

COVER SHEET

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S.E.C. Registration Number

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(Company's Full Name)

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

Mr. Jaime M. Balisacan

Contact Person

8810 44 74 to 77

Company Telephone Number

Month _____ Day _____

Calendar Year

SEC FORM

1	7	-	Q	
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FORM TYPE

0	6
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Month

2	5
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Day

Annual Meeting

Secondary License Type, If Applicable

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Dept. Requiring this Doc.

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Amended Articles Number / Section

□

Total No. of Stockholders

Total Amount of Borrowings

Domestic

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Foreign

To be accomplished by SEC Personnel concerned

[illegible]

File Number

LCU

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Cashier

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SECURITIES AND EXCHANGE COMMISSION

SEC FORM 17-Q

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

- | | | | | | | | | |
|---|---|--------------------|---------------------|---|--|----------------------|---------------------------------------|----------------|
| 1. | For the quarterly period ended | September 30, 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 | (SEC Use Only) | | | | | | |
| 7 th Floor, Cebu Holdings Center, Cebu Business Park, Cebu City 6000
(Manila Office: 7 th Floor, Citibank Center, 8741 Paseo de Roxas, Makati City) | | | | | | | | |
| 7. | Address of Issuer's principal office | Postal Code | | | | | | |
| (63 32) 232 0375; 232 0477 / (63 2) 810 4474 to 77, 810 4450, 810 4465 | | | | | | | | |
| 8. | Issuer's telephone number, including area code | | | | | | | |
| N.A. | | | | | | | | |
| 9. | Former name of former address, if changed since last report | | | | | | | |
| 10. Securities registered pursuant to Sections 8 and 12 of the SRC or Section 4 and 8 of the RSA | | | | | | | | |
| <table border="0"> <tr> <td>Title of Each Class</td> <td>Number of Shares of Common Stock Outstanding and Amount of Debt Outstanding</td> </tr> <tr> <td>Common Shares (as of September 30, 2021)</td> <td>1,496,551,803 shares</td> </tr> <tr> <td>Total Debt (as of September 30, 2021)</td> <td>₱1,035,728,028</td> </tr> </table> | | | Title of Each Class | Number of Shares of Common Stock Outstanding and Amount of Debt Outstanding | Common Shares (as of September 30, 2021) | 1,496,551,803 shares | Total Debt (as of September 30, 2021) | ₱1,035,728,028 |
| Title of Each Class | Number of Shares of Common Stock Outstanding and Amount of Debt Outstanding | | | | | | | |
| Common Shares (as of September 30, 2021) | 1,496,551,803 shares | | | | | | | |
| Total Debt (as of September 30, 2021) | ₱1,035,728,028 | | | | | | | |
| 11. | Are any or all of the securities listed on a Stock Exchange? | | | | | | | |
| Yes <input checked="" type="checkbox"/> No <input type="checkbox"/> | | | | | | | | |

If yes, state the name of such Stock Exchange and the class/es of securities listed therein:

Philippine Stock Exchange

common shares

12. Check whether the issuer:

(a) has filed all reports required to be filed by Section 17 of the SRC and SRC Rule 17 thereunder or Section 11 of the RSA and RSA Rule 11(a)-1 thereunder, and Sections 26 and 141 of The Corporation Code of the Philippines during the preceding twelve (12) months or for such shorter period that the registrant was required to file such report(s):

Yes [☒] No [☐]

(b) has been subject to such filing requirements for the past ninety (90) days.

Yes [☒] No [☐]

PART I – FINANCIAL INFORMATION

ITEM 1. CONSOLIDATED FINANCIAL STATEMENTS

The consolidated interim financial statements of the Parent Company and its Subsidiaries (the “Group”) are attached herewith as follows:

- a. Consolidated Statements of Financial Position – September 30, 2021 (unaudited) and December 31, 2020 (audited).
- b. Consolidated Statements of Comprehensive Income – Three Months Ended September 30, 2021 and 2020 (unaudited).
- c. Consolidated Statements of Comprehensive Income – Nine Months Ended September 30, 2021 and 2020 (unaudited).
- d. Consolidated Statements of Changes in Stockholders’ Equity – Nine Months Ended September 30, 2021 and 2020 (unaudited).
- e. Consolidated Statements of Cash Flows – Nine Months ended September 30, 2021 and 2020 (unaudited).
- f. Notes to the Consolidated Financial Statements.

ITEM 2. MANAGEMENT’S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITIONS AND RESULTS OF OPERATIONS

Hereunder is management’s discussion and analysis of the significant factors affecting the financial performance, financial position and cash flows of the Parent Company and Subsidiaries (collectively referred to as the “Group”). The discussion and analysis should be read in conjunction with the accompanying interim consolidated financial statements and the notes thereto as well as the schedules and disclosures set forth elsewhere in this report.

Financial Conditions and Results of Operations

Results of Operations

Three Months Ended September 30, 2021 and 2020

Consolidated net income in the third quarter of 2021 climbed 52.3% to P581.7 million from the P382.0 million posted in the comparable year-ago period. Performance improvements were recorded across all business segments, driven mainly by higher revenues from the sale of electricity as well as higher availability and utilization of power generation capacities.

Equity share from the earnings of investee companies contributed 64.5% of the total consolidated net income, improving by more than 1.8 times year-on-year to P376.9 million. Income lost from expired power supply contracts of KEPCO SPC

Power Corporation (KSPC), one of the investees, was more than offset by higher sales to the Wholesale Electricity Spot Market (WESM) and lower maintenance costs in the third quarter of the current year. Major maintenance of generating units in the current year was done in the second quarter (June 2021) while the major maintenance of generating units in the previous year was conducted in the third quarter (September 2020).

The power generation and power distribution business segments provided the other 35.2% of the total consolidated net income, also improving their contribution by 16.2% to ₱204.8 million, from the previous ₱176.2 million.

Consolidated revenues soared 69.0% to ₱872.7 million in the third quarter of 2021, from ₱516.4 million in the same period last year, due to higher volume of energy sold, higher pass-through cost of fuel and purchased power, and higher WESM prices.

Consolidated cost of services likewise increased by 88.5% to ₱614.0 million, from ₱325.7 million in the previous year, due mainly to costs arising from higher volume and higher prices of fuel and purchased power.

As the amount of revenues grew faster than costs, gross margin rose by 35.7% to ₱258.8 million in the July – September 2021 period from ₱190.7 million in the same period last year.

Other service income was nil in 2021 as there was no provision nor settlement of technical and upgrading services rendered during the period.

Nine Months Ended September 30, 2021 and 2020

The strong performance in the third quarter pushed the consolidated net income to grow by 5.0% to ₱1,376.0 million in the first nine months of the current year, net of slight decrease in the income contributed by the investee companies. However, despite improvement throughout the prevailing coronavirus pandemic, the results remained 5.9% lower as compared to the pre-pandemic performance in 2019, especially in power distribution.

With higher results, earnings per share increased to ₱0.91 in the nine months to September 2021 as compared with ₱0.87 in the same nine-month span last year.

The performance also translated to a return on equity of 13.11% in the first nine months of 2021 versus 12.47% in the same period last year.

Equity share in the earnings of investee companies accounted for 66.9% of the consolidated net income in the first nine months of 2021, while power generation and power distribution business segments accounted for 31.0% and 2.1%, respectively.

Net income contribution of the investee companies in the first nine months of 2021 amounted to ₱920.4 million, 3.6% lower than the ₱954.8 million recorded in the same period last year. The net decrease was attributed mainly to the 12.8% reduction in the number of kilowatt-hours (kWh) sold to electric cooperatives/distribution utilities under power supply contracts which was not

fully offset by the 309.8% increase in kWh sold to WESM, mostly in the third quarter of 2021.

Net income contribution of the power generation business segment in the first nine months of 2021 amounted to ₱426.8 million, 30.4% higher than the ₱327.3 million recorded in the same period last year on account mainly of higher utilization of available plant capacities.

Net income contribution of the power distribution business segment in the first nine months of 2021 increased only slightly to ₱28.7 million, as the improvement brought by increasing demand from industrial and commercial customers was dimmed by temporary under-recoveries of cost of purchased power.

Consolidated revenues reached ₱1,994.9 million in the first nine months of 2021, higher by 34.3% compared with the ₱1,485.2 million posted in the comparable year-ago period. The increase was attributed to higher volume of energy sold, higher pass-through cost of fuel and purchased power, and higher WESM prices.

Consolidated cost of services likewise increased by 35.5% to ₱1,411.8 million in the first nine months of 2021, from ₱1,041.6 million in the same period last year, due mainly to costs arising from higher volume and prices.

As revenues grew faster than costs, gross margin rose by 31.4% to ₱583.1 million in the January – September 2021 period from last year's comparative figure of ₱443.6 million.

Consolidated administrative and general expenses went up by 8.6% to ₱132.5 million in January – September 2021 due mainly to higher expenses for business development.

Interest income substantially decreased by 36.6% to ₱26.1 million, from ₱41.1 million, because of lower effective interest rate and lower amount of excess cash invested in short-term money market placements after payment of cash dividends in the last quarter of 2020 and in the first half of the current year.

Other service income decreased to ₱40.0 million in 2021, from ₱80.0 million in the previous year, on account mainly of lower provision of technical and upgrading services rendered during the current period.

Financial Condition

September 30, 2021 Vs. December 31, 2020

The Group ended the first nine months of 2021 with consolidated assets maintained at ₱11,465.3 million, slightly higher compared to the last audited balance of ₱11,440.0 million as at end-2020.

Total liabilities stood at ₱1,035.7 million as at end-September 2021, 17.1% higher from ₱884.8 million at the beginning of the year due mainly to increase in trade and other payables.

Total stockholders' equity slightly decreased to ₱10,429.6 million as at end-September 2021 from ₱10,555.3 million as at end-2020 as dividend payout exceeded the recorded total comprehensive income attributable to equity holders of the Parent Company.

Further details of significant items that contributed to the changes in assets, liabilities and stockholders' equity (September 30, 2021 versus December 31, 2020 balances) are discussed below.

Trade and other receivables increased by 40.2% to ₱473.9 million, from ₱338.1 million, due to higher revenues generated in September 2021.

Materials and supplies inventory increased by 9.1% to ₱396.7 million, from ₱363.6 million, due to mainly to higher volume and price of fuel inventory as at end-September 2021.

Prepayments and other current assets increased by 11.1% to ₱61.0 million due mainly to deferred/unexpired insurance premiums and more input tax awaiting application against output tax.

Investment in associates increased by 4.0% to ₱6,011.5 million from ₱5,782.9 million. The net increase reflected the fresh equity share in the net earnings of investees amounting to ₱920.4 million in the first nine months of 2021, less cash dividends received from the investees amounting to ₱691.8 million.

Other noncurrent assets decreased by 16.1% to ₱145.3 million from ₱173.2 million. This was due mainly to the amortization of ERC-approved Deferred Accounting Adjustments (DAA) which were incurred by PSALM in supplying energy during the previous years to be recovered/refunded by PSALM to its customers through the distribution business segment of the Group by initially charging the customers as part of the Group's generation charge over a period of seven years from January 1, 2018.

Trade and other payables increased by 36.1% to ₱617.0 million, from ₱453.4 million, on account mainly of higher volume and price of fuel inventories.

Despite lower income tax rate due to CREATE law, income tax payable increased by 46.9% to ₱38.7 million as at end-September 2021, from ₱26.3 million as at end-2020, due to higher taxable income.

Customers' deposits grew by 5.8% to ₱184.9 million, from ₱174.7 million, due mainly to additional bill and material deposits received from BLCI customers.

Other noncurrent liabilities decreased by 25.3% to ₱81.6 million, from ₱109.2 million, due 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 decreased to ₱6,948.6 million from ₱7,083.4 million at the beginning of the year. The net decrease is reflective of the net

effect of the following: (i) decrease due to cash dividends declared amounting to ₱1,496.6 million and (ii) increase due to comprehensive income attributable to equity holders of the Parent Company in the first nine months of 2021 amounting to ₱1,361.8 million.

Cash Flows

Cash and cash equivalents decreased by 8.6% to ₱3,604.4 million as at end-September 2021 from the end-2020 level of ₱3,944.3 million. Net cash flows used in investing activities exceeded net cash inflows generated from operating and investing activities in the first nine months of 2021.

Major sources of cash and cash equivalents in the first nine months of 2021 were from operating activities and cash dividends received from investee companies amounting to ₱529.8 million and ₱636.6 million, respectively.

The major applications of funds in the first nine months of 2021 were: (i) payment of cash dividends amounting to ₱1,501.8 million, and (ii) new additions to property, plant and equipment amounting to ₱54.7 million.

Key Performance Indicators

The following financial indicators were used, among others, to evaluate the performance of the Group as of September 30, 2021 and December 31, 2020 and for the nine months ended September 30, 2021 and 2020:

Key Performance Indicators	2021	2020
A. For Nine Months Ended September 30, 2021 and 2020:		
Earnings Per Share	0.91	0.87
Share in Net Earnings of Associates	P920,446,245	P954,753,828
Return on Equity (total comprehensive income divided by average total equity)	13.11%	12.47%
Return on Assets (total comprehensive income divided by average total assets)	12.02%	11.51%
Cash Flows:		
Net cash flows generated from operating activities	P529,801,096	P340,942,003
Net cash flows generated from investing activities	P636,597,610	P1,020,300,236
Net cash flows used in financing activities	(P1,503,557,486)	(P609,520,021)
Solvency ratio (total comprehensive income before depreciation and amortization divided by total liabilities)	1.39	1.70
B. As of September 30, 2021, and December 31, 2020:		
Balance of cash and cash equivalents at end of period	P3,604,362,419	P3,944,306,886
Current ratio (total current assets including noncurrent assets held for sale divided by current liabilities including liabilities directly associated with noncurrent assets held for sale)	6.89	9.71
Debt ratio (total liabilities divided by total assets)	0.09	0.08
Debt-to-equity ratio (total liabilities divided by total equity)	0.10	0.08

The formulas used to compute the performance indicators are further discussed below:

Earnings Per Share

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

Share in Net Earnings of Associates

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

Return on Equity

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

Return on Assets

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

Cash Flows

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

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.

Current Ratio

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

Debt Ratio

Debt ratio = total liabilities divided by total assets. The ratio indicates the degree of protection provided for the Group's creditors. A high ratio generally indicates

greater risk being assumed by creditors. On the other hand, a low ratio indicates greater long-term financial resilience.

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.

Any Significant Elements of Income or Loss from Continuing Operations

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

Material Off-Balance Sheet Items

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

Material Commitments for Capital Expenditures

As of September 30, 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: November 11, 2021

Date: November 11, 2021

SPC POWER CORPORATION AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF FINANCIAL POSITION

(Amounts in Philippine Pesos)

	Sept. 30, 2021 (Unaudited)	Dec. 31, 2020 (Audited)	Incr. / (Decr.)	
			Amount	Percent
ASSETS				
Current Assets				
Cash and cash equivalents	3,604,362,419	3,944,306,886	(339,944,467)	-8.6%
Trade and other receivables - net	473,931,596	338,055,500	135,876,096	40.2%
Material and supplies	396,680,060	363,627,827	33,052,233	9.1%
Prepayments and other current assets	61,030,570	54,950,450	6,080,120	11.1%
Total Current Assets	4,536,004,645	4,700,940,663	(164,936,018)	-3.5%
Noncurrent Assets				
Investment in associates	6,011,499,489	5,782,866,638	228,632,851	4.0%
Property, plant and equipment - net	740,222,563	749,683,383	(9,460,820)	-1.3%
Deferred income tax assets	32,215,369	33,322,150	(1,106,781)	-3.3%
Other noncurrent assets - net	145,339,943	173,210,472	(27,870,529)	-16.1%
Total Noncurrent Assets	6,929,277,364	6,739,082,643	190,194,721	2.8%
TOTAL ASSETS	11,465,282,009	11,440,023,306	25,258,703	0.2%
LIABILITIES & STOCKHOLDERS' EQUITY				
Current Liabilities				
Trade and other payables	617,000,230	453,351,738	163,648,492	36.1%
Income tax payable	38,658,235	26,310,765	12,347,470	46.9%
Current portion of lease liabilities	2,656,392	4,685,106	(2,028,714)	-43.3%
Total current liabilities	658,314,857	484,347,609	173,967,248	35.9%
Noncurrent Liabilities				
Customers' deposits	184,875,633	174,742,186	10,133,447	5.8%
Asset retirement obligation	85,475,665	85,475,665	0	0.0%
Lease liabilities - net of current portion	0	1,487,649	(1,487,649)	-100.0%
Net pension liabilities	25,491,916	29,529,558	(4,037,642)	-13.7%
Other noncurrent liability	81,569,957	109,168,815	(27,598,858)	-25.3%
Total noncurrent liabilities	377,413,171	400,403,873	(22,990,702)	-5.7%
Total Liabilities	1,035,728,028	884,751,482	150,976,546	17.1%
(Forward)				

SPC POWER CORPORATION AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF FINANCIAL POSITION

(Amounts in Philippine Pesos)

	<u>Sept. 30, 2021</u> <u>(Unaudited)</u>	<u>Dec. 31, 2020</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	6,948,643,541	7,083,372,533	(134,728,992)	-1.9%
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	10,280,776,860	10,415,505,852	(134,728,992)	-1.3%
Equity attributable to Non-controlling interests	148,777,121	139,765,972	9,011,149	6.4%
Total Stockholders' Equity	10,429,553,981	10,555,271,824	(125,717,843)	-1.2%
TOTAL LIABILITIES and EQUITY	<u>11,465,282,009</u>	<u>11,440,023,306</u>	<u>25,258,703</u>	<u>0.2%</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 Sept. 30		Increase / (Decrease)	
	2021 (Unaudited)	2020 (Unaudited)	Amount	Percent
REVENUE	872,713,864	516,391,904	356,321,960	69.0%
COST OF SERVICES				
Plant operations	613,954,775	325,672,809	288,281,966	88.5%
GROSS MARGIN	258,759,089	190,719,095	68,039,994	35.7%
GENERAL AND ADM. EXPENSES	(39,776,843)	(41,339,890)	1,563,047	-3.8%
OTHER INCOME (CHARGES):				
Equity in net earnings of associates	376,909,808	205,682,272	171,227,536	83.2%
Interest Income	8,710,888	9,732,349	(1,021,461)	-10.5%
Interest Expense	(49,611)	(107,361)	57,750	-53.8%
Service Income	0	61,821,868	(61,821,868)	-100.0%
Foreign exchange gains (losses) - net	6,612,263	(3,874,515)	10,486,778	-270.7%
Others - net	6,401,012	6,186,959	214,053	3.5%
INCOME BEFORE INCOME TAX	617,566,606	428,820,777	188,745,829	44.0%
PROVISION FOR/(BENEFIT FROM) INCOME TAX				
Current	35,224,766	46,862,176	(11,637,410)	-24.8%
Deferred	637,971	(11,096)	649,067	-5849.6%
	35,862,737	46,851,080	(10,988,343)	-23.5%
NET INCOME	581,703,869	381,969,697	199,734,172	52.3%
OTHER COMPREHENSIVE INCOME	0	0	0	0.0%
TOTAL COMPREHENSIVE INCOME	581,703,869	381,969,697	199,734,172	52.3%
ATTRIBUTABLE TO:				
Equity holders of the Parent	567,017,135	375,474,404	191,542,731	51.0%
Non-controlling interests	14,686,734	6,495,293	8,191,441	126.1%
	581,703,869	381,969,697	199,734,172	52.3%
EARNINGS PER SHARE:				
Basic/diluted, for income for the period attributable to equity holders of the Parent	0.38	0.25	0.13	51.0%

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)

	Nine Months Ended Sept. 30		Increase / (Decrease)	
	2021 (Unaudited)	2020 (Unaudited)	Amount	Percent
REVENUE	1,994,914,309	1,485,209,071	509,705,238	34.3%
COST OF SERVICES				
Plant operations	1,411,844,976	1,041,590,613	370,254,363	35.5%
GROSS MARGIN	583,069,333	443,618,458	139,450,875	31.4%
GENERAL AND ADM. EXPENSES	(132,508,161)	(122,040,991)	(10,467,170)	8.6%
OTHER INCOME (CHARGES):				
Equity in net earnings of associates	920,446,245	954,753,828	(34,307,583)	-3.6%
Interest Income	26,057,874	41,083,283	(15,025,409)	-36.6%
Interest Expense	(189,540)	(381,871)	192,331	-50.4%
Service Income	40,002,385	80,004,770	(40,002,385)	-50.0%
Foreign exchange gains (losses) - net	7,994,639	(6,186,885)	14,181,524	-229.2%
Others - net	17,950,212	18,066,714	(116,502)	-0.6%
INCOME BEFORE INCOME TAX	1,462,822,987	1,408,917,306	53,905,681	3.8%
PROVISION FOR/(BENEFIT FROM) INCOME TAX				
Current	85,668,995	97,991,769	(12,322,774)	-12.6%
Deferred	1,106,782	(48,239)	1,155,021	-2394.4%
	86,775,777	97,943,530	(11,167,753)	-11.4%
NET INCOME	1,376,047,210	1,310,973,776	65,073,434	5.0%
OTHER COMPREHENSIVE INCOME	0	0	0	0.0%
TOTAL COMPREHENSIVE INCOME	1,376,047,210	1,310,973,776	65,073,434	5.0%
ATTRIBUTABLE TO:				
Equity holders of the Parent	1,361,822,811	1,296,032,019	65,790,792	5.1%
Non-controlling interests	14,224,399	14,941,757	(717,358)	-4.8%
	1,376,047,210	1,310,973,776	65,073,434	5.0%
EARNINGS PER SHARE (Note 3):				
Basic/diluted, for income for the period attributable to equity holders of the Parent	0.91	0.87	0.04	5.1%

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 NINE MONTHS ENDED SEPTEMBER 30, 2021 AND 2020

	Equity Attributable to Equity Holders of the Parent							Net Unrealized Valuation Gains on Financial Assets at FVOCI	Total	Non-controlling Interest	Total
	Capital Stock	Additional Paid- In Capital	Treasury Stock at Cost	Remeasurement of Employee Benefits	Share of Associates in OCI	Appropriated	Unappropriated				
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	P10,555,271,824
Total comprehensive income	-	-	-	-	-	-	1,361,822,811	-	1,361,822,811	14,224,399	1,376,047,210
Cash dividends	-	-	-	-	-	-	(1,496,551,803)	-	(1,496,551,803)	(5,213,250)	(1,501,765,053)
Balances at Sept. 30, 2021	P1,569,491,900	P86,810,752	(P131,008,174)	P2,144,925	(P1,056,084)	P1,800,000,000	P6,948,643,541	P5,750,000	P10,280,776,860	P148,777,121	P10,429,553,981
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	P10,162,400,011
Total comprehensive income	-	-	-	-	-	-	1,296,032,019	-	1,296,032,019	14,941,757	1,310,973,776
Cash dividends	-	-	-	-	-	-	(598,620,721)	-	(598,620,721)	(9,268,001)	(607,888,722)
Balances at Sept. 30, 2020	P1,569,491,900	P86,810,752	(P131,008,174)	P298,265	(P2,154,261)	P2,800,000,000	P6,374,805,434	P5,650,000	P10,703,893,916	P161,591,149	P10,865,485,065

See accompanying Notes to Consolidated Financial Statements.


Mary Ann G. Daugdaug
Asst. Finance Manager


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SVP - Finance & Administration

SPC POWER CORPORATION AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF CASH FLOWS

	Nine Months ended Sept. 30	
	2021	2020
	(Unaudited)	(Unaudited)
CASH FLOWS FROM OPERATING ACTIVITIES		
Income before income tax	1,462,822,987	1,408,917,306
Adjustments for:		
Equity in net losses (earnings) of associates	(920,446,245)	(954,753,828)
Depreciation and amortizations	65,297,158	71,420,841
Interest expense	189,540	381,871
Interest income	(26,057,874)	(41,083,283)
Others -net	(3,324,767)	(894,856)
Operating income before working capital changes	578,480,799	483,988,051
Decrease (increase) in:		
Trade and other receivables	(128,812,856)	(26,427,021)
Due from related parties	(10,329,473)	(226,070)
Prepayments and other current assets	(6,080,120)	19,994,651
Materials and supplies	(33,052,233)	9,362,633
Increase (decrease) in:		
Trade and other payables	163,592,347	(119,905,570)
Due to related parties	105,551	(108,045)
Customers' deposits	10,050,040	16,584,012
Net cash generated from operations	573,954,055	383,262,641
Income tax paid	(73,321,526)	(86,181,993)
Interest paid	(155,539)	(491,491)
Interest received	29,324,106	44,352,846
Net cash flows from operating activities	529,801,096	340,942,003
CASH FLOWS FROM INVESTING ACTIVITIES		
Cash dividends received	691,813,394	1,043,416,855
Additions to plant, property and equipment	(54,673,193)	(29,827,538)
Proceeds from disposal of plant, property and equipment	0	107,143
Decrease (increase) in:		
Other noncurrent assets	(542,591)	6,603,776
Net cash provided by (used in) investing activities	636,597,610	1,020,300,236
CASH FLOWS FROM FINANCING ACTIVITIES		
Payment of lease liabilities	(1,792,433)	(1,631,300)
Cash dividends paid	(1,501,765,053)	(607,888,721)
Net cash provided by (used in) financing activities	(1,503,557,486)	(609,520,021)
NET EFFECT OF EXCHANGE RATE CHANGES	(2,785,687)	517,397
NET INCREASE IN CASH AND CASH EQUIVALENTS	(339,944,467)	752,239,615
CASH AND CASH EQUIVALENTS AT BEG. OF PERIOD	3,944,306,886	3,227,403,650
CASH AND CASH EQUIVALENTS AT END OF PERIOD	3,604,362,419	3,979,643,265

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%

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:

	Nine Months Ended Sept. 30	
	2021	2020
Net income attributable to equity holders of the parent	₱1,361,822,811	₱1,296,032,019
Weighted average number of common shares issued and outstanding	1,496,551,803	1,496,551,803
Basic/Diluted earnings per share	₱0.91	₱0.87

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

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

There are no dilutive potential common stocks issued as of September 30, 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 nine months ended September 30, 2021.

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

There are no issuances, repurchases and repayments of debt and equity securities during the nine months ended September 30, 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 nine months ended September 30, 2021 and 2020.

The following tables present revenue and income information and certain asset and liability information regarding the business segments as of September 30, 2021 and 2020:

September 30, 2021						
	Before Eliminations			Adjustments and Eliminations	After Eliminations/ Consolidated	
	Generation	Distribution	Others			
Revenue	₱1,220,329,198	₱774,585,111	₱–	₱1,994,914,309	₱–	₱1,994,914,309
Income before income tax	1,201,708,902	35,997,928	2,520,056	1,240,226,886	222,596,101	1,462,822,987
Net income	1,122,221,032	28,710,021	2,520,056	1,153,451,109	222,596,101	1,376,047,210
Total assets	7,885,138,799	707,261,872	77,542,936	8,669,943,607	2,795,338,402	11,465,282,009
Property, plant and equipment	515,290,830	223,663,350	–	738,954,180	1,268,383	740,222,563
Total liabilities	570,811,890	464,128,439	32,034	1,034,972,363	755,665	1,035,728,028
Depreciation and amortization	46,352,004	18,945,154	–	65,297,158	–	65,297,158

September 30, 2020						
	Before Eliminations			Adjustments and Eliminations	After Eliminations/ Consolidated	
	Generation	Distribution	Others			
Revenue	₱760,296,496	₱724,912,575	₱–	₱1,485,209,071	₱–	₱1,485,209,071
Income before income tax	1,464,085,653	39,365,676	4,861,004	1,508,312,333	(99,395,027)	1,408,917,306
Net income	1,377,181,570	28,326,229	4,861,004	1,410,368,803	(99,395,027)	1,310,973,776
Total assets	8,193,330,300	755,185,617	95,128,724	9,043,644,641	2,633,912,899	11,677,557,540
Property, plant and equipment	548,195,788	203,148,556	–	751,344,344	1,578,445	752,922,789
Total liabilities	321,652,105	500,245,594	12,565	821,910,264	(9,837,789)	812,072,475
Depreciation and amortization	55,686,558	15,734,283	–	71,420,841	–	71,420,841

Adjustments and Eliminations

Adjustments and eliminations are part of detailed reconciliations presented below:

Reconciliation of Net Income

	Nine Mos. Ended Sept. 30	
	2021	2020
Segment net income	₱1,153,451,109	₱1,410,368,803
Equity in net earnings of associates	920,446,245	954,753,828
Dividend Income	(697,850,144)	(1,054,148,855)
Group net income	₱1,376,047,210	₱1,310,973,776

Reconciliation of Total Assets

	Sept. 30, 2021	Dec. 31, 2020
Segment assets	₱8,671,211,989	₱8,883,855,922
Inter-segment receivables	(7,883,675)	(17,153,460)
Investments in associates and subsidiaries	2,769,431,679	2,540,798,828
Goodwill	32,522,016	32,522,016
Group assets	₱11,465,282,009	₱11,440,023,306

Reconciliation of Total Liabilities

	Sept. 30, 2021	Dec. 31, 2020
Segment liabilities	₱1,034,972,363	₱893,265,602
Inter-segment payables	755,665	(8,514,120)
Group liabilities	₱1,035,728,028	₱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 September 30, 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 September 30, 2021 and December 31, 2020 based on contractual undiscounted payments:

		September 30, 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	₱3,604,362,419	₱3,604,362,419	₱–	₱–	₱–	₱–
Trade and other receivables						
PSALM	1,015,262	–	–	–	–	1,015,262
Receivable from customers	379,316,671	235,799,834	44,992,391	16,989,021	14,247,837	67,287,588
Current portion of PSALM deferred adjustments	36,798,477	36,798,477	–	–	–	–
Due from related parties	12,434,523	114,317	10,016,692	127,149	65,256	2,111,109
Others	44,366,663	13,561,541	200,043	1,008,114	468,756	29,128,209
	473,931,596	286,274,169	55,209,126	18,124,284	14,781,849	99,542,168
PSALM deferred adjustments (included in "Other noncurrent assets")	81,569,957	–	–	–	–	81,569,957
	4,159,863,972	3,890,636,588	55,209,126	18,124,284	14,781,849	181,112,125
At FVOCI:						
Investment in proprietary club shares	7,400,000	–	–	–	–	7,400,000
	4,167,263,972	3,890,636,588	55,209,126	18,124,284	14,781,849	188,512,125
Financial Liabilities						
Trade and other payables						
Trade	382,341,204	369,245,471	5,353,031	1,816,430	440,938	5,485,334
Nontrade	46,005,340	38,282,847	67,513	–	–	7,654,980
Accrued expenses	48,213,940	20,240,571	–	–	–	27,973,369
Due to related parties	817,753	–	21,000	–	–	796,753
	477,378,237	427,768,889	5,441,544	1,816,430	440,938	41,910,436
Customers' deposits	184,875,633	–	–	–	–	184,875,633
Lease liabilities	2,662,317	–	–	–	–	2,662,317
Other noncurrent liability	81,569,957	–	–	–	–	81,569,957
	746,486,144	427,768,889	5,441,544	1,816,430	440,938	311,018,343
Net Financial Assets (Liabilities)	₱3,420,777,828	₱3,462,867,699	₱49,767,582	₱16,307,854	₱14,340,911	(₱122,506,218)

		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.

September 30, 2021			
	Maximum exposure	Offset	Exposure to credit risk
At amortized cost:			
Cash and cash equivalents (excluding cash on hand)	₱3,603,722,470	(₱9,161,289)	₱3,594,561,181
Trade and other receivables	473,931,596	(109,525,237)	364,406,359
PSALM deferred adjustments (included in "Other noncurrent assets")	81,569,957	—	81,569,957
	₱4,159,224,023	(₱118,686,526)	₱4,040,537,497
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 September 30, 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 ₱555.5 million and ₱447.2 million, respectively, and impaired financial assets, determined based on probability of collection, are adequately covered with allowance.

Applicable for the third quarter and year ended September 30, 2021 and December 31, 2020.

The following are the details of the Group's assessment of credit quality and the related ECLs as at September 30, 2021 and December 31, 2020:

General Approach

- *Cash and cash equivalents* - As of September 30, 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 September 30, 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 September 30, 2021 and December 31, 2020, the allowance for impairment losses as a result from performing collective and specific impairment test amounted to ₱39.8 million. Management evaluated that the Parent Company's trade receivables are of high grade and of good credit quality.

September 30, 2021					
	Stage 1 12-month ECL	Stage 2 Lifetime ECL	Stage 3 Lifetime ECL	Lifetime ECL Simplified Approach	Total
Gross carrying amount	₱–	₱–	₱39,789,858	₱473,931,596	₱513,721,454
Loss allowance	–	–	(39,789,858)	–	(39,789,858)
Carrying amount	₱–	₱–	₱–	₱473,931,596	₱473,931,596

December 31, 2020					
	Stage 1 12-month ECL	Stage 2 Lifetime ECL	Stage 3 Lifetime ECL	Lifetime ECL Simplified Approach	Total
Gross carrying amount	₱–	₱–	₱37,162,187	₱340,683,171	₱377,845,358
Loss allowance	–	–	(37,162,187)	(2,627,671)	(39,789,858)
Carrying amount	₱–	₱–	₱–	₱338,055,500	₱338,055,500

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 September 30, 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 September 30, 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 ₱81.6 million and ₱109.2 million as of September 30, 2021 and December 31, 2020, respectively, noncurrent liability amounting to ₱81.6 million and ₱109.2 million as of September 30, 2021 and December 31, 2020, and customers' deposits amounting to ₱184.9 million and ₱174.7 million as of September 30, 2021 and December 31, 2020, respectively, under the Level 3 classification.

During the reporting period ended September 30, 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.

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 Form 17-Q (Quarterly report for the period ended September 30, 2021) 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 NOV 15 2021 day of November, 2021.


Mishelle Anne R. Rubio-Aguinaldo
Affiant

SUBSCRIBED AND SWORN TO before me this NOV 15 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. 20 :
Page No. 40 :
Book No. 257 :
Series of 2021.


ATTY. JOSHUA P. LAPUZ
Notary Public for and in Makati City
Appointment No. M-66 until 12/31/2021
6531012, Jan. 4, 2021 Until Dec. 31, 2021 Mak. Ct.
Roll No. 45790, IBP, Lifetime N. 04897
MCLE No. V-0016565, Jan. 14, 2019
109 Salcedo St., 2nd Floor, Makati City