

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, 2018
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 (Manila Office: 7th Floor, Citibank Center, 8741 Paseo de Roxas, Makati City) 6000
7. Address of Issuer's principal office Code Postal
- (63 32) 232 0375; 232 0477 / (63 2) 810 4474 to 77, 810 4450, 810 4465
8. Issuer's telephone number, including area code
- N.A.
9. Former name of former address, if changed since last report

10. Securities registered pursuant to Sections 8 and 12 of the SRC or Section 4 and 8 of the RSA

Title of Each Class	Number of Shares of Common Stock Outstanding and Amount of Debt Outstanding
<u>Common Shares (as of June 30, 2018)</u>	<u>1,496,551,803 shares</u>
<u>Total Debt (as of June 30, 2018)</u>	<u>₱1,246,984,016</u>

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

Yes [] No []

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

Philippine Stock Exchange common shares

12. Check whether the issuer:

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

Yes [] No []

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

Yes [] No []

PART I – FINANCIAL INFORMATION

ITEM 1. CONSOLIDATED FINANCIAL STATEMENTS

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

- a. Consolidated Statements of Financial Position – June 30, 2018 (unaudited) and December 31, 2017 (audited).
- b. Consolidated Statements of Comprehensive Income – Three Months Ended June 30, 2018 and 2017 (unaudited).
- c. Consolidated Statements of Comprehensive Income – Six Months Ended June 30, 2018 and 2017 (unaudited).
- d. Consolidated Statements of Changes in Stockholders’ Equity – Six Months Ended June 30, 2018 and 2017 (unaudited).
- e. Consolidated Statements of Cash Flows – Six Months ended June 30, 2018 and 2017 (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, 2018 and 2017

Consolidated net income of the Group rose by 12.9% to ₱472.4 million in the second quarter of 2018 from ₱418.5 million in the same period last year. The improvement was buoyed by higher equity share in the earnings of investee companies which more than offset the lower contributions from the generation and distribution business segments.

The Group's share in the earnings of investees grew significantly by 46.9 % year-on-year to ₱333.9 million on better margins/less operation outages alongside the full impact of financing cost savings from prepayments of long-term bank loans in April 2017 and December 2017 amounting to US\$50.1 million and US\$23 million, respectively.

However, the net income contributed by the generation business unit dropped by 27.2% to ₱128.3 million in April – June 2018, from ₱176.2 million in the same three months last year, due mainly to maintenance outages. Management is, however, optimistic that income contributions from power generation will improve in the succeeding months after completion of maintenance activities done on the generating units.

Despite higher volumes sold, temporary under-recoveries of purchased power likewise resulted to a 32.9% fall in the net income contributed by the distribution business unit to ₱9.6 million in the second quarter of 2018 from ₱14.3 million in the same period last year.

Consolidated revenues slipped by 9.6% to ₱548.0 million in the second quarter of 2018, from ₱606.0 million in the same period last year, due mainly to maintenance outages.

Consolidated cost of services went down by 2.3% to ₱398.7 million in the second quarter of 2018, from ₱407.9 million in the same period last year. The increase in the cost of power purchased for distribution (due to both higher volume and price) was more than offset by lower cost of fuel and lubricants due to lower dispatch of power generating units.

Consolidated administrative and general expenses increased by 26.5% to ₱42.8 million in April – June 2018 from ₱33.8 million in the same period last year. This was traced mainly to higher expenses for business development, professional fees and insurance premiums.

Interest expense substantially dropped by 81.0% to ₱1.3 million from ₱7.0 million due to the prepayment of long-term bank loan of the Parent Company in October 2017.

Other income (service income) was halved to ₱18.2 million in the second quarter of 2018 from ₱36.4 million the year before due to slowdown on other projects undertaken by the Group.

Six Months Ended June 30, 2017 and 2016

The overall improved performance of the Group in the second quarter of 2018 pushed the consolidated net income in the first semester of 2018 to ₱967.5 million, only 1.5% lower compared to the same period last year.

The slight drop in the Group's first-half consolidated performance was attributed to lower earnings from the power generation and distribution business segments, negating the improved year-to-date earnings from the investee companies.

Equity share in the earnings of investee companies accounted for 63% of the consolidated net income in the first semester of 2018. Power generation and power distribution contributed 34% and 3%, respectively.

The consolidated net income translates to ₱0.64 in earnings per share in the first half of 2018 compared to ₱0.65 in the same period last year.

The performance likewise translated to a return on equity of 10.14% in the first half of 2018 versus 10.79% in the same period last year.

Boosted by their strong performance in the second quarter of 2018, the Group's share in the earnings of investee companies increased by 5.6% to ₱658.3 million in the first six months of 2018 from ₱623.2 million in the same period last year. Better margins and financing cost savings also more than offset the full impact of income taxation due to the expiration of an income tax holiday after February 20, 2017.

The six-month consolidated net income contribution from the power generation business stood at ₱290.9 million in 2018, 12.6% lower than the ₱332.9 million contribution in the same six-month period last year. The decrease was attributed mainly to maintenance outages and relatively low average price of capacity sold. Management is, however, optimistic that income contributions from power generation will improve in the succeeding months after completion of maintenance activities done on the generating units.

Notwithstanding the 7.6% growth in sales volume, the net income contribution from the power distribution business also fell by 31.5% to ₱17.7 million in the first six months of 2018, from ₱25.8 million in the same period last year, due mainly to temporary under-recovery of higher pass-through cost of purchased power.

Consolidated revenues in the first six months of 2018 decreased by 3.7% year-on-year to ₱1,108.2 million. The decrease was primarily attributed to maintenance outages and relatively low average price of capacity sold.

Consolidated cost of services went up by 6.2% to ₱803.2 million in the first six months of 2018, from ₱756.2 million in the same period last year. The increase was traced mainly to higher volume and price of power purchased by the distribution business unit.

Consolidated administrative and general expenses decreased by 2.6% to ₱74.1 million in the first six months of 2018, from ₱76.1 million in the same period last year, due mainly to lower personnel expenses.

Interest expense dropped by 81.6% to ₱2.7 million from ₱14.4 million due to the prepayment of long-term bank loan of the Parent Company in October 2017.

Financial Condition

June 30, 2018 Vs. December 31, 2017

Total consolidated assets of the Group slightly increased by 0.9% (equivalent to ₱94.1 million) to ₱10,966.1 million as at end-June 2018 from the last audited

balance of ₱10,872.1 million as at end-December 2017. The increase in total assets was attributed mainly to additional cash inflows generated from operating and investing activities.

The growth in total assets was coupled by 17.3% reduction in total liabilities (equivalent to ₱261.0 million) to ₱1,247.0 million as at end-June 2018 from ₱1,507.9 million as at end-December 2017. The decrease was due mainly to payment of trade and other payables substantially outstanding as of December 31, 2017.

Total stockholders' equity likewise increased by 3.8% to ₱9,719.2 million as at end-June 2018 from ₱9,364.2 million as at end-December 2017. The 3.8% net growth came from the total comprehensive income in the first half of 2018 amounting to ₱967.5 million less cash dividends declared amounting to ₱612.5 million. Book value per share grew to ₱6.49 as at end-June 2018 compared to ₱6.26 as at end-December 2017.

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

Cash and cash equivalents rose by 11.7% to ₱1,613.7 million as at end-June 2018 from ₱1,445.3 million as at end-December 2017. Details of changes in the balance of cash and cash equivalents are discussed in the section of Cash Flows below.

Trade and other receivables decreased by 5.2% to ₱434.3 million as at end-June 2018 from ₱457.9 million as at end-December 2017 due mainly to collection of prior year's receivables as well as lower billings in June 2018 compared to the billings made in December 2017.

Materials and supplies inventory increased by 4.5% to ₱632.7 million as at end-June 2018 from ₱605.2 million at the beginning of the year. The increase was traced mainly to the build up of inventories for fuel and maintenance spare parts to complete the rehabilitation of PB 104.

Prepayments and other current assets decreased by 4.9% to ₱159.5 million as at end-June 2018 due mainly to lower input tax carried over for offsetting against future output tax.

Investment in associates decreased slightly by 1.2% to ₱6,106.5 million as of June 30, 2018 from ₱6,181.8 million as of December 31, 2017. The decrease reflected the net effect of the following : (i) decrease in investments due to cash dividends received from the investee companies amounting to ₱733.5 million and (ii) addition to investment due to fresh equity share in the net earnings of investee companies amounting to ₱658.3 million in the first six months of 2018.

Property, plant and equipment grew only slightly by 0.7% to ₱784.0 million from ₱778.3 million. The increase was net of the following : (i) additions amounting to ₱45.8 million and (ii) depreciation and disposal amounting to ₱40.2 million in the first six months of 2018.

As at end-June 2018, total other noncurrent assets stood at ₱1,199.6 million, about the same as the balance at the beginning of the year. The balance of this

account is inclusive of ₱1,143.2 million that was paid by the Parent Company to PSALM for the acquisition of the 153.1 MW Naga Power Plant Complex (NPPC). Please see Note 12 of the interim consolidated financial statements.

Trade and other payables decreased by 36.1% to ₱455.3 million as at end-June 2018 from ₱712.7 million as at end-December 2017 due mainly to fuel purchases in November and December 2017 which were paid only in January 2018.

Income tax payable decreased by 25.7% to ₱36.1 million as at end-June 2018 from ₱48.6 million as at end-December 2017. The decrease was due to lower taxable income in the second quarter of 2018 (income tax is payable in August 2018) as compared to the fourth quarter of 2017 (income tax was paid on April 14, 2018).

Customers' deposits grew by 6.2% to ₱124.3 million as at end-June 30, 2018 from ₱117.0 million due mainly to additional bill and material deposits received from customers in the first six months of 2018.

Unappropriated retained earnings increased by 5.6% to ₱6,696.6 million from ₱6,338.5 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 first six months of 2018 amounting to ₱956.7 million, reduced by cash dividends amounting to ₱598.6 million that was declared by the Parent Company's Board of Directors on May 28, 2018.

Cash Flows

Cash and cash equivalents increased by 11.7% to ₱1,613.7 million as at end-June 2018 from the end-December 2017 level of ₱1,445.3 million. In the first semester of 2018, total net cash inflows generated from operating and investing activities exceeded net cash flows used for financing activities.

Major sources of cash and cash equivalents in the first semester of 2018 were from operating activities and cash dividends received from investee companies amounting to ₱87.4 million and ₱733.5 million, respectively.

The major applications of funds in the first semester of 2018 were: (i) payment of cash dividends amounting to ₱612.5 million, and (ii) new additions to property, plant and equipment amounting to ₱45.8 million.

Key Performance Indicators

The following financial indicators are used, among others, to evaluate the performance of the Group as of June 30, 2018 and December 31, 2017 and for the six months ended June 30, 2018 and 2017:

Key Performance Indicators	2018	2017
A. For Six Months Ended June 30, 2018 and 2017:		
Earnings Per Share	0.64	0.65
Share in Net Earnings of Associates	P658,261,168	P623,225,934
Return on Equity	10.14%	10.79%
Return on Assets	8.86%	9.23%
Cash Flows:		
Net cash flows generated from operating activities	P 87,358,192	P441,530,883
Net cash flows generated from investing activities	P689,249,208	P451,620,353
Net cash flows used in financing activities	(P612,522,721)	(P689,611,636)
B. As of June 30, 2018, and December 31, 2017:		
Balance of cash and cash equivalents at end of period	P1,613,742,348	P1,445,250,136
Current ratio	2.83	2.10
Debt ratio	0.11	0.14
Debt-to-equity ratio	0.13	0.16
Solvency ratio (annualized)	1.62	1.17

The formulas used to compute the performance indicators are shown below:

Earnings Per Share

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

Share in Net Earnings of Associates

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

Return on Equity

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

Return on Assets

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

Cash Flows

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

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 = the sum of comprehensive income, 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 Company with unconsolidated entities or other persons created during the reporting period.

Material Commitments for Capital Expenditures

As of June 30, 2018, there are no material commitments for capital expenditures other than in the ordinary course of business to improve power generation and distribution facilities. Funding comes from internally generated cash from operations.

Known Trends

Except as already discussed herein and in the notes to the interim consolidated financial statements, management is not aware of any other trend, event or uncertainty to have had or that are reasonably expected to have a material favorable or unfavorable impact on net sales/revenues/income from continuing operations. Management is likewise not aware of any other event that will trigger direct or contingent financial obligation that is material to the Group, including any default or acceleration of an obligation.

SIGNATURES

Pursuant to the requirements of the Securities Regulation Code, the Issuer has duly caused this report to be signed on its behalf by the undersigned thereunto duly authorized.

SPC POWER CORPORATION
Issuer

By:



MARY ANN G. DAUGDAUG

Accountant



JAIME M. BALISACAN

SVP – Finance and Administration

Date: August 10, 2018

Date: August 10, 2018

SPC POWER CORPORATION AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF FINANCIAL POSITION

(Amounts in Philippine Pesos)

	June 30, 2018	Dec. 31, 2017	Incr. / (Decr.)	
	(Unaudited)	(Audited)	Amount	Percent
ASSETS				
Current Assets				
Cash and cash equivalents	1,613,742,348	1,445,250,136	168,492,212	11.7%
Trade and other receivables - net	434,254,724	457,907,251	(23,652,527)	-5.2%
Due from related parties	1,563,738	1,845,907	(282,169)	-15.3%
Due from NPC/PSALM	1,175,128	1,175,128	0	0.0%
Material and supplies	632,687,889	605,212,040	27,475,849	4.5%
Prepayments and other current assets	159,452,439	167,670,855	(8,218,416)	-4.9%
Total Current Assets	2,842,876,266	2,679,061,317	163,814,949	6.1%
Noncurrent Assets				
Investment in associates	6,106,531,310	6,181,806,538	(75,275,228)	-1.2%
Property, plant and equipment - net	783,958,067	778,345,602	5,612,465	0.7%
Deferred income tax assets	33,170,535	32,495,775	674,760	2.1%
Other noncurrent assets (Note 12)	1,199,603,653	1,200,379,776	(776,123)	-0.1%
Total Noncurrent Assets	8,123,263,565	8,193,027,691	(69,764,126)	-0.9%
TOTAL ASSETS	10,966,139,831	10,872,089,008	94,050,823	0.9%
LIABILITIES & STOCKHOLDERS' EQUITY				
Current Liabilities				
Trade and other payables	455,257,716	712,737,725	(257,480,009)	-36.1%
Due to related parties	48,997	563,995	(514,998)	-91.3%
Income tax payable	36,145,569	48,630,922	(12,485,353)	-25.7%
Due to NPC/PSALM (Note 12)	511,650,588	511,650,588	0	0.0%
Total current liabilities	1,003,102,870	1,273,583,230	(270,480,360)	-21.2%
Noncurrent Liabilities				
Customers' deposits	124,325,103	117,045,681	7,279,422	6.2%
Asset retirement obligation	99,763,530	97,198,403	2,565,127	2.6%
Pension liability	19,792,513	20,107,378	(314,865)	-1.6%
Total noncurrent liabilities	243,881,146	234,351,462	9,529,684	4.1%
Total Liabilities	1,246,984,016	1,507,934,692	(260,950,676)	-17.3%

(Forward)


SPC POWER CORPORATION AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF FINANCIAL POSITION

(Amounts in Philippine Pesos)

	June 30, 2018	Dec. 31, 2017	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:				
Unappropriated	6,696,614,874	6,338,490,394	358,124,480	5.6%
Appropriated	1,350,000,000	1,350,000,000	0	0.0%
Other comprehensive income:				
Remeasurement of employee benefits	1,567,084	1,567,084	0	0.0%
Net unrealized valuation losses				
on available-for-sale investment	(350,000)	(350,000)	0	0.0%
Share in remeasurement of employee				
benefits of associates	(83,388)	(83,388)	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	9,573,043,048	9,214,918,568	358,124,480	3.9%
Equity attributable to Non-controlling interests	146,112,767	149,235,748	(3,122,981)	-2.1%
Total Stockholders' Equity	9,719,155,815	9,364,154,316	355,001,499	3.8%
TOTAL LIABILITIES and EQUITY	10,966,139,831	10,872,089,008	94,050,823	0.9%

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 COMPREHENSIVE INCOME

(Amounts in Philippine Pesos)

	Three Months Ended June 30		Increase / (Decrease)	
	2018 (Unaudited)	2017 (Unaudited)	Amount	Percent
REVENUE	548,031,361	605,950,728	(57,919,367)	-9.6%
COST OF SERVICES				
Plant operations	398,674,251	407,858,736	(9,184,485)	-2.3%
GROSS MARGIN	149,357,110	198,091,992	(48,734,882)	-24.6%
GENERAL AND ADM. EXPENSES	(42,805,072)	(33,834,516)	(8,970,556)	26.5%
OTHER INCOME (CHARGES):				
Equity in net earnings of associates	333,891,060	227,249,291	106,641,769	46.9%
Interest Income	6,299,029	6,393,559	(94,530)	-1.5%
Interest Expense	(1,332,693)	(7,002,730)	5,670,037	-81.0%
Service Income	18,182,902	36,365,804	(18,182,902)	-50.0%
Foreign exchange gains - net	3,529,520	1,270,376	2,259,144	177.8%
Others - net	43,119,879	38,386,131	4,733,748	12.3%
INCOME BEFORE INCOME TAX	510,241,735	466,919,907	43,321,828	9.3%
PROVISION FOR/(BENEFIT FROM) INCOME TAX				
Current	38,194,035	49,001,367	(10,807,332)	-22.1%
Deferred	(383,268)	(602,969)	219,701	-36.4%
	37,810,767	48,398,398	(10,587,631)	-21.9%
NET INCOME	472,430,968	418,521,509	53,909,459	12.9%
OTHER COMPREHENSIVE INCOME	0	0	0	0.0%
TOTAL COMPREHENSIVE INCOME	472,430,968	418,521,509	53,909,459	12.9%
ATTRIBUTABLE TO:				
Equity holders of the Parent	465,397,863	411,571,322	53,826,541	13.1%
Non-controlling interests	7,033,105	6,950,187	82,918	1.2%
	472,430,968	418,521,509	53,909,459	12.9%
EARNINGS PER SHARE (Note 3):				
Basic/diluted, for income for the period attributable to equity holders of the Parent	0.31	0.28	0.04	13.1%

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 COMPREHENSIVE INCOME

(Amounts in Philippine Pesos)

	Six Months Ended June 30		Increase / (Decrease)	
	2018 (Unaudited)	2017 (Unaudited)	Amount	Percent
REVENUE	1,108,171,892	1,150,753,504	(42,581,612)	-3.7%
COST OF SERVICES				
Plant operations	803,238,314	756,154,833	47,083,481	6.2%
GROSS MARGIN	304,933,578	394,598,671	(89,665,093)	-22.7%
GENERAL AND ADM. EXPENSES	(74,065,860)	(76,074,263)	2,008,403	-2.6%
OTHER INCOME (CHARGES):				
Equity in net earnings of associates	658,261,168	623,225,934	35,035,234	5.6%
Interest Income	9,439,110	10,310,957	(871,847)	-8.5%
Interest Expense	(2,662,634)	(14,441,115)	11,778,481	-81.6%
Service Income	54,548,707	54,549,110	(403)	0.0%
Foreign exchange gains - net	11,178,694	2,952,726	8,225,968	278.6%
Others - net	87,036,663	82,474,801	4,561,862	5.5%
INCOME BEFORE INCOME TAX	1,048,669,426	1,077,596,821	(28,927,395)	-2.7%
PROVISION FOR/(BENEFIT FROM) INCOME TAX				
Current	81,819,964	95,915,461	(14,095,497)	-14.7%
Deferred	(674,760)	(989,778)	315,018	-31.8%
	81,145,204	94,925,683	(13,780,479)	-14.5%
NET INCOME	967,524,222	982,671,138	(15,146,916)	-1.5%
OTHER COMPREHENSIVE INCOME	0	0	0	0.0%
TOTAL COMPREHENSIVE INCOME	967,524,222	982,671,138	(15,146,916)	-1.5%
ATTRIBUTABLE TO:				
Equity holders of the Parent	956,745,201	970,386,926	(13,641,725)	-1.4%
Non-controlling interests	10,779,021	12,284,212	(1,505,191)	-12.3%
	967,524,222	982,671,138	(15,146,916)	-1.5%
EARNINGS PER SHARE (Note 3):				
Basic/diluted, for income for the period attributable to equity holders of the Parent	0.64	0.65	(0.01)	-1.4%

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 CHANGES IN EQUITY
FOR SIX MONTHS ENDED JUNE 30, 2018 AND 2017

	Equity Attributable to Equity Holders of the Parent										
	Capital Stock	Additional Paid-In Capital	Treasury Stock at Cost	Remeasurement of Employee	Share of Associates	Retained Earnings		Net Unrealized	Total	Non-controlling Interest	Total
Balances at January 1, 2018	P1,569,491,900	P86,810,752	(P131,008,174)	P1,567,084	(P83,388)	P1,350,000,000	P6,338,490,394	(P350,000)	P9,214,918,568	P149,235,748	P9,364,154,316
Total comprehensive income	-	-	-	-	-	-	956,745,201	-	956,745,201	10,779,021	967,524,222
Cash dividends	-	-	-	-	-	-	(598,620,721)	-	(598,620,721)	(13,902,002)	(612,522,723)
Appropriation	-	-	-	-	-	-	-	-	-	-	-
Balances at June 30, 2018	P1,569,491,900	P86,810,752	(P131,008,174)	P1,567,084	(P83,388)	P1,350,000,000	P6,696,614,874	(P350,000)	P9,573,043,048	P146,112,767	P9,719,155,815
Balances at January 1, 2017	P1,569,491,900	P86,810,752	(P131,008,174)	P99,615	P194,814	P1,250,000,000	P5,621,443,413	(P350,000)	P8,396,682,320	P519,304,267	P8,915,986,587
Total comprehensive income	-	-	-	-	-	-	970,386,926	-	970,386,926	12,284,212	982,671,138
Cash dividends	-	-	-	-	-	-	(598,620,721)	-	(598,620,721)	-	(598,620,721)
Appropriation	-	-	-	-	-	-	-	-	-	-	-
Balances at June 30, 2017	P1,569,491,900	P86,810,752	(P131,008,174)	P99,615	P194,814	P1,250,000,000	P5,993,209,618	(P350,000)	P8,768,448,524	P531,588,479	P9,300,037,003

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

	Six Months ended June 30	
	2018 (Unaudited)	2017 (Unaudited)
CASH FLOWS FROM OPERATING ACTIVITIES		
Income before income tax	1,048,669,426	1,077,596,821
Adjustments for:		
Equity in net losses (earnings) of associates	(658,261,168)	(623,225,934)
Depreciation and amortizations	39,897,275	40,366,116
Interest expense	2,662,034	14,441,115
Interest income	(9,439,110)	(10,310,957)
Others -net	(5,168,827)	(2,645,957)
Operating income before working capital changes	418,359,630	496,221,204
Decrease (increase) in:		
Trade and other receivables	23,695,383	(80,369,873)
Due from related parties	282,169	339,247
Prepayments and other current assets	8,218,416	(6,625,058)
Materials and supplies	(27,475,849)	(6,066,665)
Increase (decrease) in:		
Trade and other payables	(257,480,011)	31,226,277
Due to NPC/PSALM	0	83,249,507
Due to related parties	(514,998)	(683,773)
Customers' deposits	7,279,422	9,642,986
Net cash generated from operations	172,364,162	526,933,852
Income tax paid	(94,305,317)	(83,717,632)
Interest paid	(219,962)	(11,996,294)
Interest received	9,519,309	10,310,957
Net cash flows from operating activities	87,358,192	441,530,883
CASH FLOWS FROM INVESTING ACTIVITIES		
Cash dividends received	733,536,395	552,743,821
Additions to plant, property and equipment	(45,805,044)	(101,184,121)
Proceeds from disposal of plant, property and equipment	1,517,857	0
Decrease (increase) in:		
Other noncurrent assets	0	60,653
Net cash provided by (used in) investing activities	689,249,208	451,620,353
CASH FLOWS FROM FINANCING ACTIVITIES		
Payment of long-term debt	0	(72,222,222)
Cash dividends paid	(612,522,721)	(617,389,414)
Net cash provided by (used in) financing activities	(612,522,721)	(689,611,636)
NET EFFECT OF EXCHANGE RATE CHANGES	4,407,533	3,051,962
NET INCREASE IN CASH AND CASH EQUIVALENTS	168,492,212	206,591,562
CASH AND CASH EQUIVALENTS AT BEG. OF PERIOD	1,445,250,136	1,749,497,644
CASH AND CASH EQUIVALENTS AT END OF PERIOD	1,613,742,348	1,956,089,206

See accompanying Notes to 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%

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 available-for-sale (AFS) investments 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 2017.

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	
	2018	2017
Net income attributable to equity holders of the parent	₱956,745,201	₱970,386,926
Weighted average number of common shares issued and outstanding	1,496,551,803	1,496,551,803
Basic/Diluted earnings per share	₱0.64	₱0.65

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, 2018.

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 2018.

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, 2018.

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, 2018 and 2017.

The following tables present revenue and income information and certain asset and liability information regarding the business segments as of June 30, 2018 and 2017:

June 30, 2018						
	Before Eliminations			Total	Adjustments and Eliminations	After Eliminations/ Consolidated
	Generation	Distribution	Others			
Revenue	₱603,548,589	₱504,623,303	₱-	₱1,108,171,892	₱-	₱1,108,171,892
Income before income tax	1,108,539,691	24,407,817	7,095,146	1,140,042,654	(91,373,228)	1,048,669,426
Net income	1,034,134,287	17,668,017	7,095,146	1,058,897,450	(91,373,228)	967,524,222
Total assets	7,463,346,576	490,457,351	121,521,665	8,075,325,592	2,890,814,239	10,966,139,831
Property, plant and equipment	621,759,392	162,198,675	-	783,958,067	-	783,958,067
Total liabilities	958,673,350	291,093,411	17,571	1,249,784,332	(2,800,316)	1,246,984,016
Depreciation and amortization	30,635,399	9,261,876	-	39,897,275	-	39,897,275

June 30, 2017						
	Before Eliminations			Total	Adjustments and Eliminations	After Eliminations/ Consolidated
	Generation	Distribution	Others			
Revenue	₱696,223,455	₱454,530,049	₱-	₱1,150,753,504	₱-	₱1,150,753,504
Income before income tax	972,361,201	33,974,322	779,185	1,007,114,708	70,482,113	1,077,596,821
Net income	885,605,447	25,804,393	779,185	912,189,025	70,482,113	982,671,138
Total assets	7,325,345,627	474,811,011	125,770,762	7,925,927,400	2,930,801,263	10,856,728,663
Property, plant and equipment	589,473,406	147,141,950	-	736,615,356	-	736,615,356
Total liabilities	1,298,771,505	257,667,174	11,557	1,556,450,236	241,424	1,556,691,660
Depreciation and amortization	30,967,160	9,398,956	-	40,366,116	-	40,366,116

Adjustments and Eliminations

Adjustments and eliminations are part of detailed reconciliations presented below:

Reconciliation of Net Income

	Six Mos. Ended June 30	
	2018	2017
Segment net income	₱1,061,219,447	₱ 912,189,025
Equity in net earnings of associates	658,261,168	623,225,934
Dividend income	(751,956,393)	(552,743,821)
Group net income	₱967,524,222	₱ 982,671,138

Reconciliation of Total Assets

	June 30, 2018	Dec. 31, 2017
Segment assets	₱8,075,325,593	₱7,904,282,717
Inter-segment receivables	(6,171,278)	(4,454,453)
Investments in associates and subsidiaries	2,864,463,500	2,939,738,728
Goodwill	32,522,016	32,522,016
Group assets	₱10,966,139,831	₱10,872,089,008

Reconciliation of Total Liabilities

	June 30, 2018	Dec. 31, 2017
Segment liabilities	₱1,249,784,332	₱ 1,509,018,186
Inter-segment payables	(2,800,316)	(1,083,494)
Group liabilities	₱1,246,984,016	₱ 1,507,934,692

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 long-term debt and cash and cash equivalents. The Group has various other financial assets and liabilities such as trade and other receivables, trade and other payables, due from/due to NPC/PSALM, due from/due to related parties and customers' deposits, which arise directly from its operations.

The main risks arising from the Group's financial instruments are interest rate risk, liquidity risk, foreign currency risk, credit risk and equity price 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.

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 and liabilities at June 30, 2018 and December 31, 2017 based on contractual undiscounted payments:

		June 30, 2018					
		Total	Current	1 to 30 Days	31 to 60 Days	61 to 90 Days	Over 90 Days
Financial Assets							
Loans and receivables:							
Cash and cash equivalents	₱1,613,742,348	₱1,613,742,348	₱-	₱-	₱-	₱-	₱-
Trade and other receivables:							
NPC	1,015,262	-	-	-	-	-	1,015,262
Receivable from customers	377,927,140	241,704,233	25,181,381	14,439,816	12,426,768	-	84,174,942
Others	55,312,322	20,663,508	1,277,570	1,940,324	542,769	-	30,888,151
	434,254,724	262,367,741	26,458,951	16,380,140	12,969,537	-	116,078,355
Due from NPC/PSALM	1,175,128	-	-	-	-	-	1,175,128
Due from related parties	1,563,738	66,189	70,249	-	23,668	-	1,403,632
	2,050,735,938	1,876,176,278	26,529,200	16,380,140	12,993,205	-	118,657,115
AFS:							
Quoted equity security	1,300,000	1,300,000	-	-	-	-	-
	2,052,035,938	1,877,476,278	26,529,200	16,380,140	12,993,205	-	118,657,115
Financial Liabilities							
Trade and other payables:							
Trade	277,233,888	140,351,123	13,677,186	330,859	47,157,477	-	75,717,243
Accrued expenses	32,161,621	17,144,692	667,143	392,074	516,286	-	13,441,426
Nontrade	48,589,646	17,710,290	-	-	-	-	30,879,356
	357,985,155	175,206,105	14,344,329	722,933	47,673,763	-	120,038,025
Due to NPC/PSALM	511,650,588	-	-	-	-	-	511,650,588
Due to related parties	48,997	4,457	22,254	22,286	-	-	-
Customers' deposits	124,325,103	-	-	-	-	-	124,325,103
	994,009,843	175,210,562	14,366,583	745,219	47,673,763	-	756,013,716
Net Financial Assets (Liabilities)	₱1,058,026,095	₱1,702,265,716	₱12,162,617	₱15,634,921	(₱34,680,558)	(₱637,356,601)	

		December 31, 2017					
		Total	Current	1 to 30 Days	31 to 60 Days	61 to 90 Days	Over 90 Days
Financial Assets							
Loans and receivables:							
Cash and cash equivalents	₱1,445,250,136	₱1,445,250,136	₱-	₱-	₱-	₱-	₱-
Trade and other receivables:							
NPC	1,497,011	-	-	-	-	-	1,497,011
Receivable from customers	405,974,878	302,960,726	31,407,755	15,428,333	29,007,423	-	27,170,641
Others	50,435,362	19,376,748	2,023,952	1,496,866	507,258	-	27,030,538
	457,907,251	322,337,474	33,431,707	16,925,199	29,514,681	-	55,698,190
Due from NPC/PSALM	1,175,128	-	-	-	-	-	1,175,128
Due from related parties	1,845,907	106,643	17,300	473,708	33,110	-	1,215,146
	1,906,178,422	1,767,694,253	33,449,007	17,398,907	29,547,791	-	58,088,464
AFS:							
Quoted equity security	1,300,000	1,300,000	-	-	-	-	-
	1,907,478,422	1,768,994,253	33,449,007	17,398,907	29,547,791	-	58,088,464
Financial Liabilities							
Trade and other payables:							
Trade	526,206,010	411,579,834	96,048,060	1,645,788	562,052	-	16,370,276
Accrued expenses	47,443,412	36,408,744	528,934	198,859	234,753	-	10,072,122
Nontrade	48,971,352	17,995,469	1,181,994	316,821	431,909	-	29,045,159
	622,620,774	465,984,047	97,758,988	2,161,468	1,228,714	-	55,487,557
Due to NPC/PSALM	511,650,588	-	-	-	-	-	511,650,588
Due to related parties	563,995	22,259	44,693	-	-	-	497,043
Customers' deposits	117,045,681	-	-	-	-	-	117,045,681
	1,251,881,038	466,006,306	97,803,681	2,161,468	1,228,714	-	684,680,869
Net Financial Assets (Liabilities)	₱655,597,384	₱1,302,987,947	(₱64,354,674)	₱15,237,439	₱28,319,077	(₱626,592,405)	

Foreign Currency Risk

Foreign currency risk is the risk that the future cash flows of a financial instrument will fluctuate because of changes in foreign exchange rates. Fair value foreign currency risk is the risk that the fair value of a financial instrument will fluctuate due to changes in foreign exchange rates.

The Group follows a policy to manage its currency risk by closely monitoring its cash flow position and exposure in U.S. dollar currency.

The following table demonstrates the sensitivity to a reasonably possible change in the US dollar exchange rate, with all other variables held constant, of the Group's income before income tax (due to changes in the fair value of monetary assets and liabilities). Philippine Dealing System (PDS) closing rates used are ₱53.340 and ₱49.930 on June 30, 2018 and December 31, 2017, respectively. There is no other impact on the Group's equity other than those already affecting the profit and loss.

	Increase (decrease) in US dollar rate	Effect on income before income tax
2018	+1	(₱1,681,548)
	-1	1,681,548
2017	+1	(₱1,753,725)
	-1	1,753,725

Foreign Currency-denominated Monetary Assets and Liabilities

The foreign currency-denominated monetary assets and liabilities and their Philippine Peso equivalents follow:

	U.S. Dollar		Peso Equivalent	
	June 30, 2018	Dec. 31, 2017	June 30, 2018	Dec. 31, 2017
Cash and cash equivalents	US\$3,161,508	US\$3,517,368	₱168,634,860	₱175,622,193
Trade and other payables:				
Trade	(9,000)	(5,000)	(480,060)	(249,650)
Long-term debt	—	—	—	—
Net foreign-currency-denominated monetary assets	US\$3,152,508	US\$3,512,368	₱168,154,800	₱175,372,543

Credit Risk

Credit risk refers to the risk that a counter party 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 NPC/PSALM, due from related parties and noncurrent receivable, 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, 2018		
	Maximum exposure	Offset	Exposure to credit risk
Loans and receivables:			
Cash and cash equivalents (excluding cash on hand)	₱1,613,412,431	(₱3,631,839)	1,609,780,592
Trade and other receivables	434,254,724	(99,999,095)	334,255,629
Due from related parties	1,563,738	–	1,563,738
Due from NPC/PSALM	1,175,128	–	1,175,128
Noncurrent receivable (included in "Other noncurrent assets")	1,143,240,000	–	1,143,240,000
	3,193,646,021	(103,630,934)	3,090,015,087
AFS financial asset	1,300,000	–	1,300,000
	₱3,194,946,021	(₱103,630,934)	₱3,091,315,087

	December 31, 2017		
	Maximum exposure	Offset	Exposure to credit risk
Loans and receivables:			
Cash and cash equivalents (excluding cash on hand)	₱1,444,922,676	(₱8,167,421)	₱1,436,755,255
Trade and other receivables	457,907,251	(75,707,947)	382,199,304
Due from related parties	1,845,907	–	1,845,907
Due from NPC/PSALM	1,175,128	–	1,175,128
Noncurrent receivable (included in "Other noncurrent assets")	1,143,240,000	–	1,143,240,000
	3,049,090,962	(83,875,368)	2,965,215,594
AFS financial asset	1,300,000	–	1,300,000
	₱3,050,390,962	(₱83,875,368)	₱2,966,515,594

As of June 30, 2018 and December 31, 2017, the Group's significant concentration of credit risk pertains to its trade and other receivables and due from NPC/PSALM amounting to ₱1,578.7 million and ₱1,602.3 million, respectively, and impaired financial assets, determined based on probability of collection, are adequately covered with allowance.

The following tables set out the aging analysis of the Group's past due but not impaired financial assets as of June 30, 2018 and December 31, 2017:

	June 30, 2018						
	Total	Neither Past Due nor Impaired	Past Due but Not Impaired				Impaired
			1 to 30 Days	31 to 60 Days	61 to 90 Days	Over 90 Days	
Loans and Receivables							
Cash and cash equivalents (excluding cash on hand)	₱1,613,412,431	₱1,613,412,431	₱–	₱–	₱–	₱–	₱–
Trade and other receivables:							
NPC/PSALM	1,015,262	–	–	–	–	1,015,262	–
Receivable from customers	400,895,529	241,704,233	25,181,381	14,439,816	12,426,768	84,174,942	22,968,389
Others	55,312,322	20,663,508	1,277,570	1,940,324	542,769	30,888,151	–
	457,223,113	262,367,741	26,458,951	16,380,140	12,969,537	116,078,355	22,968,389
Due from NPC/PSALM	1,175,128	–	–	–	–	1,175,128	–
Due from related parties	1,563,738	66,189	70,249	–	23,668	1,403,632	–
Noncurrent receivable (included in "Other noncurrent assets")	1,143,240,000	–	–	–	–	1,143,240,000	–
	3,216,614,410	1,875,846,361	26,529,200	16,380,140	12,993,205	1,261,897,115	22,968,389
AFS Financial Asset							
Quoted equity security	1,300,000	1,300,000	–	–	–	–	–
	₱3,217,914,410	₱1,877,146,361	₱26,529,200	₱16,380,140	₱12,993,205	₱1,261,897,115	₱22,968,389

December 31, 2017							
	Total	Neither Past Due nor Impaired	Past Due but Not Impaired				Impaired
			1 to 30 Days	31 to 60 Days	61 to 90 Days	Over 90 Days	
Loans and Receivables							
Cash and cash equivalents (excluding cash on hand)	₱1,444,922,676	₱1,444,922,676	₱-	₱-	₱-	₱-	₱-
Trade and other receivables:							
NPC/PSALM	1,497,011	-	-	-	-	1,497,011	-
Receivable from customers	428,905,375	302,960,725	31,407,754	15,428,333	29,007,424	27,170,642	22,930,497
Others	50,435,362	19,376,748	2,023,953	1,496,865	507,258	27,030,538	-
	480,837,748	322,337,473	33,431,707	16,925,198	29,514,682	55,698,191	22,930,497
Due from NPC/PSALM	1,175,128	-	-	-	-	1,175,128	-
Due from related parties	1,845,907	106,644	17,300	473,709	33,109	1,215,145	-
Noncurrent receivable (included in "Other noncurrent assets")	1,143,240,000	-	-	-	-	1,143,240,000	-
	3,072,021,459	1,767,366,793	33,449,007	17,398,907	29,547,791	1,201,328,464	22,930,497
AFS Financial Asset							
Quoted equity security	1,300,000	1,300,000	-	-	-	-	-
	₱3,073,321,459	₱1,768,666,793	₱33,449,007	₱17,398,907	₱29,547,791	₱1,201,328,464	₱22,930,497

Financial assets classified as neither past due nor impaired are assessed by the Group to be highly probable of collection, taking into consideration the parties involved and its collection experience.

The tables below summarize the credit quality of the Group's neither past due nor impaired financial assets as of June 30, 2018 and December 31, 2017:

June 30, 2018						
	Total	Neither Past Due nor Impaired			Past Due	Individually Impaired
		High Grade	Standard	Substandard		
Loans and Receivables						
Cash and cash equivalents (excluding cash on hand)	₱1,613,412,431	₱1,613,412,431	₱-	₱-	₱-	₱-
Trade and other receivables:						
NPC/PSALM	1,015,262	-	-	-	1,015,262	-
Receivable from customers	400,895,529	152,918,055	85,127,535	3,658,643	136,222,907	22,968,389
Others	55,312,322	20,103,227	560,281	-	34,648,814	-
	457,223,113	173,021,282	85,687,816	3,658,643	171,886,983	22,968,389
Due from NPC/PSALM	1,175,128	-	-	-	1,175,128	-
Due from related parties	1,563,738	-	66,189	-	1,497,549	-
Noncurrent receivable (included in "Other noncurrent assets")	1,143,240,000	-	-	-	1,143,240,000	-
	3,216,614,410	1,786,433,713	85,754,005	3,658,643	1,317,799,660	22,968,389
AFS Financial Asset						
Quoted equity security	1,300,000	1,300,000	-	-	-	-
	₱3,217,914,410	₱1,787,733,713	₱85,754,005	₱3,658,643	₱1,317,799,660	₱22,968,389

December 31, 2017						
	Total	Neither Past Due nor Impaired			Past Due	Individually Impaired
		High Grade	Standard	Substandard		
Loans and Receivables						
Cash and cash equivalents (excluding cash on hand)	₱1,444,922,676	₱1,444,922,676	₱-	₱-	₱-	₱-
Trade and other receivables:						
NPC/PSALM	1,497,011	-	-	-	1,497,011	-
Receivable from customers	428,905,375	188,139,334	111,428,522	3,392,869	103,014,153	22,930,497
Others	50,435,362	18,409,057	967,691	-	31,058,614	-
	480,837,748	206,548,391	112,396,213	3,392,869	135,569,778	22,930,497
Due from NPC/PSALM	1,175,128	-	-	-	1,175,128	-
Due from related parties	1,845,907	25,763	80,880	-	1,739,264	-
Noncurrent receivable (included in "Other noncurrent assets")	1,143,240,000	-	-	-	1,143,240,000	-
	3,072,021,459	1,651,496,830	112,477,093	3,392,869	1,281,724,170	22,930,497
AFS Financial Asset						
Quoted equity security	1,300,000	1,300,000	-	-	-	-
	₱3,073,321,459	₱1,652,796,830	₱112,477,093	₱3,392,869	₱1,281,724,170	₱22,930,497

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, OMSC, Ancillary Services Procurement Agreement, and 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 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, and Trade and Other Payables. The carrying amounts of cash and cash equivalents, trade and other receivables, and trade and other payables approximate their value due to the relatively short-term maturity of these financial instruments.

AFS Investments. Market values have been used to determine the fair value of listed AFS investments.

Noncurrent receivable (included in "Other noncurrent assets"). The fair value of noncurrent receivable is based on the net present value of cash flows using the prevailing market rate of interest. As of June 30, 2018 and December 31, 2017, the carrying value of the noncurrent receivable approximates its fair value.

As of June 30, 2018 and December 31, 2017, the carrying values of the Group's financial instruments, except for the long-term debt, approximate fair values due to their relatively short-term maturity.

Capital Management

The Group manages its capital structure and makes adjustments to it in the light of changes in economic conditions. To maintain or adjust the capital structure, the Group may adjust the dividend payment to stockholders, return capital to stockholders or

issue new shares. No changes were made in the objectives, policies or processes during as of June 30, 2018 and December 31, 2017.

The Group considers its equity as capital and is not subject to any externally imposed capital requirements. As of June 30, 2018 and December 31, 2017, the Group's equity amounted to ₱9,719.2 million and ₱9,364.2 million, respectively.

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

a. 153.1 MW Naga Power Plant Complex (NPPC)

Prior to the expiration of the OMSC on September 25, 2014, the Parent Company purchased the NPPC after exercising its "right-to-top" (RTT) the winning bid, which right was pursuant to the LLA with PSALM that was executed when the LBGTs were acquired by the Parent Company in 2010. Pursuant to the APA executed by the Parent Company and PSALM covering the purchase of the assets consisting of the thermal and diesel power plants (CTPP 1 and CTPP 2, and CDPP 1), the Parent Company paid PSALM a total of ₱463.3 million. The Parent Company and PSALM also entered into an LLA, as an ancillary contract to the APA, covering the land where the purchased assets are located, and paid in full the total lease rentals amounting to ₱712.5 million. Following the issuance of Notice of Award on July 28, 2014 and after completing all the conditions for Closing, PSALM turned over the NPPC to the Parent Company on September 25, 2014, coinciding with the termination of the OMSC.

More than one year after PSALM awarded the NPPC to the Parent Company, the Supreme Court (SC) declared the APA and the LLA for the sale of the NPPC to be null and void per decision promulgated on September 28, 2015.

On December 1, 2015, the Parent Company filed its Motion for Reconsideration of the SC Decision dated September 28, 2015. In said Motion for Reconsideration, the Parent Company stressed that, as the owner of the LBGT and the lease on the land on which the LBGT stands, it has an interest in the whole of the Complex and not just within the leased premises. This is due to the fact that the Parent Company's payment for the LBGT necessarily includes payment for the RTT, the LBGT and the land subject of the LBGT-LLA which forms part of the Complex, and the Parent Company shares in the use, upkeep and maintenance of the Co-Use Facilities within the Complex, thus, showing that the Parent Company's interest extends to the whole of the Complex.

On December 9, 2015, the SC resolved to deny the Motion for Reconsideration. Thus, a Motion For Leave to File and Admit the Attached Urgent Motion for Second Reconsideration and/or Referral to the En Banc was filed by the Parent Company on February 2, 2016. However, on April 6, 2016, the SC issued a Resolution where it resolved among others to deny the said Motion For Leave and noted without action, the attached Urgent Motion for Second Reconsideration and /or Referral to En Banc, in view of the denial of the Motion for Leave. Accordingly, an amount equivalent to ₱ 1.143 billion (i.e., amount paid by the Parent Company to PSALM in 2014, net of withholding tax) was recognized as other noncurrent receivable as of December 31, 2016 and 2015. On October 5, 2016, the SC granted the manifestation/motion of Therma Power Visayas, Inc. (TPVI) dated March 16, 2016 praying for the reinstatement of the notice of award in favor of TPVI dated April 30, 2014. The Parent Company then filed an Urgent Motion For Reconsideration with Alternative Motion to Refer to the En Banc, on November 2, 2016. In a Resolution dated

November 28, 2016, the SC denied the same. Another Urgent Motion For Reconsideration was filed by the Parent Company on December 9, 2016. This was followed up by the filing on January 19, 2017 of a Supplemental Motion/Petition for Referral to the En Banc which argued that there was a violation of SPC's substantive right to due process in reinstating the Notice of Award in favour of TPVI and a violation of procedural due process in lifting the Entry of Judgment of September 28, 2015.

On February 21, 2017, the Parent Company received the Entry of Judgment through its legal counsel certifying that the September 28, 2015 Decision and October 5, 2016 Resolution have become final and executory on November 28, 2016 and were recorded in the Books of Entries of Judgments.

On April 26, 2017, the SC issued a final resolution denying both the Motion for Reconsideration and the Supplemental Motion/Petition for Referral to the En Banc filed on December 9, 2016 and January 19, 2017, respectively. In its final resolution, the SC confirmed that the September 28, 2015 Decision and the October 5, 2016 Resolution became final on November 28, 2016.

After receipt of the Notice of the Second Entry of Judgment in February 2017, the Parent Company was anticipating a speedy turnover of the NPPC. However, serious negotiations never transpired as of December 31, 2017 through no fault of the Parent Company.

Considering that the NPPC has been in the possession of the Parent Company even after November 28, 2016, it has to operate the plant as the best way to preserve it in preparation for the eventual turn-over to PSALM and the return of the purchase price (SPC Bid) to the Parent Company as well as the reimbursement of expenses for the necessary and useful improvements made on the NPPC.

On July 9, 2018, PSALM and the Parent Company finally entered into a Memorandum of Agreement (MOU) containing the terms and conditions for the return of the NPPC to PSALM, return of the SPC Bid to SPC, and the settlement of all claims between the Parties.

In accordance with the MOU, PSALM and the Parent Company executed the Joint Certificate of Turnover on July 13, 2018. Thus, the Parent Company turned over the NPPC and paid the Fuel Payable to PSALM while PSALM returned the SPC Bid to the Parent Company.

Effect of NPPC turnover. The immediate effect of the turnover of NPPC on the Parent Company's business is the loss of revenue generated from the Cebu Diesel Power Plant with a dependable capacity of 33 MW. However, the said loss is expected to be substantially recovered with the completion of rehabilitation and full commercial operation of the 32-MW Power Barge 104 (PB 104, acquired from PSALM in 2016) within the second half of the current year. With the development of a new power plant at the NPPC already halted, the Parent Company has set its sights on power project opportunities in other parts of Visayas and Luzon.

b. Others

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.