

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

810 44 74 to 77

Company Telephone Number

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Month Day
Calendar Year

SEC FORM

1	7	-	Q
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FORM TYPE

0	5	3	0
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Month Day
Annual Meeting

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Secondary License Type, If Applicable

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Dept. Requiring this Doc.

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Amended Articles Number / Section

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Total No. of Stockholders

Total Amount of Borrowings

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Domestic Foreign

To be accomplished by SEC Personnel concerned

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File Number

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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 March 31, 2020
2. SEC Identification Number AS094-002365 3. BIR Tax Identification No. 003-868-048

SPC POWER CORPORATION

4. Exact name of issuer as specified in its charter
- Metro Manila, Philippines
5. Province, country or other jurisdiction of incorporation or organization

6. Industry Classification Code [REDACTED] (SEC Use Only)

7th Floor, Cebu Holdings Center, Cebu Business Park, Cebu City 6000
(Manila Office: 7th Floor, 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

Title of Each Class

Number of Shares of Common Stock
Outstanding and Amount of Debt
Outstanding

Common Shares (as of March 31, 2020)

1,496,551,803 shares

Total Debt (as of March 31, 2020)

₱864,142,142

11. Are any or all of the securities listed on a Stock Exchange?

Yes [] No []

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

Philippine Stock Exchange

common shares

12. Check whether the issuer:

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

Yes [] No []

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

Yes [] No []

PART I – FINANCIAL INFORMATION

ITEM 1. CONSOLIDATED FINANCIAL STATEMENTS

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

- a. Consolidated Statements of Financial Position – March 31, 2020 (unaudited) and December 31, 2019 (audited).
- b. Consolidated Statements of Comprehensive Income – Three Months Ended March 31, 2020 and 2019 (unaudited).
- c. Consolidated Statements of Changes in Stockholders’ Equity – Three Months Ended March 31, 2020 and 2019 (unaudited).
- d. Consolidated Statements of Cash Flows – Three Months ended March 31, 2020 and 2019 (unaudited).
- e. Notes to the Consolidated Interim Financial Statements.

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

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

Financial Conditions and Results of Operations

Results of Operations

Three Months Ended March 31, 2020 and 2019

The Group’s total comprehensive income grew by a robust 53.5% to P492.6 million in the first quarter of 2020, from P320.9 million in the same period last year. This was achieved mainly on the back of stellar performance from the investees and power distribution business segment which more than offset the lower income contribution from power generation due to competition. Power generation and distribution operations were held steady in the first quarter of 2020 to meet higher demand albeit on skeleton staffing/work-from-home arrangements for most of support services starting mid-March 2020.

With higher results, earnings per share increased to P0.32 in the first quarter of 2020 as compared to P0.21 in the previous year.

The combined equity share in the earnings of investee companies accounted for 78.6% of the Group's total comprehensive income in the first quarter of 2020. Power generation and power distribution contributed 16.20% and 5.2%, respectively.

Equity share from the earnings of investee companies almost doubled to ₱387.3 million in the first quarter of 2020, from ₱197.2 million in the same months last year. Operation of the investee companies in the first three months of 2020 was benefitted by the combined effects of zero outages of power generating units, higher sales volume, lower operating expenses, and higher other income for engineering services. In contrast, growth was weakened in the same period last year due mainly to lower revenues and higher operating expenses resulting from the scheduled major overhaul of a 100 MW power plant that lasted for 36.5 days.

The distribution business unit likewise increased its contribution to the total comprehensive income to ₱25.1 million in the first quarter of 2020, up 120.1% and boosted mainly by the increase in the volume of electricity sold. Volume of electricity sold increased by 12.0% to 32,257 MWh in the first quarter of 2020 from 28,803 MWh in the same period last year.

However, the net income contributed by the power generation business segment slowed sharply by 28.8% to ₱79.9 million in the first three months of 2020, due mainly to low market price brought about by competitive supply environment.

Consolidated revenues decreased by 5.2% to ₱540.7 million in 2020, from ₱570.1 million in 2019, due mainly to low market price brought about by competitive supply environment.

Consolidated gross margin also decrease by 9.1% to ₱140.6 million in the first quarter of 2020, from ₱154.7 million in the same period last year, due mainly to revenue reduction that cannot be fully offset by lower cost of services.

Consolidated administrative and general expenses went down by 20.0% to ₱43.1 million in January–March 2020, from ₱53.8 million in the same three months last year. The decrease was attributed mainly to lower expenses for business development, taxes and licenses, and repairs and maintenance.

Interest income substantially decreased by 59.3% to ₱12.0 million, from ₱29.4 million, because of lower effective interest rate and lower amount of excess cash invested in short-term money market placements after the payment of cash dividends in the last quarter of 2019.

Other service income decreased by 28.6% to ₱18.2 million, from ₱25.5 million due to lower technical engineering and upgrading services rendered.

Financial Condition

March 31, 2020 Vs. December 31, 2019

Total consolidated assets of the Group expanded further by 3.8% to ₱11,519.1 million as at end-March 2020 from the last audited balance of ₱11,095.7 million as at end-December 2019. The increase was attributed mainly to the continued growth in: (i) the carrying value of investments and (ii) the balance of total current assets more particularly on receivables and inventories.

The growth in total assets was accompanied by 7.4% decrease in total liabilities to ₱864.1 million as at end-March 2020 from ₱933.3 million as at end-December 2019.

Total stockholders' equity grew by 4.8% to ₱10,655.0 million as at end-March 2020 from ₱10,162.4 million as at end-December 2019 due to the additional comprehensive income earned in the first quarter of 2020. Book value per share rose to ₱7.70 as at end-March 2020 compared to ₱6.79 as at end-December 2019.

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 16.7% to ₱486.9 million as at end-March 2020 from ₱417.2 million as at end-December 2019 due mainly to higher billings in March 2020 compared to the billings made in December 2019.

Investment in associates grew by another 6.5% to ₱6,336.7 million as at end-March 2020 from ₱5,949.3 million as at end-December 2019. The increase reflected fresh equity share in the net earnings of associates amounting to ₱387.3 million in the first quarter of 2020.

Trade and other payables decreased by 19.5% to ₱391.5 million as at end-March 2020 from ₱486.0 million as at end-December 2019 due mainly to payment of payables outstanding as of December 31, 2019.

Income tax payable increased by 88.5% to ₱62.6 million as at end-March 2020, from ₱33.2 million as at end-2019. The increase was due to provision for income tax in the first quarter of 2020 for payment in May 2020. The income tax payable for the fourth quarter of 2019 remained outstanding as of March 31, 2020 pending actual remittance to the BIR on or before April 15, 2020.

Other noncurrent liabilities decreased by 6.3% to ₱136.8 million from ₱146.0 million due mainly to amortization of cost recovery adjustment approved by ERC to be recovered by PSALM through the distribution business segment of the Group over a period of seven years from January 2018. The original amount of ₱257.6 million was booked as noncurrent liabilities pending remittance to PSALM the amount collected from customers over a period of seven years from January 2018.

Unappropriated retained earnings increased by 8.5% to ₱6,158.2 million as at end-March 2020 from ₱5,677.2 million at the beginning of the year. The net increase is reflective of the comprehensive income attributable to equity holders of the Parent Company in the quarter ended March 31, 2020.

Cash Flows

The Group continued to support its liquidity from internally generated cash flows.

In the quarter ended March 31, 2020, cash flows from operating activities resulted into a net cash outflow of ₱4.0 million, a reversal from the net cash inflow of ₱197.7 million generated during the same period in 2019. This was due mainly to lower cash profit (after deducting equity share from earnings of associates) generated in 2020, higher payment of payables outstanding as at end-2019, and increase in trade receivables as at end-March 2020.

Apart from additions to property, plant and equipment amounting to P7.8 million in the first three months of 2020, there were no other significant cash flows from investing and financing activities during the period.

As at end-March 2020, the balance of cash and cash equivalents stood at P3,213.4 million, only 0.4% lower compared to the balance at the beginning of the year.

Key Performance Indicators

The following financial indicators are used, among others, to evaluate the performance of the Group as of March 31, 2020 and December 31, 2019 and for the three months ended March 31, 2020 and 2019:

Key Performance Indicators	2020	2019
A. For Three Months Ended March 31, 2020 and 2019:		
Earnings Per Share	P0.32	P0.21
Share In Net Earnings of Associates	P387,324,158	P197,170,058
Return on Equity (total comprehensive income divided by average total equity)	4.73%	3.15%
Return on Assets (total comprehensive income divided by average total assets)	4.36%	2.89%
Cash Flows:		
Net cash flows generated from (used in) operating activities	(P3,956,270)	P197,659,312
Net cash flows used in investing activities	(P8,525,357)	(P22,203,616)
Net cash flows used in financing activities	(P1,191,273)	(P849,987)
Solvency ratio (total comprehensive income before depreciation and amortization divided by total liabilities)	0.60	0.39
B. As of March 31, 2020 and December 31, 2019:		
Cash and cash equivalents at end of period	P3,213,414,426	P3,227,403,650
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)	9.06	7.82
Debt ratio (total liabilities divided by total assets)	0.08	0.08
Debt-to-equity ratio (total liabilities divided by total equity)	0.08	0.09

Further descriptions of the performance indicators are shown below:

Earnings Per Share (EPS)

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

Share in Net Earnings of Associates

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

Return on Equity

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

Return on Assets

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

Cash Flows

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

Current Ratio

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

Debt Ratio

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

Debt-to-Equity Ratio

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

Solvency Ratio

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

Any Significant Elements of Income or Loss from Continuing Operations

Please see other operational and financial information below.

Material Off-Balance Sheet Items

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

Material Commitments for Capital Expenditures

As of March 31, 2020, 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

Please see other operational and financial information below.

Other Operational & Financial Information

In a move to contain the COVID-19 outbreak, on March 13, 2020, the Office of the President of the Philippines issued a Memorandum directive to impose stringent social distancing measures in the National Capital Region effective March 15, 2020. On March 16, 2020, Presidential Proclamation No. 929 was issued, declaring a State of Calamity throughout the Philippines for a period of six (6) months and imposed an enhanced community quarantine throughout the island of Luzon until April 12, 2020, which was subsequently extended to April 30, 2020 and further extended to May 15, 2020 for most parts of Luzon. On various dates after March 13, 2020, the respective governments of Cebu, Bohol and Iloilo implemented similar quarantine measures through issuance of Executive Orders. These measures have caused disruptions to businesses and economic activities, and its impact on businesses continue to evolve.

The Group considers the events surrounding the outbreak as non-adjusting subsequent events, which do not impact its financial position and performance as of and for the quarter ended March 31, 2020. However, the outbreak could have a material impact on its financial results after March 31, 2020. Considering the evolving nature of this outbreak, the Group cannot determine at this time the impact to its financial position,

performance and cash flows. The Group will continue to monitor the situation and implement necessary measures to help prevent the spread of the pandemic while continuing with its operations

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
Accountant


JAIME M. BALISACAN
SVP-Finance and Administration

Date: May 26, 2020

Date: May 26, 2020


SPC POWER CORPORATION AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME

(Amounts in Philippine Pesos)

	Three Months Ended March 31		Increase / (Decrease)	
	2020 (Unaudited)	2019 (Unaudited)	Amount	Percent
REVENUE	540,690,554	570,113,932	(29,423,378)	-5.2%
COST OF SERVICES				
Plant operations	400,054,099	415,451,378	(15,397,279)	-3.7%
GROSS MARGIN	140,636,455	154,662,554	(14,026,099)	-9.1%
GENERAL AND ADM. EXPENSES	(43,060,737)	(53,792,396)	10,731,659	-20.0%
OTHER INCOME (CHARGES):				
Equity in net earnings of associates	387,324,158	197,170,058	190,154,100	96.4%
Interest Income	11,981,298	29,439,598	(17,458,300)	-59.3%
Interest Expense	(151,670)	(21,210)	(130,460)	615.1%
Service Income	18,182,902	25,456,063	(7,273,161)	-28.6%
Foreign exchange gains (losses) - net	171,051	(612,550)	783,601	-127.9%
Others - net	7,629,750	8,063,920	(434,170)	-5.4%
INCOME BEFORE INCOME TAX	522,713,207	360,366,037	162,347,170	45.1%
PROVISION FOR/(BENEFIT FROM) INCOME TAX				
Current	30,112,529	34,181,674	(4,069,145)	-11.9%
Deferred	5,510	5,305,271	(5,299,761)	-99.9%
	30,118,039	39,486,945	(9,368,906)	-23.7%
NET INCOME	492,595,168	320,879,092	171,716,076	53.5%
OTHER COMPREHENSIVE INCOME	0	0	0	0.0%
TOTAL COMPREHENSIVE INCOME	492,595,168	320,879,092	171,716,076	53.5%
ATTRIBUTABLE TO:				
Equity holders of the Parent	480,834,029	315,583,858	165,250,171	52.4%
Non-controlling interests	11,761,139	5,295,234	6,465,905	122.1%
	492,595,168	320,879,092	171,716,076	53.5%
EARNINGS PER SHARE (Note 3):				
Basic/diluted, for income for the period attributable to equity holders of the Parent	0.32	0.21	0.11	52.4%

See accompanying Notes to Consolidated Financial Statements.


Mary Ann G. Daugdaug
Accountant


Jaime M. Ballsacan
SVP - Finance & Administration

SPC POWER CORPORATION AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF FINANCIAL POSITION

(Amounts in Philippine Pesos)

	March 31, 2020	Dec. 31, 2019	Incr. / (Decr.)	
	(Unaudited)	(Audited)	Amount	Percent
ASSETS				
Current Assets				
Cash and cash equivalents	3,213,414,426	3,227,403,650	(13,989,224)	-0.4%
Trade and other receivables - net	486,893,211	417,223,875	69,669,336	16.7%
Due from related parties	1,679,022	1,673,605	5,417	0.3%
Material and supplies	387,498,139	378,365,129	9,133,010	2.4%
Prepayments and other current assets	78,866,332	81,543,758	(2,677,426)	-3.3%
Total Current Assets	4,168,351,130	4,106,210,017	62,141,113	1.5%
Noncurrent Assets				
Investment in associates	6,336,654,630	5,949,330,471	387,324,159	6.5%
Property, plant and equipment - net	776,398,934	793,752,516	(17,353,582)	-2.2%
Deferred income tax assets	31,190,559	31,196,068	(5,509)	0.0%
Other noncurrent assets - net	206,542,068	215,213,331	(8,671,263)	-4.0%
Total Noncurrent Assets	7,350,786,191	6,989,492,386	361,293,805	5.2%
TOTAL ASSETS	11,519,137,321	11,095,702,403	423,434,918	3.8%
LIABILITIES & STOCKHOLDERS' EQUITY				
Current Liabilities				
Trade and other payables	391,511,285	486,047,993	(94,536,708)	-19.5%
Due to related parties	497,043	605,080	(108,037)	-17.9%
Income tax payable	62,649,536	33,237,796	29,411,740	88.5%
Current portion of lease liabilities	5,360,873	5,356,648	4,225	0.1%
Total current liabilities	460,018,737	525,247,517	(65,228,780)	-12.4%
Noncurrent Liabilities				
Customers' deposits	155,501,667	149,096,391	6,405,276	4.3%
Asset retirement obligation	81,430,397	81,430,397	0	0.0%
Lease liabilities - net of current portion	3,842,299	5,130,633	(1,288,334)	-25.1%
Net pension liabilities	26,581,369	26,430,161	151,208	0.6%
Other noncurrent liability	136,767,673	145,967,292	(9,199,619)	-6.3%
Total noncurrent liabilities	404,123,405	408,054,874	(3,931,469)	-1.0%
Total Liabilities	864,142,142	933,302,391	(69,160,249)	-7.4%

(Forward)

**SPC POWER CORPORATION AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF FINANCIAL POSITION**

(Amounts in Philippine Pesos)

	March 31, 2020	Dec. 31, 2019	Incr. / (Decr.)	
	(Unaudited)	(Audited)	Amount	Percent
Stockholders' Equity				
Capital stock - P1 par value				
Authorized - 2,000,000,000 shares				
Issued - 1,569,491,900 shares	1,569,491,900	1,569,491,900	0	0.0%
Additional paid-in capital	86,810,752	86,810,752	0	0.0%
Retained earnings (Note 12):				
Unappropriated	6,158,228,165	5,677,177,016	481,051,149	8.5%
Appropriated	2,800,000,000	2,800,000,000	0	0.0%
Other comprehensive income:				
Remeasurement of employee benefits	298,265	298,265	0	0.0%
Net unrealized valuation gains				
on financial asset at FVOCI	5,650,000	5,650,000	0	0.0%
Share in remeasurement of employee				
benefits of associates	(2,154,261)	(2,154,261)	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	10,487,316,647	10,006,265,498	481,051,149	4.8%
Equity attributable to Non-controlling interests	167,678,532	156,134,514	11,544,018	7.4%
Total Stockholders' Equity	10,654,995,179	10,162,400,012	492,595,167	4.8%
TOTAL LIABILITIES and EQUITY	11,519,137,321	11,095,702,403	423,434,918	3.8%

See accompanying Notes to Consolidated Financial Statements.



Mary Ann G. Daugdaug
Accountant


Jaime M. Balisacan
SVP - Finance & Administration

SPC POWER CORPORATION AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF CASH FLOWS

	Three Months ended March 31	
	2020 (Unaudited)	2019 (Unaudited)
CASH FLOWS FROM OPERATING ACTIVITIES		
Income before income tax	522,713,207	360,366,037
Adjustments for:		
Equity in net losses (earnings) of associates	(387,324,158)	(197,170,058)
Depreciation and amortizations	25,614,154	26,940,291
Interest expense	151,670	21,210
Net changes in pension liability	151,208	(1,424,753)
Interest income	(11,981,298)	(29,439,598)
Others -net	(5,685)	6,242,893
Operating income before working capital changes	149,319,098	165,536,022
Decrease (increase) in:		
Trade and other receivables	(72,938,897)	85,375,746
Due from NPC/PSALM		
Due from related parties	(5,418)	(77,526)
Prepayments and other current assets	2,677,425	(12,886,077)
Materials and supplies	(9,133,011)	(15,437,449)
Increase (decrease) in:		
Trade and other payables	(94,451,889)	(54,850,616)
Due to NPC/PSALM		
Due to related parties	(108,045)	(541,888)
Customers' deposits	6,380,723	2,041,561
Net cash generated from operations	(18,260,014)	169,159,773
Income tax paid	(700,788)	(952,307)
Interest paid	(246,328)	(78,172)
Interest received	15,250,860	29,530,018
Net cash flows from operating activities	(3,956,270)	197,659,312
CASH FLOWS FROM INVESTING ACTIVITIES		
Cash dividends received		
Additions to plant, property and equipment	(7,832,721)	(31,726,591)
Proceeds from disposal of plant, property and equipment	107,143	0
Decrease (increase) in:		
Other noncurrent assets	(799,779)	9,522,975
Net cash provided by (used in) investing activities	(8,525,357)	(22,203,616)
CASH FLOWS FROM FINANCING ACTIVITIES		
Payment of lease liabilities	(1,191,273)	0
Cash dividends paid	0	(849,987)
Net cash provided by (used in) financing activities	(1,191,273)	(849,987)
NET EFFECT OF EXCHANGE RATE CHANGES	(316,324)	1,518,927
NET INCREASE IN CASH AND CASH EQUIVALENTS	(13,989,224)	176,124,636
CASH AND CASH EQUIVALENTS AT BEG. OF PERIOD	3,227,403,650	2,937,042,859
CASH AND CASH EQUIVALENTS AT END OF PERIOD	3,213,414,426	3,113,167,495

See accompanying Notes to Financial Statements.


Mary Ann G. Daugdaug
Accountant


Jaime M. Balisacan
SVP - Finance & Administration

SPC POWER CORPORATION AND SUBSIDIARIES
 CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY
 FOR THREE MONTHS ENDED MARCH 31, 2020 AND 2019

	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	Retained Earnings					
						Appropriated	Unappropriated				
Balances at January 1, 2020	P1,569,491,900	P86,310,752	(P131,008,174)	P298,266	(P2,154,261)	P2,300,000,000	P5,677,394,136	P5,650,000	P10,006,482,618	P155,917,393	P10,162,400,011
Total comprehensive income	-	-	-	-	-	-	480,834,029	-	480,834,029	11,791,139	492,595,168
Balances at March 31, 2020	P1,569,491,900	P86,310,752	(P131,008,174)	P298,266	(P2,154,261)	P2,300,000,000	P6,158,228,165	P5,650,000	P10,487,316,647	P167,678,532	P10,654,995,179
Balances at January 1, 2019	P1,569,491,900	P86,310,752	(P131,008,174)	P5,779,181	P898,119	P1,500,000,000	P6,841,355,868	P4,850,000	P9,879,177,646	P146,493,134	P10,024,670,780
Total comprehensive income	-	-	-	-	-	-	315,583,868	-	315,583,868	5,296,234	320,879,992
Balances at March 31, 2019	P1,569,491,900	P86,310,752	(P131,008,174)	P5,779,181	P898,119	P1,500,000,000	P7,156,939,726	P4,850,000	P10,193,761,504	P151,789,368	P10,345,549,872

See accompanying Notes to Consolidated Financial Statements.


 Mary Ann G. Daugdaug
 Accountant


 Jaime M. Balisacan
 SVP - Finance & Administration

SPC POWER CORPORATION AND SUBSIDIARIES

SELECTED NOTES TO INTERIM CONSOLIDATED FINANCIAL STATEMENTS

1. General

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

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

The consolidated interim financial statements of the Group were authorized for issue by the Parent Company's Board of Directors through its Executive Committee on May 28, 2020.

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 2019.

3. Earnings Per Share

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

	Three Months Ended March 31	
	2020	2019
Net income attributable to equity holders of the parent	₱480,834,029	₱315,583,858
Weighted average number of common shares issued and outstanding	1,496,551,803	1,496,551,803
Basic/Diluted earnings per share	₱0.32	₱0.21

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

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

There are no dilutive potential common stocks issued as of March 31, 2020.

4. Seasonal Aspects

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

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

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

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

There are no changes in estimates of amounts in the first quarter of 2020.

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

There are no issuances, repurchases and repayments of debt and equity securities during the three months ended March 31, 2020.

8. Segment Information

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

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

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

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

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

No inter-segment revenues were earned within the Group in the three months ended March 31, 2020 and 2019.

The following tables present revenue and income information and certain asset and liability information regarding the business segments as of March 31, 2020 and 2019:

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

March 31, 2019						
	Before Eliminations			Total	Adjustments and Eliminations	After Eliminations/ Consolidated
	Generation	Distribution	Others			
Revenue	₱312,755,613	₱257,358,319	₱-	₱570,113,932	₱-	₱570,113,932
Income before income tax	147,461,759	15,734,220	-	163,195,979	197,170,058	360,366,037
Net income	112,282,115	11,426,919	-	123,709,034	197,170,058	320,879,092
Total assets	7,383,118,786	749,428,005	94,739,820	8,227,286,611	3,017,351,959	11,244,638,570
Property, plant and equipment	580,264,166	195,763,193	-	776,027,359	-	776,027,359
Total liabilities	380,558,678	522,250,405	118,396	902,927,479	(3,838,781)	899,088,698
Depreciation and amortization	22,349,272	4,591,019	-	26,940,291	-	26,940,291

Adjustments and Eliminations

Adjustments and eliminations are part of detailed reconciliations presented below:

Reconciliation of Net Income

	Three Mos. Ended March 31	
	2020	2019
Segment net income	₱105,271,010	₱123,709,034
Equity in net earnings of associates	387,324,158	197,170,058
Group net income	₱492,595,168	₱320,879,092

Reconciliation of Total Assets

	Mar. 31, 2020	Dec. 31, 2019
Segment assets	₱8,408,577,982	₱8,383,206,978
Inter-segment receivables	(16,549,497)	(27,289,252)
Investments in associates and subsidiaries	3,094,586,820	2,707,262,661
Goodwill	32,522,016	32,522,016
Group assets	₱11,519,137,321	₱11,095,702,403

Reconciliation of Total Liabilities

	Mar. 31, 2020	Dec. 31, 2019
Segment liabilities	₱871,742,232	₱951,642,237
Inter-segment payables	(7,600,090)	(18,339,846)
Group liabilities	₱864,142,142	₱933,302,391

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

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

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

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

11. Financial Risk Management and Policies

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

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

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

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

Interest Rate Risk

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

As of March 31, 2020 and December 31, 2019, the Group does not have a financial liability that is exposed to interest rate risk.

Liquidity Risk

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

The tables below summarize the maturity profile of the Group's financial assets used to manage liquidity risk and financial liabilities at March 31, 2020 and December 31, 2019 based on contractual undiscounted payments:

March 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	P3,213,414,426	P3,213,414,426	P-	P-	P-	P-
Trade and other receivables						
PSALM	1,015,262	-	-	-	-	1,015,262
Receivable from customers	414,301,588	212,016,547	112,338,069	18,213,079	13,326,344	58,407,549
Current portion of PSALM deferred adjustments	36,798,477	36,798,477	-	-	-	-
Others	34,777,884	1,061,022	1,587,257	3,820,797	1,144,220	27,164,588
Due from related parties	486,893,211	249,876,046	113,925,326	22,033,876	14,470,564	86,587,399
PSALM deferred adjustments (included in "Other noncurrent assets")	1,679,022	47,063	17,169	38,688	94,323	1,481,779
	136,767,673	-	-	-	-	136,767,673
	3,838,754,332	3,463,337,535	113,942,495	22,072,564	14,564,887	224,836,851
At FVOCI:						
Investment in proprietary club shares	7,300,000	-	-	-	-	7,300,000
	3,846,054,332	3,463,337,535	113,942,495	22,072,564	14,564,887	232,136,851
Financial Liabilities						
Trade and other payables						
Trade	188,441,640	172,686,713	3,902,328	3,494,925	1,582,622	6,775,052
Accrued expenses	32,384,647	19,180,595	264,697	-	2,193,923	10,745,432
Nontrade	68,016,165	52,865,976	55,167	304,320	-	14,790,702
	288,842,452	244,733,284	4,222,192	3,799,245	3,776,545	32,311,186
Due to related parties	497,043	-	-	-	-	497,043
Customers' deposits	155,501,667	-	-	-	-	155,501,667
Lease liabilities	9,559,044	-	-	-	-	9,559,044
Other noncurrent liability	136,767,673	-	-	-	-	136,767,673
	591,167,879	244,733,284	4,222,192	3,799,245	3,776,545	334,636,613
Net Financial Assets (Liabilities)	P3,254,886,453	P3,218,604,251	P109,720,303	P18,273,319	P10,788,342	(P102,499,762)

December 31, 2019						
	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	P3,227,403,650	P3,227,403,650	P-	P-	P-	P-
Trade and other receivables						
PSALM	1,015,262	-	-	-	-	1,015,262
Receivable from customers	346,415,517	224,498,606	32,635,928	16,940,626	16,866,642	55,473,715
Current portion of PSALM deferred adjustments	36,798,477	36,798,477	-	-	-	-
Others	32,994,619	1,327,622	1,572,107	1,406,431	1,283,492	27,404,967
Due from related parties	417,223,875	262,624,705	34,208,035	18,347,057	18,150,134	83,893,944
PSALM deferred adjustments (included in "Other noncurrent assets")	1,673,605	139,476	49,571	20,366	21,959	1,442,233
	145,967,292	-	-	-	-	145,967,292
	3,792,268,422	3,490,167,831	34,257,606	18,367,423	18,172,093	231,303,469
At FVOCI:						
Investment in proprietary club shares	7,300,000	-	-	-	-	7,300,000
	3,799,568,422	3,490,167,831	34,257,606	18,367,423	18,172,093	238,603,469
Financial Liabilities						
Trade and other payables						
Trade	263,978,646	240,273,771	5,362,375	4,536,461	224,099	13,581,940
Accrued expenses	34,604,487	22,649,303	181	-	-	11,955,003
Nontrade	65,990,324	54,526,290	70,671	156,484	88,777	11,148,102
	364,573,457	317,449,364	5,433,227	4,692,945	312,876	36,685,045
Due to related parties	605,080	22,570	43,467	-	42,000	497,043
Customers' deposits	149,096,391	-	-	-	-	149,096,391
Lease liabilities	11,443,592	-	-	-	-	11,443,592
Other noncurrent liability	145,967,292	-	-	-	-	145,967,292
	671,685,812	317,471,934	5,476,694	4,692,945	354,876	343,689,363
Net Financial Assets (Liabilities)	P3,127,882,610	P3,172,695,897	P28,780,912	P13,674,478	P17,817,217	(P105,085,894)

Credit Risk

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

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

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

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

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

	March 31, 2020		
	Maximum exposure	Offset	Exposure to credit risk
At amortized cost:			
Cash and cash equivalents (excluding cash on hand)	P3,212,819,200	(P9,414,233)	P3,203,404,967
Trade and other receivables	486,893,211	(96,843,836)	390,049,375
Due from related parties	1,679,022	-	1,679,022
PSALM deferred adjustments (included in "Other noncurrent assets")	136,767,673	-	136,767,673
	P3,838,159,106	(P106,258,069)	P3,731,901,037
	December 31, 2019		
	Maximum exposure	Offset	Exposure to credit risk
At amortized cost:			
Cash and cash equivalents (excluding cash on hand)	P3,220,366,103	(P9,421,306)	P3,210,944,797
Trade and other receivables	417,223,875	(96,843,836)	320,380,039
Due from related parties	1,673,605	-	1,673,605
PSALM deferred adjustments (included in "Other noncurrent assets")	145,967,292	-	145,967,292
	P3,785,230,875	(P106,265,142)	P3,678,965,733

As of March 31, 2020 and December 31, 2019, the Group's significant concentration of credit risk pertains to its trade and other receivables and PSALM deferred adjustments amounting to P623.7 million and P563.2 million, respectively, and impaired financial assets, determined based on probability of collection, are adequately covered with allowance.

Applicable for the first quarter and year ended March 31, 2020 and December 31, 2019.

The following are the details of the Group's assessment of credit quality and the related ECLs as at March 31, 2020 and December 31, 2019:

General Approach

- *Cash and cash equivalents* - As of March 31, 2020 and December 31, 2019, the ECL relating to the cash and cash equivalents of the Group is minimal as these are deposited in reputable banks which have good bank standing, and is considered to have low credit risk.
- *Due from NPC/PSALM, related parties, and other receivables* - As of March 31, 2020 and December 31, 2019, there were no individually impaired accounts. No ECL is recognized for these receivables since there were no history of default payments. This assessment is undertaken each financial year through examining the financial position of the parties and the markets in which the parties operate.

Simplified Approach

- *Trade and other receivables* - The Group applied the simplified approach using a 'provision matrix'. As of March 31, 2020 and December 31, 2019, the allowance for impairment losses as a result from performing collective and specific impairment test amounted to P37.2 million. Management evaluated that the Parent Company's trade receivables are of high grade and of good credit quality.

March 31, 2020					
	Stage 1 12-month ECL	Stage 2 Lifetime ECL	Stage 3 Lifetime ECL	Lifetime ECL Simplified Approach	Total
Gross carrying amount	P-	P-	P34,702,715	P489,352,683	P524,055,398
Loss allowance	-	-	(34,702,715)	(2,459,472)	(37,162,187)
Carrying amount	P-	P-	P-	P486,893,211	P486,893,211

December 31, 2019					
	Stage 1 12-month ECL	Stage 2 Lifetime ECL	Stage 3 Lifetime ECL	Lifetime ECL Simplified Approach	Total
Gross carrying amount	P-	P-	P34,702,715	P419,683,347	P454,386,062
Loss allowance	-	-	(34,702,715)	(2,459,472)	(37,162,187)
Carrying amount	P-	P-	P-	P417,223,875	P417,223,875

The Group grades its financial assets as follows:

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

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

Fair Value of Financial Assets and Financial Liabilities

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

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

- *Cash and Cash Equivalents, Trade and Other Receivables, Trade and Other Payables and Due From/To Related Parties.* The carrying amounts of cash and cash equivalents, trade and other receivables, trade and other payables and due from/to related parties approximate their value due to the relatively short-term maturity of these financial instruments.
- *Investment in Proprietary Club Shares.* Market values have been used to determine the fair value of listed proprietary club shares.
- *Noncurrent Receivable (included in "Other Noncurrent Assets") and Other Noncurrent Liability.* The fair values of the noncurrent receivable and noncurrent liability are based on the net present value of cash flows using the prevailing market rate of interest. As of March 31, 2020 and December 31, 2019, the carrying values of the noncurrent receivable and noncurrent liability approximate their fair values.
- *Customers' Deposits.* The fair value of customers' deposits approximates the carrying value as (1) bill deposits earn interest at the prevailing market interest rate in accordance with regulatory guidelines and (2) the timing and related amounts of future cash flows relating to material deposits cannot be reasonably and reliably estimated for purposes of establishing their fair values using an alternative valuation technique.

As of March 31, 2020 and December 31, 2019, the Group considers its investment in proprietary club shares measured and carried at fair values of ₱7.3 million under Level 1 classification, respectively. The Group also considers its noncurrent receivable amounting to ₱136.8 million and ₱146.0 million as of March 31, 2020 and December 31, 2019, respectively, noncurrent liability amounting to ₱136.8 million and ₱146.0 million as of March 31, 2020 and December 31, 2019, and customers' deposits amounting to ₱155.5 million and ₱149.1 million as of March 31, 2020 and December 31, 2019, respectively, under the Level 3 classification.

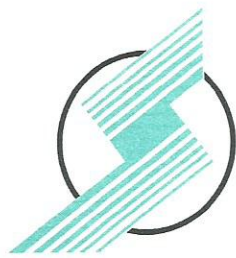
During the reporting period ended March 31, 2020, there were no transfers between Level 1 and Level 2 fair value measurements, and no transfers into and out of Level 3 fair value measurements.

12. Existence of Material Contingencies and any Other Events or Transactions that are Material to an Understanding of the Current Interim Period.

- a. On May 7, 2020, the BOD of the Parent Company approved the declaration of cash dividends equivalent to ₱0.40 per share, or for a total of ₱598.6 million, to all stockholders of records as of May 22, 2020 payable on May 29, 2020.
- b. In a move to contain the COVID-19 outbreak, on March 13, 2020, the Office of the President of the Philippines issued a Memorandum directive to impose stringent social distancing measures in the National Capital Region effective March 15, 2020. On March 16, 2020, Presidential Proclamation No. 929 was issued, declaring a State of Calamity throughout the Philippines for a period of six (6) months and imposed an enhanced community quarantine throughout the island of Luzon until April 12, 2020, which was subsequently extended to April 30, 2020 and further extended to May 15, 2020 for most parts of Luzon. On various dates after March 13, 2020, the respective local governments of Cebu, Bohol and Iloilo implemented similar quarantine measures through issuance of Executive Orders. These measures have caused disruptions to businesses and economic activities, and its impact on businesses continue to evolve.

The Group considers the events surrounding the outbreak as non-adjusting subsequent events, which do not impact its financial position and performance as of and for the three months ended March 31, 2020. However, the outbreak could have a material impact on the next quarters of 2020 financial results and even periods thereafter. Considering the evolving nature of this outbreak, the Group cannot determine at this time the impact to its financial position, performance and cash flows. The Group will continue to monitor the situation.

- c. 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.



SPC Power Corporation

CERTIFICATION

This is to certify the information contained in our reports are true and correct.

Issued on May 28, 2020 at Makati City, Philippines.

Very truly yours,


Remigio Michael A. Ancheta
Corporate Secretary