104.7%
COMPREHENSIVE INCOME ATTRIBUTABLE TO:				
Equity holders of the Parent	263,967,835	126,457,714	137,510,121	108.7%
Non-controlling interests	4,616,074	4,494,284	121,790	2.7%
	268,583,909	130,951,998	137,631,911	105.1%
EARNINGS PER SHARE:				
Basic/diluted, for income for the period attributable to equity holders of the Parent	0.18	0.08	0.09	108.3%

See accompanying Notes to Consolidated Financial Statements.


Mary Ann G. Daugdaug
Asst. Finance Manager


Jaime M. Balisacan
SVP - Finance & Administration

SPC POWER CORPORATION AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY
FOR THREE MONTHS ENDED MARCH 31, 2023 AND 2022

	Equity Attributable to Equity Holders of the Parent					
	Retained Earnings			Net Unrealized		
	Capital Stock	Additional Paid-In Capital	Treasury Stock at Cost	Remeasurement of Employee Benefits	Share of Associates in OCI	Valuation Gains on Financial Assets at FVOCI
Balances at January 1, 2023	₱1,569,491,900	₱86,810,752	(₱131,008,174)	(₱3,858,148)	₱6,800,073	₱11,350,000
Total comprehensive income	-	-	-	-	-	-
Balances at March 31, 2023	₱1,569,491,900	₱86,810,752	(₱131,008,174)	(₱3,858,148)	₱6,800,073	₱11,350,000
Balances at January 1, 2022	₱1,569,491,900	₱86,810,752	(₱131,008,174)	(₱367,132)	₱270,792	₱6,350,000
Total comprehensive income	-	-	-	(257,831)	-	-
Balances at March 31, 2022	₱1,569,491,900	₱86,810,752	(₱131,008,174)	(₱624,963)	₱270,792	₱6,350,000

See accompanying Notes to Consolidated Financial Statements.


Mary Ann G. Daugdaug
 Asst. Finance Manager


Jaime M. Balisacan
 SVP - Finance & Administration

	Unappropriated	Appropriated	Share of Associates in OCI	Remeasurement of Employee Benefits	Treasury Stock at Cost	Additional Paid-In Capital	Capital Stock	Total	Non-controlling Interest	Total
Balances at January 1, 2023	₱6,927,417,031	₱1,800,000,000	₱6,800,073	(₱3,858,148)	(₱131,008,174)	₱86,810,752	₱1,569,491,900	₱10,267,003,434	₱132,482,482	₱10,399,485,916
Total comprehensive income	263,967,835	-	-	-	-	-	-	263,967,835	4,616,074	268,583,909
Balances at March 31, 2023	₱7,191,384,866	₱1,800,000,000	₱6,800,073	(₱3,858,148)	(₱131,008,174)	₱86,810,752	₱1,569,491,900	₱10,530,971,269	₱137,098,556	₱10,668,069,825
Balances at January 1, 2022	₱5,954,370,912	₱1,800,000,000	₱270,792	(₱367,132)	(₱131,008,174)	₱86,810,752	₱1,569,491,900	₱9,285,919,050	₱136,439,885	₱9,422,358,935
Total comprehensive income	126,715,545	-	-	(257,831)	-	-	-	126,457,714	4,494,284	130,951,998
Balances at March 31, 2022	₱6,081,086,457	₱1,800,000,000	₱270,792	(₱624,963)	(₱131,008,174)	₱86,810,752	₱1,569,491,900	₱9,412,376,764	₱140,934,169	₱9,553,310,933

SPC POWER CORPORATION AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF CASH FLOWS

	Three Months ended March 31	
	2023	2022
	(Unaudited)	(Unaudited)
CASH FLOWS FROM OPERATING ACTIVITIES		
Income before income tax	298,696,870	149,613,642
Adjustments for:		
Equity in net losses (earnings) of associates	(169,724,784)	(55,839,306)
Depreciation and amortizations	21,519,274	20,715,294
Interest expense	188,464	28,453
Net changes in pension liability	(692,823)	(621,005)
Interest income	(21,132,393)	(5,186,115)
Others -net	29,408,468	(26,920,157)
Operating income before working capital changes	158,263,076	81,790,806
Decrease (increase) in:		
Trade and other receivables	114,520,521	(129,655,355)
Prepayments and other current assets	(9,298,475)	(1,401,793)
Materials and supplies	19,417,787	(29,021,856)
Increase (decrease) in:		
Trade and other payables	(44,304,340)	102,599,855
Customers' deposits	292,229	987,126
Net cash generated from operations	238,890,798	25,298,783
Income tax paid	(337,890)	(16,767,158)
Interest paid	(229,948)	(54,095)
Interest received	21,142,370	5,207,540
Net cash flows from operating activities	259,465,330	13,685,070
CASH FLOWS FROM INVESTING ACTIVITIES		
Cash dividends received	19,999,978	0
Additions to plant, property and equipment	(21,948,508)	(40,584,048)
Decrease (increase) in:		
Other noncurrent assets	(7,663,217)	(10,733,081)
Net cash provided by (used in) investing activities	(9,611,747)	(51,317,129)
CASH FLOWS FROM FINANCING ACTIVITIES		
Payment of lease liabilities	(419,382)	(2,559,207)
Cash dividends paid	(4,342,485)	0
Net cash provided by (used in) financing activities	(4,761,867)	(2,559,207)
NET EFFECT OF EXCHANGE RATE CHANGES	(29,408,949)	29,945,679
NET INCREASE IN CASH AND CASH EQUIVALENTS	245,091,716	(40,191,266)
CASH AND CASH EQUIVALENTS AT BEG. OF PERIOD	4,031,421,593	2,984,110,635
CASH AND CASH EQUIVALENTS AT END OF PERIOD	4,247,104,360	2,973,865,048

See accompanying Notes to Financial Statements.


Mary Ann G. Daugdaug
Asst. Finance Manager


Jaime M. Balisacan
SVP - Finance & Administration

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

1. General

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

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

The consolidated interim financial statements of the Group were authorized for issue by the Parent Company's Board of Directors through its Executive Committee on May 9, 2023.

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:

	Three Months Ended March 31	
	2023	2022
Net income attributable to equity holders of the parent	₱263,967,835	₱126,715,545
Weighted average number of common shares issued and outstanding	1,496,551,803	1,496,551,803
Basic/Diluted earnings per share	₱0.18	₱0.08

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 March 31, 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 quarter of 2023.

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

There are no issuances, repurchases and repayments of debt and equity securities during the three months ended March 31, 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 three months ended March 31, 2023 and 2022.

The following tables present revenue and income information and certain asset and liability information regarding the business segments as of March 31, 2023 and 2022:

March 31, 2023						
	Before Eliminations			Adjustments and Eliminations	After Eliminations/ Consolidated	
	Generation	Distribution	Others			
Revenue	₱492,514,867	₱422,235,365	₱—	₱914,750,232	₱—	₱914,750,232
Income before income tax	216,478,929	12,647,879	(154,835)	228,971,973	69,724,897	298,696,870
Net income	188,883,582	10,130,265	(154,835)	198,859,012	69,724,897	268,583,909
Total assets	8,648,244,354	856,369,841	62,963,485	9,567,577,680	2,285,473,480	11,853,051,160
Property, plant and equipment	465,964,124	268,186,966	—	734,151,090	1,267,905	735,418,995
Total liabilities	561,627,838	623,016,066	125,759	1,184,769,663	211,672	1,184,981,335
Depreciation and amortization	15,006,576	6,512,698	—	21,519,274	—	21,519,274

March 31, 2022						
	Before Eliminations			Adjustments and Eliminations	After Eliminations/ Consolidated	
	Generation	Distribution	Others			
Revenue	₱469,800,591	₱204,566,094	₱—	₱674,366,685	₱—	₱674,366,685
Income before income tax	80,974,006	12,779,572	20,758	93,774,336	55,839,306	149,613,642
Net income	65,670,063	9,679,702	20,758	75,370,523	55,839,306	131,209,829
Total assets	7,461,195,952	690,087,185	80,033,259	8,231,316,396	2,344,909,027	10,576,225,423
Property, plant and equipment	527,938,271	222,699,425	—	750,637,696	1,268,382	751,906,078
Total liabilities	556,061,183	465,977,994	132,435	1,022,171,612	742,878	1,022,914,490
Depreciation and amortization	14,171,756	6,543,538	—	20,715,294	—	20,715,294

Adjustments and eliminations are part of detailed reconciliations presented below:

Reconciliation of Net Income

	Three Mos. Ended March 31	
	2023	2022
Segment net income	₱198,859,012	₱75,370,523
Equity in net earnings of associates	69,724,897	55,839,306
Group net income	₱268,583,909	₱131,209,829

Reconciliation of Total Assets

	Mar. 31, 2023	Dec. 31, 2022
Segment assets	₱9,567,577,680	₱9,398,750,278
Inter-segment receivables	(8,427,191)	(15,222,757)
Property, plant and equipment	1,267,905	1,267,905
Investments in associates and subsidiaries	2,260,110,750	2,190,385,854
Goodwill	32,522,016	32,522,016
Group assets	₱11,853,051,160	₱11,607,703,296

Reconciliation of Total Liabilities

	Mar. 31, 2023	Dec. 31, 2022
Segment liabilities	₱1,184,769,663	₱1,214,801,278
Inter-segment payables	211,672	(6,583,898)
Group liabilities	₱1,184,981,335	₱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 March 31, 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 March 31, 2023 and December 31, 2022 based on contractual undiscounted payments:

March 31, 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	P4,247,104,360	P4,247,104,360	P—	P—	P—	P—
Trade and other receivables						
Receivable from customers	482,076,823	314,224,004	34,209,471	16,962,429	14,532,439	102,148,480
Dividends receivable	79,999,910	79,999,910	—	—	—	—
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	2,600,221	367,624	6,000	17,565	59,749	2,149,283
Others	69,016,604	20,673,510	3,844,011	4,970,252	2,551,277	36,977,554
	658,225,876	418,331,588	41,126,022	25,016,786	20,210,005	153,541,475
PSALM deferred adjustments (included in "Other noncurrent assets")	35,571,861	—	—	—	—	35,571,861
	4,940,902,097	4,665,435,948	41,126,022	25,016,786	20,210,005	189,113,336
At FVOCI:						
Investment in proprietary club shares	13,000,000	—	—	—	—	13,000,000
	4,953,902,097	4,665,435,948	41,126,022	25,016,786	20,210,005	202,113,336
Financial Liabilities						
Trade and other payables						
Trade	451,428,521	387,153,894	41,580,973	2,274,461	228,723	20,190,470
Nontrade	36,645,581	6,618,194	3,066,540	3,178,474	3,066,290	20,715,083
Accrued expenses	61,938,893	19,254,125	1,105,048	—	100,601	41,479,119
Due to related parties	502,642	—	—	—	—	502,642
	550,515,637	413,026,213	45,752,561	5,452,935	3,396,614	82,887,314
Customers' deposits	191,886,246	—	—	—	—	191,886,246
Lease liabilities	12,622,525	—	—	—	—	12,622,525
Other noncurrent liability	35,571,861	—	—	—	—	35,571,861
	790,596,269	413,026,213	45,752,561	5,452,935	3,396,614	322,967,946
Net Financial Assets (Liabilities)	P4,163,305,828	P4,252,409,735	(P4,626,539)	P19,563,851	P16,813,391	(P120,854,610)

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	P4,031,421,593	P4,031,421,593	P—	P—	P—	P—
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)	P3,918,735,733	P3,933,767,827	P54,143,122	P31,967,119	P14,139,996	(P115,282,331)

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.

March 31, 2023			
	Maximum exposure	Offset	Exposure to credit risk
At amortized cost:			
Cash and cash equivalents (excluding cash on hand)	₱4,246,415,825	(₱9,137,570)	₱4,237,278,255
Trade and other receivables	658,225,876	(60,342,329)	597,883,547
PSALM deferred adjustments (included in "Other noncurrent assets")	35,571,861	—	35,571,861
	₱4,940,213,562	(₱69,479,899)	₱4,870,733,663
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 March 31, 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 ₱693.8 million and ₱731.4 million, respectively, and impaired financial assets, determined based on probability of collection, are adequately covered with allowance.

Applicable for the first quarter and year ended March 31, 2023 and December 31, 2022.

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

General Approach

- *Cash and cash equivalents* - As of March 31, 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 March 31, 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 March 31, 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.

March 31, 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	P658,225,876	P703,881,323
Loss allowance	-	-	(45,655,447)	-	(45,655,447)
Carrying amount	P-	P-	P-	P658,225,876	P658,225,876

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 March 31, 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 March 31, 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 ₱35.6 million as of March 31, 2023 and December 31, 2022, respectively, noncurrent liability amounting to ₱35.6 million as of March 31, 2023 and December 31, 2022, and customers' deposits amounting to ₱191.9 million and ₱191.6 million as of March 31, 2023 and December 31, 2022, respectively, under the Level 3 classification.

During the reporting period ended March 31, 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. 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 Quarterly Report 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 11th day of May, 2023.

Mishelle Anne R. Rubio-Aguinaldo
Affiant

SUBSCRIBED AND SWORN TO before me this MAY 11 2023, at Makati City, Philippines by the affiant who exhibited to me her Passport No.P7454258B, issued on August 24, 2021 at DFA Manila, valid until August 23, 2031.

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Book No. 7
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 (EMPTY)
PTR NO. 9563564 / JAN. 03, 2023 / MAKATI CITY
IBP NO. 261994 / JAN. 03, 2023 / PASIG CITY
1107 D. BATAAN ST., GUADALUPE NUEVO, MAKATI CITY