

COVER SHEET

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S.E.C. Registration Number

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

(Company's Full Name)

7 t h F l o o r C e b u H o l d i n g s C e n t e r
A r c h b i s h o p R e y e s A v e n u e ,
C e b u B u s i n e s s P a r k , C e b u C i t y
(Business Address: No. Street City/ Town / Province)

Mr. Jaime M. Balisacan
Contact Person

8810 44 74 to 77
Company Telephone Number

1 2 3 1
Month Day
Calendar Year

SEC FORM
1 7 - Q
FORM TYPE

0 6 2 5
Month Day
Annual Meeting

Secondary License Type, If Applicable

Dept. Requiring this Doc.

Amended Articles Number / Section

Total No. of Stockholders

Total Amount of Borrowings

Domestic Foreign

To be accomplished by SEC Personnel concerned

File Number

LCU

Document I.D.

Cashier

STAMPS

Remarks = pls. use black ink for scanning purposes

SECURITIES AND EXCHANGE COMMISSION

SEC FORM 17-Q

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

1. For the quarterly period ended March 31, 2021
2. SEC Identification Number AS094-002365 3. BIR Tax Identification No. 003-868-048
- SPC POWER CORPORATION
4. Exact name of issuer as specified in its charter
- Metro Manila, Philippines
5. Province, country or other jurisdiction of incorporation or organization
6. Industry Classification Code [REDACTED] (SEC Use Only)
- 7th Floor, Cebu Holdings Center, Cebu Business Park, Cebu City 6000
(Manila Office: 7th Floor, BDO Towers Paseo, 8741 Paseo de Roxas, Makati City)
7. Address of Issuer's principal office (63 32) 232 0375; 232 0477 / (63 2) 810 4474 to 77, 810 4450, 810 4465 Postal Code
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, 2021)</u> | <u>1,496,551,803 shares</u> |
| <u>Total Debt (as of March 31, 2021)</u> | <u>₱826,358,650</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, 2021 (unaudited) and December 31, 2020 (audited).
- b. Consolidated Statements of Comprehensive Income – Three Months Ended March 31, 2021 and 2020 (unaudited).
- c. Consolidated Statements of Changes in Stockholders’ Equity – Three Months Ended March 31, 2021 and 2020 (unaudited).
- d. Consolidated Statements of Cash Flows – Three Months ended March 31, 2021 and 2020 (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, 2021 and 2020

The Group posted a first quarter 2021 consolidated net income of ₱460.7 million, 6.5% lower than what was registered in the first quarter of 2020 when the pandemic had not fully erupted in the Visayas region. This translated to a lower earnings per share of ₱0.31 and return on equity of 4.27%, compared to ₱0.32 and 4.73% in the same period last year.

The first quarter 2021 result was not expected to be outstanding relative to the first quarter of 2020 as the path to economic recovery has not been fully cleared of restrictions.

The slight improvement in the income contributed from the gradual recovery of the power generation business sector (including the investee power generation company) was not enough to offset the decline in income contribution from power distribution (also including the investee power distribution company). Overall income contribution from

power distribution fell by 64.7% to P26.5 million, from P74.9 million in the first quarter of 2020.

Despite the continued strong sales from residential customers and the gradual recovery of industrial sales, the commercial sector continued to struggle as restaurants, malls, hotels, and the entertainment and recreation centers are not yet fully operating at their pre-pandemic level. Furthermore, power distribution was hit by huge temporary under-recovery of cost of purchased power in March 2021.

The combined equity share in the earnings of investee companies of P371.3 million accounted for 80.6% of the Group's total comprehensive income in the first quarter of 2021. It was down by 4.1% over the same period last year due to lower equity share from power distribution.

Consolidated revenues decreased by 14.1% to P464.5 million in the first quarter of 2021, from P540.7 million in the same period last year, due mainly to the economic effects of the pandemic.

Consolidated cost of services was likewise reduced by 12.1% to P351.6 million, from P400.1 million, curbing the impact of lower revenues. Such cost reduction was brought about mainly by lower cost of fuel, purchased power, and lower expenses for personnel and depreciation.

Consolidated gross margin also decrease by 19.7% to P112.9 million in the first quarter of 2021, from P140.6 million in the same period last year, due mainly to revenue reduction that cannot be fully offset by lower cost of services including temporary under-recovery of cost of purchased power in March 2021

Consolidated administrative and general expenses went down by 13.7% to P37.1 million in January–March 2021, from P43.1 million in the same three months last year. The decrease was attributed mainly to lower expenses for professional fees, transportation and travel, personnel, and insurance.

Provision for income tax decreased by 31.6% to P20.6 million, from P30.1 million, due to lower taxable income and lower income tax rate in 2021 as compared to the same period in 2020.

Financial Condition

March 31, 2021 Vs. December 31, 2020

Total consolidated assets of the Group expanded further by 3.5% to P11,842.3 million as at end-March 2021 from the last audited balance of P11,440.0 million as at end-2020. The increase was attributed mainly to the continued growth in: (i) the carrying value of investments and (ii) the balance of total current assets more particularly on receivables and inventories.

The growth in total assets was accompanied by 6.6% decrease in total liabilities to P826.4 million as at end-March 2021 from P884.8 million as at end-2020.

Total stockholders' equity grew by 4.4% to P11,016.0 million as at end-March 2021 from P10,555.3 million as at end-2020 due to the additional comprehensive income earned in

the first quarter of 2021. Book value per share rose to ₱7.36 as at end-March 2021 compared to ₱7.05 as at end-2020.

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

Trade and other receivables increased by 6.6% to ₱360.2 million as at end-March 2021 from ₱338.1 million as at end-2020. The increase was attributed mainly to ERC orders spreading the collection of power bills due for payment during the enhanced community quarantine period.

Materials and supplies inventory grew by 7.9% to ₱392.2 million as at end-March 2021 from ₱363.6 million as at end-2020 due mainly to purchases of insurance spares intended for PB 104.

Prepayments and other current assets increased by 12.2% to ₱61.7 million as at end-March 2021 due mainly to more input tax awaiting application against output tax.

Investment in associates grew by another 6.4% to ₱6,154.2 million as at end-March 2021 from ₱5,782.9 million as at end-2020. The increase reflected fresh equity share in the net earnings of associates amounting to ₱371.3 million in the first quarter of 2021.

Trade and other payables decreased by 15.3% to ₱384.0 million as at end-March 2021, from ₱453.4 million at the beginning of the year, due mainly to lower volume of purchased power and fuel.

Despite lower income tax rate due to CREATE law, income tax payable increased by 77.7% to ₱46.8 million as at end-March 2021, from ₱26.3 million as at end-2020. The increase was due to provision for income tax in the first quarter of 2021 for payment in May 2021. The income tax payable for the fourth quarter of 2020 remained outstanding as of March 31, 2021 pending actual remittance to the BIR on or before April 15, 2021.

Other noncurrent liabilities decreased by 8.4% to ₱100.0 million from ₱109.2 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 6.5% to ₱7,545.9 million as at end-March 2021 from ₱7,083.4 million at the beginning of the year. The net increase is reflective of the comprehensive income attributable to equity holders of the Parent Company in the quarter ended March 31, 2021.

Cash Flows

In the quarter ended March 31, 2021, cash flows from operating activities resulted into a net cash inflow of ₱5.7 million, a reversal from the net cash outflow of ₱4.0 million generated during the same period in 2020. Cash flows from investing and financing activities were minimal.

As at end-March 2021, the balance of cash and cash equivalents stood at ₱3,926.9 million, only 0.4% lower compared to the balance at the beginning of the year.

Key Performance Indicators

The following financial indicators are used, among others, to evaluate the performance of the Group as of March 31, 2021 and December 31, 2020 and for the three months ended March 31, 2021 and 2020:

Key Performance Indicators	2021	2020
A. For Three Months Ended March 31, 2021 and 2020:		
Earnings Per Share	P0.31	P0.32
Share In Net Earnings of Associates	P371,334,996	P387,324,158
Return on Equity (total comprehensive income divided by average total equity)	4.27%	4.73%
Return on Assets (total comprehensive income divided by average total assets)	3.96%	4.36%
Cash Flows:		
Net cash flows generated from (used in) operating activities	P5,702,856	(P3,956,270)
Net cash flows used in investing activities	(P22,234,480)	(P8,525,357)
Net cash flows used in financing activities	(P974,825)	(P1,191,273)
Solvency ratio (total comprehensive income before depreciation and amortization divided by total liabilities)	0.58	0.60
B. As of March 31, 2021 and December 31, 2020:		
Cash and cash equivalents at end of period	P3,926,863,750	P3,944,306,886
Current ratio (total current assets divided by current liabilities)	10.91	9.71
Debt ratio (total liabilities divided by total assets)	0.07	0.08
Debt-to-equity ratio (total liabilities divided by total equity)	0.08	0.08

Further descriptions of the performance indicators are shown below:

Earnings Per Share (EPS)

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

Share in Net Earnings of Associates

This indicates profitability of the investments and investees' contribution to the Group's net income. It is determined by multiplying the associate's net income by the investor's

percentage of ownership, less goodwill impairment cost, if any. Goodwill is the difference between the acquisition cost of the investment and the investor's share in the value of the net identifiable assets of the investee at the date of acquisition.

Return on Equity

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

Return on Assets

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

Cash Flows

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

Current Ratio

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

Debt Ratio

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

Debt-to-Equity Ratio

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

Solvency Ratio

Solvency Ratio = total comprehensive income before depreciation and amortizations divided by total liabilities. This ratio provides another measurement of how likely the Group will be able to continue meeting its debt obligation. The higher the ratio, the greater the Company's ability to continue meeting its debt obligations.

Any Significant Elements of Income or Loss from Continuing Operations

There are no significant elements of income or loss from continuing operations.

Material Off-Balance Sheet Items

There are no material off-balance sheet transactions, arrangements, obligations, and other relationships of the Group with unconsolidated entities or other persons created during the reporting period.

Material Commitments for Capital Expenditures

As of March 31, 2021, 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
Asst. Finance Manager


JAIME M. BALISACAN
SVP-Finance and Administration

Date: May 3, 2021

Date: May 3, 2021

SPC POWER CORPORATION AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF FINANCIAL POSITION

(Amounts in Philippine Pesos)

	March 31, 2021 (Unaudited)	Dec. 31, 2020 (Audited)	Incr. / (Decr.)	
			Amount	Percent
ASSETS				
Current Assets				
Cash and cash equivalents	3,926,863,750	3,944,306,886	(17,443,136)	-0.4%
Trade and other receivables - net	360,229,477	338,055,500	22,173,977	6.6%
Material and supplies	392,202,211	363,627,827	28,574,384	7.9%
Prepayments and other current assets	61,665,824	54,950,450	6,715,374	12.2%
Total Current Assets	4,740,961,262	4,700,940,663	40,020,599	0.9%
Noncurrent Assets				
Investment in associates	6,154,201,634	5,782,866,638	371,334,996	6.4%
Property, plant and equipment - net	746,537,028	749,683,383	(3,146,355)	-0.4%
Deferred income tax assets	33,004,929	33,322,150	(317,221)	-1.0%
Other noncurrent assets - net	167,619,344	173,210,472	(5,591,128)	-3.2%
Total Noncurrent Assets	7,101,362,935	6,739,082,643	362,280,292	5.4%
TOTAL ASSETS	11,842,324,197	11,440,023,306	402,300,891	3.5%
LIABILITIES & STOCKHOLDERS' EQUITY				
Current Liabilities				
Trade and other payables	383,969,870	453,351,738	(69,381,868)	-15.3%
Income tax payable	46,758,948	26,310,765	20,448,183	77.7%
Current portion of lease liabilities	3,710,281	4,685,106	(974,825)	-20.8%
Total current liabilities	434,439,099	484,347,609	(49,908,510)	-10.3%
Noncurrent Liabilities				
Customers' deposits	176,772,315	174,742,186	2,030,129	1.2%
Asset retirement obligation	85,475,665	85,475,665	0	0.0%
Lease liabilities - net of current portion	1,487,649	1,487,649	0	0.0%
Net pension liabilities	28,214,726	29,529,558	(1,314,832)	-4.5%
Other noncurrent liability	99,969,196	109,168,815	(9,199,619)	-8.4%
Total noncurrent liabilities	391,919,551	400,403,873	(8,484,322)	-2.1%
Total Liabilities	826,358,650	884,751,482	(58,392,832)	-6.6%
(Forward)				

SPC POWER CORPORATION AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF FINANCIAL POSITION

(Amounts in Philippine Pesos)

	March 31, 2021 (Unaudited)	Dec. 31, 2020 (Audited)	Incr. / (Decr.)	
			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	0.0%
Additional paid-in capital	86,810,752	86,810,752	0	0.0%
Retained earnings:				
Unappropriated	7,545,858,598	7,083,372,533	462,486,065	6.5%
Appropriated	1,800,000,000	1,800,000,000	0	0.0%
Other comprehensive income:				
Remeasurement of employee benefits	2,144,925	2,144,925	0	0.0%
Net unrealized valuation gains on financial asset at FVOCI	5,750,000	5,750,000	0	0.0%
Share in remeasurement of employee benefits of associates	(1,056,084)	(1,056,084)	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	10,877,991,917	10,415,505,852	462,486,065	4.4%
Equity attributable to Non-controlling interests	137,973,630	139,765,972	(1,792,342)	-1.3%
Total Stockholders' Equity	11,015,965,547	10,555,271,824	460,693,723	4.4%
TOTAL LIABILITIES and EQUITY	11,842,324,197	11,440,023,306	402,300,891	3.5%

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)	
	2021	2020		
	(Unaudited)	(Unaudited)	Amount	Percent
REVENUE	464,466,080	540,690,554	(76,224,474)	-14.1%
COST OF SERVICES				
Plant operations	351,603,219	400,054,099	(48,450,880)	-12.1%
GROSS MARGIN	112,862,861	140,636,455	(27,773,594)	-19.7%
GENERAL AND ADM. EXPENSES	(37,143,136)	(43,060,737)	5,917,601	-13.7%
OTHER INCOME (CHARGES):				
Equity in net earnings of associates	371,334,996	387,324,158	(15,989,162)	-4.1%
Interest Income	8,954,092	11,981,298	(3,027,206)	-25.3%
Interest Expense	(76,711)	(151,670)	74,959	-49.4%
Service Income	18,182,902	18,182,902	0	0.0%
Foreign exchange gains (losses) - net	1,381,492	171,051	1,210,441	707.6%
Others - net	6,121,870	7,629,750	(1,507,880)	-19.8%
INCOME BEFORE INCOME TAX	481,618,366	522,713,207	(41,094,841)	-7.9%
PROVISION FOR/(BENEFIT FROM) INCOME TAX				
Current	20,607,422	30,112,529	(9,505,107)	-31.6%
Deferred	317,221	5,510	311,711	5657.2%
	20,924,643	30,118,039	(9,193,396)	-30.5%
NET INCOME	460,693,723	492,595,168	(31,901,445)	-6.5%
OTHER COMPREHENSIVE INCOME	0	0	0	0.0%
TOTAL COMPREHENSIVE INCOME	460,693,723	492,595,168	(31,901,445)	-6.5%
ATTRIBUTABLE TO:				
Equity holders of the Parent	462,486,065	480,834,029	(18,347,964)	-3.8%
Non-controlling interests	(1,792,342)	11,761,139	(13,553,481)	-115.2%
	460,693,723	492,595,168	(31,901,445)	-6.5%
EARNINGS PER SHARE:				
Basic/diluted, for income for the period attributable to equity holders of the Parent	0.31	0.32	(0.01)	-3.8%

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, 2021 AND 2020

	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	Financial Assets at FVOCI	Total	Non-controlling Interest
Balances at January 1, 2021	P1,569,491,900	P86,810,752	(P131,008,174)	P2,144,925	(P1,056,084)	P1,800,000,000	P7,083,372,533	P5,750,000	P10,415,505,852	P139,765,972
Total comprehensive income	-	-	-	-	-	-	462,486,065	-	462,486,065	(1,792,342)
Balances at March 31, 2021	P1,569,491,900	P86,810,752	(P131,008,174)	P2,144,925	(P1,056,084)	P1,800,000,000	P7,545,858,598	P5,750,000	P10,877,991,917	P137,973,630
Balances at January 1, 2020	P1,569,491,900	P86,810,752	(P131,008,174)	P298,265	(P2,154,261)	P2,800,000,000	P5,677,394,136	P5,650,000	P10,006,482,618	P155,917,393
Total comprehensive income	-	-	-	-	-	-	480,834,029	-	480,834,029	11,761,139
Balances at March 31, 2020	P1,569,491,900	P86,810,752	(P131,008,174)	P298,265	(P2,154,261)	P2,800,000,000	P6,158,228,165	P5,650,000	P10,487,316,647	P167,678,532

See accompanying Notes to Consolidated Financial Statements.



Mary Ann G. Daugdaug
 Asst. Finance Manager


Jaime M. Balisacan
 SVP - Finance & Administration

SPC POWER CORPORATION AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF CASH FLOWS

	Three Months ended March 31	
	2021	2020
	(Unaudited)	(Unaudited)
CASH FLOWS FROM OPERATING ACTIVITIES		
Income before income tax	481,618,366	522,713,207
Adjustments for:		
Equity in net losses (earnings) of associates	(371,334,996)	(387,324,158)
Depreciation and amortizations	21,772,344	25,614,154
Interest expense	76,711	151,670
Net changes in pension liability	(1,314,831)	151,208
Interest income	(8,954,092)	(11,981,298)
Others -net	(63,312)	(5,685)
Operating income before working capital changes	121,800,190	149,319,098
Decrease (increase) in:		
Trade and other receivables	(25,443,540)	(72,944,315)
Prepayments and other current assets	(6,715,375)	2,677,425
Materials and supplies	(28,574,384)	(9,133,011)
Increase (decrease) in:		
Trade and other payables	(69,381,849)	(94,559,934)
Customers' deposits	2,003,022	6,380,723
Net cash generated from operations	(6,311,936)	(18,260,014)
Income tax paid	(159,240)	(700,788)
Interest paid	(49,623)	(246,328)
Interest received	12,223,655	15,250,860
Net cash flows from operating activities	5,702,856	(3,956,270)
CASH FLOWS FROM INVESTING ACTIVITIES		
Additions to plant, property and equipment	(18,354,568)	(7,832,721)
Proceeds from disposal of plant, property and equipment	-	107,143
Decrease (increase) in:		
Other noncurrent assets	(3,879,912)	(799,779)
Net cash provided by (used in) investing activities	(22,234,480)	(8,525,357)
CASH FLOWS FROM FINANCING ACTIVITIES		
Payment of lease liabilities	(974,825)	(1,191,273)
Cash dividends paid	0	0
Net cash provided by (used in) financing activities	(974,825)	(1,191,273)
NET EFFECT OF EXCHANGE RATE CHANGES	63,313	(316,324)
NET INCREASE IN CASH AND CASH EQUIVALENTS	(17,443,136)	(13,989,224)
CASH AND CASH EQUIVALENTS AT BEG. OF PERIOD	3,944,306,886	3,227,403,650
CASH AND CASH EQUIVALENTS AT END OF PERIOD	3,926,863,750	3,213,414,426

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 4, 2021.

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 2020.

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	
	2021	2020
Net income attributable to equity holders of the parent	₱462,486,065	₱480,834,029
Weighted average number of common shares issued and outstanding	1,496,551,803	1,496,551,803
Basic/Diluted earnings per share	₱0.31	₱0.32

Computation of weighted average number of common shares issued and outstanding follows:

Number of shares issued	1,569,491,900
Less weighted average number of treasury shares	72,940,097
	<u>1,496,551,803</u>

There are no dilutive potential common stocks issued as of March 31, 2021.

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 2021.

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, 2021.

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, 2021 and 2020.

The following tables present revenue and income information and certain asset and liability information regarding the business segments as of March 31, 2021 and 2020:

March 31, 2021						
	Before Eliminations				Adjustments and	After
	Generation	Distribution	Others	Total	Eliminations	Eliminations/ Consolidated
Revenue	₱245,317,054	₱219,149,026	₱–	₱464,466,080	₱–	₱464,466,080
Income before income tax	113,713,656	(3,449,280)	18,994	110,283,370	371,334,996	481,618,366
Net income	93,225,479	(3,885,746)	18,994	89,358,727	371,334,996	460,693,723
Total assets	8,128,275,009	700,902,590	75,132,107	8,904,309,706	2,938,014,491	11,842,324,197
Property, plant and equipment	522,133,428	223,135,218	–	745,268,646	1,268,382	746,537,028
Total liabilities	346,391,850	479,114,924	122,267	825,629,041	729,609	826,358,650
Depreciation and amortization	15,436,336	6,336,008	–	21,772,344	–	21,772,344

March 31, 2020						
	Before Eliminations				Adjustments and	After
	Generation	Distribution	Others	Total	Eliminations	Eliminations/ Consolidated
Revenue	₱258,643,450	₱282,047,104	₱–	₱540,690,554	₱–	₱540,690,554
Income before income tax	102,811,178	32,351,987	225,884	135,389,049	387,324,158	522,713,207
Net income	79,896,263	25,148,863	225,884	105,271,010	387,324,158	492,595,168
Total assets	7,532,736,626	783,670,358	90,592,553	8,406,999,537	3,112,137,784	11,519,137,321
Property, plant and equipment	571,591,687	203,228,802	–	774,820,489	1,578,445	776,398,934
Total liabilities	359,723,017	511,907,701	111,514	871,742,232	(7,600,090)	864,142,142
Depreciation and amortization	20,453,312	5,160,842	–	25,614,154	–	25,614,154

Adjustments and Eliminations

Adjustments and eliminations are part of detailed reconciliations presented below:

Reconciliation of Net Income

	Three Mos. Ended March 31	
	2021	2020
Segment net income	₱89,358,727	₱105,271,010
Equity in net earnings of associates	371,334,996	387,324,158
Group net income	₱460,693,723	₱492,595,168

Reconciliation of Total Assets

	Mar. 31, 2021	Dec. 31, 2020
Segment assets	₱8,905,578,088	₱8,883,855,922
Inter-segment receivables	(7,909,731)	(17,153,460)
Investments in associates and subsidiaries	2,912,133,824	2,540,798,828
Goodwill	32,522,016	32,522,016
Group assets	₱11,842,324,197	₱11,440,023,306

Reconciliation of Total Liabilities

	Mar. 31, 2021	Dec. 31, 2020
Segment liabilities	₱827,088,311	₱893,265,602
Inter-segment payables	(729,661)	(8,514,120)
Group liabilities	₱826,358,650	₱884,751,482

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, 2021 and December 31, 2020, 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, 2021 and December 31, 2020 based on contractual undiscounted payments:

		March 31, 2021				
	Total	Current	1 to 30 Days	31 to 60 Days	61 to 90 Days	Over 90 Days
Financial Assets						
At amortized cost:						
Cash and cash equivalents	₱3,926,863,750	₱3,926,863,750	₱—	₱—	₱—	₱—
Trade and other receivables						
PSALM	1,015,262	—	—	—	—	1,015,262
Receivable from customers	273,110,969	162,282,446	30,475,501	12,397,569	6,714,706	61,240,747
Current portion of PSALM deferred adjustments	36,798,477	36,798,477	—	—	—	—
Due from related parties	2,137,072	127,489	15,769	15,000	171,054	1,807,760
Others	47,167,697	20,357,021	177,880	219,185	316,146	26,097,465
	360,229,477	219,565,433	30,669,150	12,631,754	7,201,906	90,161,234
PSALM deferred adjustments (included in "Other noncurrent assets")	99,969,196	—	—	—	—	99,969,196
	4,387,062,423	4,146,429,183	30,669,150	12,631,754	7,201,906	190,130,430
At FVOCI:						
Investment in proprietary club shares	7,400,000	—	—	—	—	7,400,000
	4,394,462,423	4,146,429,183	30,669,150	12,631,754	7,201,906	197,530,430
Financial Liabilities						
Trade and other payables						
Trade	171,954,493	165,897,372	1,951,271	1,267,998	489,378	2,348,474
Nontrade	43,045,255	35,343,685	—	—	—	7,701,570
Accrued expenses	52,523,922	21,820,325	51,999	46,998	15,000	30,589,600
Due to related parties	211,203	—	42,000	—	—	169,203
	267,734,873	223,061,382	2,045,270	1,314,996	504,378	40,808,847
Customers' deposits	176,772,315	—	—	—	—	176,772,315
Lease liabilities	3,515,387	—	—	—	—	3,515,387
Other noncurrent liability	99,969,196	—	—	—	—	99,969,196
	547,991,771	223,061,382	2,045,270	1,314,996	504,378	321,065,745
Net Financial Assets (Liabilities)	₱3,846,470,652	₱3,923,367,801	₱28,623,880	₱11,316,758	₱6,697,528	(₱123,535,315)

		December 31, 2020				
	Total	Current	1 to 30 Days	31 to 60 Days	61 to 90 Days	Over 90 Days
Financial Assets						
At amortized cost:						
Cash and cash equivalents	₱3,944,306,886	₱3,944,306,886	₱—	₱—	₱—	₱—
Trade and other receivables						
PSALM	1,015,262	—	—	—	—	1,015,262
Receivable from customers	255,677,034	130,110,054	39,124,107	20,520,943	12,731,595	53,190,335
Current portion of PSALM deferred adjustments	36,798,477	36,798,477	—	—	—	—
Due from related parties	2,005,050	115,049	15,000	31,133	118,198	1,725,670
Others	42,559,677	7,942,519	1,708,811	1,337,433	1,944,229	29,626,685
	338,055,500	174,966,099	40,847,918	21,889,509	14,794,022	85,557,952
PSALM deferred adjustments (included in "Other noncurrent assets")	109,168,815	—	—	—	—	109,168,815
	4,391,531,201	4,119,272,985	40,847,918	21,889,509	14,794,022	194,726,767
At FVOCI:						
Investment in proprietary club shares	7,400,000	—	—	—	—	7,400,000
	4,398,931,201	4,119,272,985	40,847,918	21,889,509	14,794,022	202,126,767
Financial Liabilities						
Trade and other payables						
Trade	249,841,518	209,879,700	3,936,389	1,234,420	627,137	34,163,872
Nontrade	41,295,713	9,750,577	186,627	46,998	63,473	31,248,038
Accrued expenses	41,252,260	39,065,525	—	—	—	2,186,735
Due to related parties	712,203	—	—	215,160	—	497,043
	333,101,694	258,695,802	4,123,016	1,496,578	690,610	68,095,688
Customers' deposits	174,742,186	—	—	—	—	174,742,186
Lease liabilities	6,626,789	—	—	—	—	6,626,789
Other noncurrent liability	109,168,815	—	—	—	—	109,168,815
	623,639,484	258,695,802	4,123,016	1,496,578	690,610	358,633,478
Net Financial Assets (Liabilities)	₱3,775,291,717	₱3,860,577,183	₱36,724,902	₱20,392,931	₱14,103,412	(₱156,506,711)

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, 2021			
	Maximum exposure	Offset	Exposure to credit risk
At amortized cost:			
Cash and cash equivalents (excluding cash on hand)	₱3,926,186,557	(₱9,309,726)	₱3,916,876,831
Trade and other receivables	360,229,477	(109,525,237)	250,704,240
PSALM deferred adjustments (included in "Other noncurrent assets")	99,969,196	—	99,969,196
	₱4,386,385,230	(₱118,834,963)	₱4,267,550,267

December 31, 2020			
	Maximum exposure	Offset	Exposure to credit risk
At amortized cost:			
Cash and cash equivalents (excluding cash on hand)	₱3,943,238,772	(₱9,396,869)	₱3,933,841,903
Trade and other receivables	338,055,500	(109,525,237)	228,530,263
PSALM deferred adjustments (included in "Other noncurrent assets")	109,168,815	—	109,168,815
	₱4,390,463,087	(₱118,922,106)	₱4,271,540,981

As of March 31, 2021 and December 31, 2020, the Group's significant concentration of credit risk pertains to its trade and other receivables and PSALM deferred adjustments amounting to ₱460.2 million and ₱447.2 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, 2021 and December 31, 2020.

The following are the details of the Group's assessment of credit quality and the related ECLs as at March 31, 2021 and December 31, 2020:

General Approach

- *Cash and cash equivalents* - As of March 31, 2021 and December 31, 2020, 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, 2021 and December 31, 2020, 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, 2021 and December 31, 2020, the allowance for impairment losses as a result from performing collective and specific impairment test amounted to P39.8 million. Management evaluated that the Parent Company's trade receivables are of high grade and of good credit quality.

March 31, 2021					
	Stage 1 12-month ECL	Stage 2 Lifetime ECL	Stage 3 Lifetime ECL	Lifetime ECL Simplified Approach	Total
Gross carrying amount	P-	P-	P39,789,858	P360,229,477	P400,019,335
Loss allowance	-	-	(39,789,858)	-	(39,789,858)
Carrying amount	P-	P-	P-	P360,229,477	P360,229,477

December 31, 2020					
	Stage 1 12-month ECL	Stage 2 Lifetime ECL	Stage 3 Lifetime ECL	Lifetime ECL Simplified Approach	Total
Gross carrying amount	P-	P-	P37,162,187	P340,683,171	P377,845,358
Loss allowance	-	-	(37,162,187)	(2,627,671)	(39,789,858)
Carrying amount	P-	P-	P-	P338,055,500	P338,055,500

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, 2021 and December 31, 2020, 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, 2021 and December 31, 2020, the Group considers its investment in proprietary club shares measured and carried at fair values of ₱7.4 million under Level 1 classification, respectively. The Group also considers its noncurrent receivable amounting to ₱100.0 million and ₱109.2 million as of March 31, 2021 and December 31, 2020, respectively, noncurrent liability amounting to ₱100.0 million and ₱109.2 million as of March 31, 2021 and December 31, 2020, and customers' deposits amounting to ₱176.8 million and ₱174.7 million as of March 31, 2021 and December 31, 2020, respectively, under the Level 3 classification.

During the reporting period ended March 31, 2021, 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.

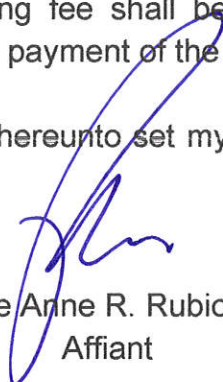
- a. On April 7, 2021, the BOD of the Parent Company approved the declaration of interim cash dividends equivalent to ₱0.40 per share, or for a total of ₱598.6 million, to all stockholders of records as of April 23, 2021, payable on or before April 30, 2021.
- b. Except as already discussed in the Management's 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 R. Rubio-Aguinaldo. Assistant Corporate Secretary of SPC Power Corporation with SEC registration number AS094-002365 with principal office at the 7/F Cebu Holdings Center, Archbishop Reyes Avenue, Cebu Business Park, Cebu City, on oath state:

- 1) That on behalf of SPC Power Corporation, I have caused SEC For 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 SPC Power Corporation will comply with the requirements set forth in SEC Notice dated June 24, 2020 for a complete and official submission of reports and/or documents through electronic mail; and
- 4) That I am fully aware that documents filed online which requires pre-evaluation and/or processing fee shall be considered complete and officially received only upon payment of the filing fee.

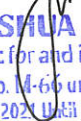
IN WITNESS WHEREOF, I have hereunto set my hand this 12th day of May, 2021.


Mishelle Anne R. Rubio-Aguinaldo
Affiant

MAKATI CITY

SUBSCRIBED AND SWORN TO before me this MAY 12 2021, at Makati City, Philippines by the affiant who exhibited to me her Philippine Non-Professional Driver's License No. N26-001204 valid until February 2023.

Doc. No. 161 ;
Page No. 52 ;
Book No. 128 ;
Series of 2021.


ATTY. JOSHUA P. LAPUZ
Notary Public for and in Makati City
Appointment No. M-66 until 12/31/2021
PTR No. 8531012, Jan. 4, 2021 until Dec. 31, 2021 Makati City
Roll No. 45790, IBP, Lifetime N. 04897
MCLE No VI-0016565 / Jan. 14, 2019
G/F Fedman Suites, 199 Salcedo Street,
Legaspi Village, Makati City