

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 _____

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3	1
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Month Day

Calendar Year

SEC FORM

1	7	-	Q	
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FORM TYPE

0	5
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2	8
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Month Day

Annual Meeting

Secondary License Type, If Applicable

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Dept. Requiring this Doc.

Amended Articles Number / Section

Total Amount of Borrowings

Total No. of Stockholders

Domestic

Foreign

To be accomplished by SEC Personnel concerned

[illegible]

File Number

LCU

LCU

[illegible]

Document I.D.

Cashier

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STAMPS

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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 June 30, 2022
2. SEC Identification Number AS094-002365 3. BIR Tax Identification No. 003-868-048
- SPC POWER CORPORATION
4. Exact name of issuer as specified in its charter
- Metro Manila, Philippines
5. Province, country or other jurisdiction of incorporation or organization
6. Industry Classification Code (SEC Use Only)
- 7th Floor, 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 Postal Code
- (63 32) 232 0375; 232 0477 / (63 2) 810 4474 to 77, 810 4450, 810 4465
8. Issuer's telephone number, including area code
- N.A.
9. Former name of former address, if changed since last report
10. Securities registered pursuant to Sections 8 and 12 of the SRC or Section 4 and 8 of the RSA
- | Title of Each Class | Number of Shares of Common Stock
Outstanding and Amount of Debt
Outstanding |
|-------------------------------------|-----------------------------------------------------------------------------------|
| Common Shares (as of June 30, 2022) | 1,496,551,803 shares |
| Total Debt (as of June 30, 2022) | ₱1,150,080,662 |
11. Are any or all of the securities listed on a Stock Exchange?
- Yes [☒] No [☐]

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

Philippine Stock Exchange

common shares

12. Check whether the issuer:

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

Yes [☒] No [☐]

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

Yes [☒] No [☐]

PART I – FINANCIAL INFORMATION

ITEM 1. CONSOLIDATED FINANCIAL STATEMENTS

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

- a. Consolidated Statements of Financial Position – June 30, 2022 (unaudited) and December 31, 2021 (audited).
- b. Consolidated Statements of Comprehensive Income – Three Months Ended June 30, 2022 and 2021 (unaudited).
- c. Consolidated Statements of Comprehensive Income – Six Months Ended June 30, 2022 and 2021 (unaudited).
- d. Consolidated Statements of Changes in Stockholders’ Equity – Six Months Ended June 30, 2022 and 2021 (unaudited).
- e. Consolidated Statements of Cash Flows – Six Months ended June 30, 2022 and 2021 (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 June 30, 2022 and 2021

The second-quarter net income slightly improved by 0.5% to P335.5 million from P333.6 million in the same period last year. This was primarily due to increase in equity share in the earnings of investee companies, higher net foreign exchange gains, lower administrative and general expenses, and lower provision for income tax, all of which were, however, tapered by lower contributions from the power generation and power distribution business segments.

Equity share in the earnings of KSPC, one of the investee companies, soared by 87.6% to P254.5 million in the second quarter of 2022, from P135.6 million in the same period last year. This was attributed to high WESM prices, lesser outage days (1.5 days versus 53.8 days) and substantial drop in BCQ sales which allowed selling more to WESM at higher prices.

MECO (another investee company), on the other hand, managed to modestly increase its April - June 2022 contribution by 4.0% year-on-year to P38.0 million from P36.6 million in the same period a year earlier as the economy picks up with the recovery of the commercial sector.

The power generation and power distribution business segments contributed P42.9 million to the consolidated net income, 73.4% lower compared with last year's P161.4 million. This was due mainly to lower capacity utilized for rendering ancillary services coupled by delayed pass-through of higher generation charges.

Consolidated revenues from the power generation and power distribution business segments for the second quarter of 2022 increased by 39.4% to P916.9 million from P657.7 million in the same period last year. However, the increase did not translate to improved bottom line as the same was attributed to: (i) higher pass-through cost of purchased power distributed or sold to customers and (ii) higher pass-through cost of fuel used to generate incidental energy for rendering ancillary services on account of persisting increase in global fuel prices.

Consolidated cost of services increased by 95.3% to P871.5 million from P446.3 million. This was due mainly to the aforesaid higher cost of fuel and purchased power which were both passed on to customers. Excluding the pass-through costs, cost of services would have increased only by 6.4% to P350.7 million, from P329.7 million in the previous year.

Consolidated administrative and general expenses went down by 18.4% to P45.3 million in April – June 2022, from P55.6 million in the same period last year, due largely to lower expenses for business development.

Because of stronger US dollar, the Group logged a substantial increase in net foreign exchange gains from its foreign currency-denominated net financial assets to P44.8 million in the second quarter of 2022 from nil in the same period a year earlier.

Provision for income tax decreased by 65.1% to P10.5 million, from P29.8 million due to lower taxable income and lower income tax rate following implementation of the CREATE Act.

Six Months Ended June 30, 2022 and 2021

Consolidated net income during the six months ended June 30, 2022 amounted to P466.4 million, 41.3% lower compared to last year's P794.3 million despite the slightly better performance in the second quarter of 2022.

Diluted earnings per share for the first half of 2022 was lower at P0.31 compared to P0.53 in the same period in 2021.

The reduction in net income contributed by the investee companies and the power generation business segment in the first quarter of 2022, due mainly to drop in BCQ sales which were not offset by increase in sales to WESM as well as the spillover impact of Typhoon Odette, has not been fully recovered. As of June 30, 2022, total equity share in the earnings of investees stood at P348.4 million,

35.9% lower compared to the previous year. In the power generation business segment, contribution to the net income amounted to ₱108.1 million, 57.4% lower compared to last year's ₱253.7 million.

On the other hand, the power distribution business segment posted a six-month net income of ₱9.9 million, a reversal from the ₱2.9 million loss a year ago. The turnaround was attributed to recovery of the commercial sector as well as lower under-recovery of pass-through purchase cost of power.

The investee companies remained the largest contributor to the consolidated net income for the first half of 2022 with a 74.7% share, higher than 68.4% in the same period last year. This was followed by the power generation business segment with a 23.2% share, and power distribution with 2.1%.

Consolidated revenues increased by 41.8% to ₱1,591.3 million in the first half of 2022, from ₱1,122.2 million in the same period last year, due mainly to higher pass-through cost of fuel. Without the pass-through cost of fuel, revenues in the first half of 2022 would have dropped by 17.6% due to lower capacity utilized for rendering ancillary services in the aftermath of Typhoon Odette.

Consolidated cost of services likewise increased by 79.0% to ₱1,428.3 million, from ₱797.9 million in the previous year, due mainly to the said higher pass-through cost of fuel. Excluding the cost of pass-through fuel, other costs of services decreased slightly by 0.5% to ₱607.2 million.

The 49.7% decrease in gross margin to ₱163.0 million, from ₱324.3 million was traced mainly to lower capacity utilized for rendering ancillary services in the aftermath of Typhoon Odette.

Consolidated administrative and general expenses went up by 19.9% to ₱111.2 million in January – June 2022, from ₱92.7 million in the same period last year, due largely to higher business development expenses incurred in the first quarter of 2022.

Because of stronger US dollar, the Group logged a substantial increase in net foreign exchange gains from its foreign currency-denominated net financial assets to ₱77.0 million in the six months ended June 30, 2022 from ₱1.4 million only in the same period a year earlier.

Provision for income tax decreased by 43.3% to ₱28.9 million, from ₱50.9 million due to lower taxable income and lower income tax rate following implementation of the CREATE Act.

Financial Condition

June 30, 2022 Vs. December 31, 2021

Total consolidated assets expanded by 3.7% to ₱10,739.5 million as at end-June 2022 from the last audited balance of ₱10,352.2 million as at end-2021. Total liabilities likewise increased but at a much lower amount compared to the levels last year. This resulted in total stockholders' equity still growing slightly by 1.8% to ₱9,589.5 million as at end-June 2022 from ₱9,422.4 million as at end-2021.

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 28.7% to P630.6 million as at end-June 2022, from P489.8 million as at end-2021, due to increase in sales that included higher pass-through cost of fuel.

Materials and supplies inventory grew by 13.5% to P442.5 million as at end-June 2022, from P389.8 million as at end-2021, due mainly to higher volume and price of fuel inventory.

Investment in associates increased only slightly by 0.4% to P5,529.7 million as at end-June 2022 from P5,505.2 million as at end-2021, due to fresh equity share in the net earnings of associates amounting to P348.4 million less dividends received amounting to P323.9 million.

Property, plant and equipment increased by 5.6% to P773.0 million, from P731.8 million. This was attributed to the net effect of the following: (i) increase due to new additions to property, plant and equipment amounting to P94.2 million; and (ii) reduction due to depreciation and reclassification amounting to P53.0 million.

Trade and other payables increased by 45.3% to P779.9 million as at end-June 2022, from P536.7 million at the beginning of the year, due mainly to higher cost of purchased fuel.

Other noncurrent liabilities decreased by 29.7% to P50.9 million, from P72.4 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 P257.6 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 2.7% to P6,117.2 million as at end-June 2022 from P5,954.4 million at the beginning of the year. The net increase is reflective of the comprehensive income attributable to equity holders of the Parent Company amounting to P462.1 million in the first half of 2022 less interim cash dividends declared amounting to P299.3 million.

On May 31, 2022, the Parent Company's Board of Directors approved the declaration of interim cash dividends amounting to P0.20 per share (equivalent to P299.3 million) to all shareholders of record as of June 15, 2022, payable on June 24, 2022.

Cash Flows

Cash and cash equivalents increased by 4.7% to P3,123.9 million as at end-June 2022 from the end-2021 balance of P2,984.1 million.

Major sources of cash and cash equivalents in the first six months of 2022 were from operating activities and cash dividends received from investee companies amounting to ₱156.7 million and ₱323.9 million, respectively.

The major applications of funds in the first six months of 2022 were: (i) payment of interim cash dividends amounting to ₱299.3 million, and (ii) new additions to property, plant and equipment amounting to ₱94.2 million.

Key Performance Indicators

The following financial indicators are used, among others, to evaluate the performance of the Group as of June 30, 2022 and December 31, 2021 and for the six months ended June 30, 2022 and 2021:

Key Performance Indicators	2022	2021
A. For Six Months Ended June 30, 2022 and 2021:		
Earnings Per Share	₱0.31	₱0.53
Share In Net Earnings of Associates	₱348,362,830	₱543,536,437
Return on Equity (total comprehensive income divided by average total equity)	4.91%	7.79%
Return on Assets (total comprehensive income divided by average total assets)	4.42%	7.16%
Cash Flows:		
Net cash flows generated from (used in) operating activities	₱156,709,205	₱180,660,658
Net cash flows used in investing activities	₱226,856,317	₱650,844,828
Net cash flows used in financing activities	(₱301,869,568)	(₱1,503,557,485)
Solvency ratio (total comprehensive income before depreciation and amortization divided by total liabilities)	0.44	0.94
B. As of June 30, 2022 and December 31, 2021:		
Cash and cash equivalents at end of period	₱3,123,933,496	₱2,984,110,635
Current ratio (total current assets divided by current liabilities)	5.44	7.21
Debt ratio (total liabilities divided by total assets)	0.11	0.09
Debt-to-equity ratio (total liabilities divided by total equity)	0.12	0.10

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

Debt Ratio

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

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

Debt-to-Equity Ratio

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

Solvency Ratio

Solvency Ratio = 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 June 30, 2022, 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 operating activities.

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: August 12, 2022

Date: August 12, 2022

SPC POWER CORPORATION AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF FINANCIAL POSITION

(Amounts in Philippine Pesos)

	June 30, 2022 (Unaudited)	Dec. 31, 2021 (Audited)	Incr. / (Decr.)	
			Amount	Percent
ASSETS				
Current Assets				
Cash and cash equivalents	3,123,933,496	2,984,110,635	139,822,861	4.7%
Trade and other receivables - net	630,617,282	489,827,621	140,789,661	28.7%
Material and supplies	442,483,825	389,819,368	52,664,457	13.5%
Prepayments and other current assets	83,785,565	76,307,342	7,478,223	9.8%
Total Current Assets	4,280,820,168	3,940,064,966	340,755,202	8.6%
Noncurrent Assets				
Investment in associates	5,529,680,188	5,505,243,597	24,436,591	0.4%
Property, plant and equipment - net	773,015,023	731,765,902	41,249,121	5.6%
Deferred income tax assets	28,336,689	28,346,424	(9,735)	0.0%
Goodwill	32,522,016	32,522,016	0	0.0%
Intangible Assets	3,799,897	4,342,740	(542,843)	-12.5%
Other noncurrent assets - net	91,362,254	109,939,293	(18,577,039)	-16.9%
Total Noncurrent Assets	6,458,716,067	6,412,159,972	46,556,095	0.7%
TOTAL ASSETS	10,739,536,235	10,352,224,938	387,311,297	3.7%
LIABILITIES & STOCKHOLDERS' EQUITY				
Current Liabilities				
Trade and other payables	779,894,522	536,682,592	243,211,930	45.3%
Income tax payable	7,001,861	6,878,630	123,231	1.8%
Current portion of lease liabilities	103,110	2,662,317	(2,559,207)	-96.1%
Total current liabilities	786,999,493	546,223,539	240,775,954	44.1%
Noncurrent Liabilities				
Customers' deposits	188,549,583	186,776,397	1,773,186	0.9%
Asset retirement obligation	89,721,893	89,721,893	0	0.0%
Net pension liabilities	33,905,133	34,773,836	(868,703)	-2.5%
Other noncurrent liability	50,904,560	72,370,338	(21,465,778)	-29.7%
Total noncurrent liabilities	363,081,169	383,642,464	(20,561,295)	-5.4%
Total Liabilities	1,150,080,662	929,866,003	220,214,659	23.7%

(Forward)

SPC POWER CORPORATION AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF FINANCIAL POSITION

(Amounts in Philippine Pesos)

	<u>June 30, 2022</u> <u>(Unaudited)</u>	<u>Dec. 31, 2021</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	6,117,192,713	5,954,370,912	162,821,801	2.7%
Appropriated	1,800,000,000	1,800,000,000	0	0.0%
Other comprehensive income:				
Remeasurement of employee benefits	(624,963)	(367,132)	(257,831)	70.2%
Net unrealized valuation gains				
on financial asset at FVOCI	6,350,000	6,350,000	0	0.0%
Share in remeasurement of employee				
benefits of associates	270,792	270,792	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	9,448,483,020	9,285,919,050	162,563,970	1.8%
Equity attributable to Non-controlling interests	140,972,553	136,439,885	4,532,668	3.3%
Total Stockholders' Equity	<u>9,589,455,573</u>	<u>9,422,358,935</u>	<u>167,096,638</u>	<u>1.8%</u>
TOTAL LIABILITIES and EQUITY	<u>10,739,536,235</u>	<u>10,352,224,938</u>	<u>387,311,297</u>	<u>3.7%</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 June 30		Increase / (Decrease)	
	2022 (Unaudited)	2021 (Unaudited)	Amount	Percent
REVENUE	916,909,825	657,734,365	259,175,460	39.4%
COST OF SERVICES				
Plant operations	871,543,528	446,286,982	425,256,546	95.3%
GROSS MARGIN	45,366,297	211,447,383	(166,081,086)	-78.5%
GENERAL AND ADM. EXPENSES	(45,342,131)	(55,588,182)	10,246,051	-18.4%
OTHER INCOME (CHARGES):				
Equity in net earnings of associates	292,523,524	172,201,441	120,322,083	69.9%
Interest Income	839,935	8,392,894	(7,552,959)	-90.0%
Interest Expense	(14,589)	(63,218)	48,629	-76.9%
Service Income	0	21,819,483	(21,819,483)	-100.0%
Foreign exchange gains (losses) - net	44,768,876	884	44,767,992	5064252.5%
Others - net	7,771,551	5,427,330	2,344,221	43.2%
INCOME BEFORE INCOME TAX	345,913,463	363,638,015	(17,724,552)	-4.9%
PROVISION FOR/(BENEFIT FROM) INCOME TAX				
Current	10,435,220	29,836,807	(19,401,587)	-65.0%
Deferred	23,242	151,590	(128,348)	-84.7%
	10,458,462	29,988,397	(19,529,935)	-65.1%
NET INCOME	335,455,001	333,649,618	1,805,383	0.5%
OTHER COMPREHENSIVE INCOME	0	0	0	0.0%
TOTAL COMPREHENSIVE INCOME	335,455,001	333,649,618	1,805,383	0.5%
ATTRIBUTABLE TO:				
Equity holders of the Parent	335,416,617	332,319,611	3,097,006	0.9%
Non-controlling interests	38,384	1,330,007	(1,291,623)	-97.1%
	335,455,001	333,649,618	1,805,383	0.5%
EARNINGS PER SHARE:				
Basic/diluted, for income for the period attributable to equity holders of the Parent	0.22	0.22	0.00	0.9%

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)

	Six Months Ended June 30		Increase / (Decrease)	
	2022 (Unaudited)	2021 (Unaudited)	Amount	Percent
REVENUE	1,591,276,510	1,122,200,445	469,076,065	41.8%
COST OF SERVICES				
Plant operations	1,428,253,863	797,890,201	630,363,662	79.0%
GROSS MARGIN	163,022,647	324,310,244	(161,287,597)	-49.7%
GENERAL AND ADM. EXPENSES	(111,227,379)	(92,731,318)	(18,496,061)	19.9%
OTHER INCOME (CHARGES):				
Equity in net earnings of associates	348,362,830	543,536,437	(195,173,607)	-35.9%
Interest Income	6,026,050	17,346,986	(11,320,936)	-65.3%
Interest Expense	(43,042)	(139,929)	96,887	-69.2%
Service Income	0	40,002,385	(40,002,385)	-100.0%
Foreign exchange gains (losses) - net	76,992,520	1,382,376	75,610,144	5469.6%
Others - net	12,393,479	11,549,200	844,279	7.3%
INCOME BEFORE INCOME TAX	495,527,105	845,256,381	(349,729,276)	-41.4%
PROVISION FOR/(BENEFIT FROM) INCOME TAX				
Current	28,852,543	50,444,229	(21,591,686)	-42.8%
Deferred	9,732	468,811	(459,079)	-97.9%
	28,862,275	50,913,040	(22,050,765)	-43.3%
NET INCOME	466,664,830	794,343,341	(327,678,511)	-41.3%
OTHER COMPREHENSIVE INCOME	(257,831)	0	(257,831)	0.0%
TOTAL COMPREHENSIVE INCOME	466,406,999	794,343,341	(327,936,342)	-41.3%
NET INCOME ATTRIBUTABLE TO:				
Equity holders of the Parent	462,132,162	794,805,676	(332,673,514)	-41.9%
Non-controlling interests	4,532,668	(462,335)	4,995,003	-1080.4%
	466,664,830	794,343,341	(327,678,511)	-41.3%
COMPREHENSIVE INCOME ATTRIBUTABLE TO:				
Equity holders of the Parent	461,874,331	794,805,676	(332,931,345)	-41.9%
Non-controlling interests	4,532,668	(462,335)	4,995,003	-1080.4%
	466,406,999	794,343,341	(327,936,342)	-41.3%
EARNINGS PER SHARE (Note 3):				
Basic/diluted, for income for the period attributable to equity holders of the Parent	0.31	0.53	(0.22)	-41.9%

See accompanying Notes to Consolidated Financial Statements.


Mary Ann G. Daugdaug
Asst. Finance Manager


Jaime M. Balisacan
SVP - Finance & Administration

Equity Attributable to Equity Holders of the Parent

[illegible]

See accompanying Notes to Consolidated Financial Statements.

Jaime M. Balisacan
SVP - Finance & Administration

SPC POWER CORPORATION AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF CASH FLOWS

	Six Months ended June 30	
	2022	2021
	(Unaudited)	(Unaudited)
CASH FLOWS FROM OPERATING ACTIVITIES		
Income before income tax	495,527,105	845,256,381
Adjustments for:		
Equity in net losses (earnings) of associates	(348,362,830)	(543,536,437)
Depreciation and amortizations	41,294,284	43,617,008
Interest expense	43,042	139,929
Net changes in pension liability	(1,085,516)	(1,862,822)
Interest income	(6,026,050)	(17,346,986)
Others -net	(45,987,303)	229,123
Operating income before working capital changes	135,402,732	326,496,196
Decrease (increase) in:		
Trade and other receivables	(140,808,721)	(142,552,466)
Prepayments and other current assets	(7,478,222)	(3,733,002)
Materials and supplies	(52,664,457)	(2,403,162)
Increase (decrease) in:		
Trade and other payables	243,336,382	13,498,538
Customers' deposits	1,730,144	6,905,640
Net cash generated from operations	179,517,858	198,211,744
Income tax paid	(28,729,311)	(38,033,312)
Interest paid	(124,454)	(134,322)
Interest received	6,045,112	20,616,548
Net cash flows from operating activities	156,709,205	180,660,658
CASH FLOWS FROM INVESTING ACTIVITIES		
Cash dividends received	323,926,239	691,813,394
Additions to plant, property and equipment	(94,181,183)	(40,664,706)
Decrease (increase) in:		
Other noncurrent assets	(2,888,739)	(303,860)
Net cash provided by (used in) investing activities	226,856,317	650,844,828
CASH FLOWS FROM FINANCING ACTIVITIES		
Payment of lease liabilities	(2,559,207)	(1,792,432)
Cash dividends paid	(299,310,361)	(1,501,765,053)
Net cash provided by (used in) financing activities	(301,869,568)	(1,503,557,485)
NET EFFECT OF EXCHANGE RATE CHANGES	58,126,907	(2,323,003)
NET INCREASE IN CASH AND CASH EQUIVALENTS	139,822,861	(674,375,002)
CASH AND CASH EQUIVALENTS AT BEG. OF PERIOD	2,984,110,635	3,944,306,886
CASH AND CASH EQUIVALENTS AT END OF PERIOD	3,123,933,496	3,269,931,884

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 2021.

3. Earnings Per Share

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

	Six Months Ended June 30	
	2022	2021
Net income attributable to equity holders of the parent	₱462,132,162	₱794,805,676
Weighted average number of common shares issued and outstanding	1,496,551,803	1,496,551,803
Basic/Diluted earnings per share	₱0.31	₱0.53

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 June 30, 2022.

4. Seasonal Aspects

The group does not have any seasonal aspect that has a material effect on its financial condition and results of operations.

5. Nature and Amount of Items Affecting Assets, Liabilities, Equity, Net Income, or Cash Flows That Are Unusual Because of Their Nature, Size or Incidence.

Aside from what are already disclosed in the management's discussion and analysis of financial condition and results of operations, there are no other assets, liabilities, equity, net income or cash flows that are unusual because of their nature, size or incidence.

6. Nature and Amount of Changes in Estimates of Amounts Reported in Prior Interim Periods of the Current Financial Year or Changes in Estimates of Amounts Reported in Prior Financial Years, if Those Changes Have a Material Effect in the Current Interim Period.

There are no changes in estimates of amounts in the first semester of 2022.

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

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

8. Segment Information

For management purposes, the Group is organized into business units based on their products and services provided as follows:

- Generation - generation and supply of power and ancillary services to NPC/PSALM, NGCP, distribution utilities, WESM and other customers.
- Distribution - distribution and sale of electricity to the end-users.
- Others - includes the operations of SECI and SLCI such as to manage, operate and invest in power generating plants and related facilities.

The operating segments are consistent with those reported to the BOD, the Group's Chief Operating Decision Maker (CODM).

The Group operates and generates revenue principally only in the Philippines (i.e., one geographical location). Thus, geographical segment information is not presented.

The CODM monitors the operating results of its business units separately for the purpose of making decisions about resource allocation and performance assessment. Segment performance is evaluated based on operating profit or loss in the consolidated financial statements.

No inter-segment revenues were earned within the Group in the six months ended June 30, 2022 and 2021.

The following tables present revenue and income information and certain asset and liability information regarding the business segments as of June 30, 2022 and 2021:

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

June 30, 2021						
	Before Eliminations			Adjustments and Eliminations	After Eliminations/ Consolidated	
	Generation	Distribution	Others			
Revenue	₱635,197,612	₱487,002,833	₱—	₱1,122,200,445	₱—	₱1,122,200,445
Income before income tax	999,594,176	(2,498,134)	2,474,047	999,570,089	(154,313,708)	845,256,381
Net income	949,118,348	(2,935,346)	2,474,047	948,657,049	(154,313,708)	794,343,341
Total assets	7,546,940,475	705,493,805	77,489,411	8,329,923,691	2,411,699,114	10,741,622,805
Property, plant and equipment	526,382,775	219,971,647	—	746,354,422	1,268,382	747,622,804
Total liabilities	405,716,250	494,005,738	24,519	899,746,507	(5,973,814)	893,772,693
Depreciation and amortization	31,036,127	12,580,881	—	43,617,008	—	43,617,008

Adjustments and Eliminations

Adjustments and eliminations are part of detailed reconciliations presented below:

Reconciliation of Net Income

	Six Mos. Ended June 30	
	2022	2021
Segment net income	₱442,228,239	₱948,657,048
Equity in net earnings of associates	348,362,830	543,536,437
Dividend Income	(323,926,239)	(697,850,144)
Group net income	₱466,664,830	₱794,343,341

Reconciliation of Total Assets

	June 30, 2022	Dec. 31, 2021
Segment assets	₱8,428,126,589	₱8,071,102,510
Inter-segment receivables	(8,724,747)	(14,575,375)
Investments in associates and subsidiaries	2,287,612,377	2,263,175,787
Goodwill	32,522,016	32,522,016
Group assets	₱10,739,536,235	₱10,352,224,938

Reconciliation of Total Liabilities

	June 30, 2022	Dec. 31, 2021
Segment liabilities	₱1,150,166,068	₱935,802,036
Inter-segment payables	(85,406)	(5,936,033)
Group liabilities	₱1,150,080,662	₱929,866,003

9. Effect of Changes in the Composition of the Issuer During the Interim Period, Including Business Combinations, Acquisition or Disposal of Subsidiaries & Long-term Investments, Restructurings, and Discontinuing Operations.

There are no changes in the composition of the registrant during the interim period.

10. Changes in Contingent Liabilities or Contingent Assets Since the Last Annual Balance Sheet Date.

There are no changes in contingent liabilities or contingent assets since the last annual balance sheet date.

11. Financial Risk Management and Policies

The Group's principal financial instruments comprise of cash and cash equivalents and trade and other payables. The Group has various other financial assets and liabilities such as trade and other receivables, trade and other payables, PSALM deferred adjustments included under "Other noncurrent assets", due from/due to related parties, dividend payable, and customers' deposits which arise directly from its operations.

The main risks arising from the Group's financial instruments are liquidity risk and credit risk.

The Group's senior management oversees the management of these risks. The Group's senior management ensures that the Group's financial risk-taking activities are governed by appropriate policies and procedures and that financial risks are identified, measured and managed in accordance with the Group's policies and risk appetite.

The BOD reviews and approves policies for managing each of these risks and they are summarized below.

Interest Rate Risk

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

As of June 30, 2022 and December 31, 2021, the Group does not have a financial liability that is exposed to interest rate risk.

Liquidity Risk

Liquidity risk is the potential of not meeting obligations as they come due because of an inability to liquidate assets or obtain adequate funding. The Group's objective is to maintain a balance between continuity of funding and flexibility. The Group maintains sufficient cash and cash equivalents to finance its operations. Any excess cash is invested in short-term money market placements. These placements are maintained to meet maturing obligations and pay dividend declarations.

The tables below summarize the maturity profile of the Group's financial assets used to manage liquidity risk and financial liabilities at June 30, 2022 and December 31, 2021 based on contractual undiscounted payments:

		June 30, 2022				
	Total	Current	1 to 30 Days	31 to 60 Days	61 to 90 Days	Over 90 Days
Financial Assets						
At amortized cost:						
Cash and cash equivalents	₱3,123,933,496	₱3,123,933,496	₱—	₱—	₱—	₱—
Trade and other receivables						
PSALM	—	—	—	—	—	—
Receivable from customers	503,063,870	367,217,254	41,429,432	10,392,458	9,093,493	74,931,233
Current portion of PSALM deferred adjustments	36,798,477	36,798,477	—	—	—	—
Due from related parties	2,468,688	154,078	16,085	15,923	15,835	2,266,767
Others	88,286,247	22,716,722	10,361,425	14,588,440	7,826,174	32,793,486
	630,617,282	426,886,531	51,806,942	24,996,821	16,935,502	109,991,486
PSALM deferred adjustments (included in "Other noncurrent assets")	50,904,560	—	—	—	—	50,904,560
	3,805,455,338	3,550,820,027	51,806,942	24,996,821	16,935,502	160,896,046
At FVOCI:						
Investment in proprietary club shares	8,000,000	—	—	—	—	8,000,000
	3,813,455,338	3,550,820,027	51,806,942	24,996,821	16,935,502	168,896,046
Financial Liabilities						
Trade and other payables						
Trade	550,881,249	547,413,603	1,362,848	1,196,949	250,351	657,498
Nontrade	50,866,791	37,617,862	68,370	—	—	13,180,559
Accrued expenses	44,466,392	26,066,747	369,102	369,102	369,102	17,292,339
Due to related parties	502,643	—	—	—	—	502,643
	646,717,075	611,098,212	1,800,320	1,566,051	619,453	31,633,039
Customers' deposits	188,549,583	—	—	—	—	188,549,583
Lease liabilities	103,110	—	—	—	—	103,110
Other noncurrent liability	50,904,560	—	—	—	—	50,904,560
	886,274,328	611,098,212	1,800,320	1,566,051	619,453	271,190,292
Net Financial Assets (Liabilities)	₱2,927,181,010	₱2,939,721,815	₱50,006,622	₱23,430,770	₱16,316,049	(₱102,294,246)

		December 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	₱2,984,110,635	₱2,984,110,635	₱—	₱—	₱—	₱—
Trade and other receivables						
PSALM	1,015,262	—	—	—	—	1,015,262
Receivable from customers	307,274,236	156,633,651	44,133,687	13,797,096	10,952,451	81,757,351
Dividends receivable	79,999,911	79,999,911	—	—	—	—
Current portion of PSALM deferred adjustments	36,798,477	36,798,477	—	—	—	—
Due from related parties	2,190,509	79,314	15,000	18,450	72,762	2,004,983
Others	62,549,226	32,934,724	4,661,276	3,431,009	2,119,080	19,403,137
	489,827,621	306,446,077	48,809,963	17,246,555	13,144,293	104,180,733
PSALM deferred adjustments (included in "Other noncurrent assets")	72,370,338	—	—	—	—	72,370,338
	3,546,308,594	3,290,556,712	48,809,963	17,246,555	13,144,293	176,551,071
At FVOCI:						
Investment in proprietary club shares	8,000,000	—	—	—	—	8,000,000
	3,554,308,594	3,290,556,712	48,809,963	17,246,555	13,144,293	184,551,071
Financial Liabilities						
Trade and other payables						
Trade	329,057,824	308,846,970	7,172,718	5,308,674	1,980,569	5,748,893
Nontrade	48,837,121	40,412,010	66,544	52,037	—	8,306,530
Accrued expenses	24,945,253	17,357,746	59,338	59,338	356,029	7,112,802
Dividends payable	4,342,484	4,342,484	—	—	—	—
Due to related parties	1,012,353	194,600	—	—	—	817,753
	408,195,035	371,153,810	7,298,600	5,420,049	2,336,598	21,985,978
Customers' deposits	186,776,397	—	—	—	—	186,776,397
Lease liabilities	2,662,317	—	—	—	—	2,662,317
Other noncurrent liability	72,370,338	—	—	—	—	72,370,338
	670,004,087	371,153,810	7,298,600	5,420,049	2,336,598	283,795,030
Net Financial Assets (Liabilities)	₱2,884,304,507	₱2,919,402,902	₱41,511,363	₱11,826,506	₱10,807,695	(₱99,243,959)

Credit Risk

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

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

With respect to credit risk arising from the financial assets of the Group, which comprise cash and cash equivalents, trade and other receivables, due from related parties and PSALM deferred adjustments included in "Other noncurrent assets", the Group's exposure to credit risk arises from default of the counterparty.

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

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

June 30, 2022			
	Maximum exposure	Offset	Exposure to credit risk
At amortized cost:			
Cash and cash equivalents (excluding cash on hand)	₱3,122,001,753	(₱9,186,577)	₱3,112,815,176
Trade and other receivables	630,617,282	(115,381,160)	515,236,122
PSALM deferred adjustments (included in "Other noncurrent assets")	50,904,560	—	50,904,560
	₱3,803,523,595	(₱124,567,737)	₱3,678,955,858

December 31, 2021			
	Maximum exposure	Offset	Exposure to credit risk
At amortized cost:			
Cash and cash equivalents (excluding cash on hand)	₱2,983,125,816	(₱9,020,940)	₱2,974,104,876
Trade and other receivables	489,827,621	(115,381,160)	374,446,461
PSALM deferred adjustments (included in "Other noncurrent assets")	72,370,338	—	72,370,338
	₱3,545,323,775	(₱124,402,100)	₱3,420,921,675

As of June 30, 2022 and December 31, 2021, the Group's significant concentration of credit risk pertains to its trade and other receivables and PSALM deferred adjustments amounting to ₱681.5 million and ₱562.2 million, respectively, and impaired financial assets, determined based on probability of collection, are adequately covered with allowance.

Applicable for the second quarter and year ended June 30, 2022 and December 31, 2021.

The following are the details of the Group's assessment of credit quality and the related ECLs as at June 30, 2022 and December 31, 2021:

General Approach

- *Cash and cash equivalents* - As of June 30, 2022 and December 31, 2021, the ECL relating to the cash and cash equivalents of the Group is minimal as these are deposited in reputable banks which have good bank standing, and is considered to have low credit risk.
- *Due from NPC/PSALM, related parties, and other receivables* - As of June 30, 2022 and December 31, 2021, there were no individually impaired accounts. No ECL is recognized for these receivables since there were no history of default payments. This assessment is undertaken each financial year through examining the financial position of the parties and the markets in which the parties operate.

Simplified Approach

- *Trade and other receivables* - The Group applied the simplified approach using a 'provision matrix'. As of June 30, 2022 and December 31, 2021, the allowance for impairment losses as a result from performing collective and specific impairment test amounted to ₱48.3 million. Management evaluated that the Parent Company's trade receivables are of high grade and of good credit quality.

June 30, 2022					
	Stage 1 12-month ECL	Stage 2 Lifetime ECL	Stage 3 Lifetime ECL	Lifetime ECL Simplified Approach	Total
Gross carrying amount	₱—	₱—	₱48,283,301	₱630,617,282	₱678,900,583
Loss allowance	—	—	(48,283,301)	—	(48,283,301)
Carrying amount	₱—	₱—	₱—	₱630,617,282	₱630,617,282

December 31, 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	₱498,321,064	₱538,110,922
Loss allowance	—	—	(39,789,858)	(8,493,443)	(48,283,301)
Carrying amount	₱—	₱—	₱—	₱489,827,621	₱489,827,621

The Group grades its financial assets as follows:

- *Cash and Cash Equivalents*: These are assessed as high grade since these are deposited in reputable banks which have good bank standing, thus credit risk is minimal.
- *Receivable/Due from NPC/PSALM, NGCP and Distribution Utilities*: These are assessed as high grade since these receivables arose from the contract provisions of the ROMM Agreement, Operation and Maintenance Service Contracts (OMSC), Ancillary Services Procurement Agreements (ASPA), Power Supply Contracts (PSCs), and/or collectible from government institution.
- *Receivable from Customers of BLCI*: Receivables from commercial customers are classified as high grade; receivables from residential customers as standard; and receivables from the government, hospitals and radio stations as substandard. Classification is based on the collection history with these customers.

- *Due from Related Parties:* These are assessed as standard, although recoverability of these receivables is certain, as these are given secondary priority as to settlement by the related parties compared to third party obligations.
- *Other Receivables:* Grading of financial assets is determined individually based on the Group's collection experience with the counterparty.

Fair Value of Financial Assets and Financial Liabilities

Fair value is defined as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. Fair values are obtained from quoted market prices, discounted cash flow models and option pricing models, as appropriate.

The following methods and assumptions are used to estimate the fair value of each class of financial instruments:

- *Cash and Cash Equivalents, Trade and Other Receivables, Trade and Other Payables and Due From/To Related Parties.* The carrying amounts of cash and cash equivalents, trade and other receivables, trade and other payables and due from/to related parties approximate their value due to the relatively short-term maturity of these financial instruments.
- *Investment in Proprietary Club Shares.* Market values have been used to determine the fair value of listed proprietary club shares.
- *Noncurrent Receivable (included in "Other Noncurrent Assets") and Other Noncurrent Liability.* The fair values of the noncurrent receivable and noncurrent liability are based on the net present value of cash flows using the prevailing market rate of interest. As of June 30, 2022 and December 31, 2021, the carrying values of the noncurrent receivable and noncurrent liability approximate their fair values.
- *Customers' Deposits.* The fair value of customers' deposits approximates the carrying value as (1) bill deposits earn interest at the prevailing market interest rate in accordance with regulatory guidelines and (2) the timing and related amounts of future cash flows relating to material deposits cannot be reasonably and reliably estimated for purposes of establishing their fair values using an alternative valuation technique.

As of June 30, 2022 and December 31, 2021, the Group considers its investment in proprietary club shares measured and carried at fair values of ₱8.0 million under Level 1 classification, respectively. The Group also considers its noncurrent receivable amounting to ₱50.9 million and ₱72.4 million as of June 30, 2022 and December 31, 2021, respectively, noncurrent liability amounting to ₱50.9 million and ₱72.4 million as of June 30, 2022 and December 31, 2021, and customers' deposits amounting to ₱188.5 million and ₱186.8 million as of June 30, 2022 and December 31, 2021, respectively, under the Level 3 classification.

During the reporting period ended June 30, 2022, 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. Acquisition of 40.5% Interest in STEAG State Power, Inc. (SPI)

On September 20, 2021, the Parent Company was invited by STEAG GmbH (Seller) to participate in the submission of Firm Offer for the acquisition of its 51% interest in STEAG State Power, Inc. (SPI).

SPI owns and operates Mindanao's first coal-fired power plant located at the PHIVIDEC Industrial Estate in Villanueva, Misamis Oriental. The plant was built through a Build-Operate-Transfer scheme with the NPC as the other party to the Power Purchase Agreement with a period of twenty-five (25) years.

On December 10, 2021, the Parent Company and its affiliate Intrepid Holdings, Inc. (IHI), together as Purchasers, were selected as the Preferred Prospective Purchasers with the view to negotiate the Sale and Purchase Agreement (SPA) expeditiously. Negotiations on the SPA commenced on December 13, 2021.

After series of negotiations, the SPA was executed among the parties on February 10, 2022. Subject to the terms and conditions of the SPA, the Seller shall sell its 51% interest in the outstanding capital stock of SPI to the Purchasers, with the Parent Company acquiring 40.5% interest and IHI acquiring 10.5% interest. The Consideration for the transfer of ownership rights over the shares shall be the sum of: (i) the consideration for both the common and redeemable shares of US\$52.0 million (allocated between the Parent Company and IHI at US\$41.3 million and US\$10.7 million, respectively) and (ii) interest accrued at the Locked Box Interest Rate as provided for in the SPA.

The Completion of the sale is subject to certain closing conditions and the final purchase price shall be confirmed after closing. Completion shall be on the tenth (10th) business day after the date on which the conditions are satisfied or waived or at such other date that the parties agree in writing, but no later than June 1, 2022, unless the parties agree to extend such date if Completion does not occur by such date.

However, due to the unlikelihood of securing completely the satisfaction or waiver of the conditions precedent, the Parties mutually agreed to terminate the SPA effective May 5, 2022 at 6:15 PM.

13. 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.