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SECURITIES AND EXCHANGE COMMISSION

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Company Information

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Industry Classification
Company Type Stock Corporation

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

(Company's Full Name)

7 t h F l o o r C e b u H o l d i n g s C e n t e r
 A r c h b i s h o p R e y e s A v e n u e,
 C e b u B u s i n e s s P a r k , C e b u C i t y

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

Mr. Alfredo S. Ballesteros

Contact Person

810 44 74 to 77

Company Telephone Number

1 2 3 1
 Month Day
 Calendar Year

SEC FORM
 1 7 - Q
 FORM TYPE

0 5 3 1
 Month Day
 Annual Meeting

Secondary License Type, If Applicable

Dept. Requiring this Doc.

Amended Articles Number / Section

Total No. of Stockholders

Total Amount of Borrowings

Domestic

Foreign

To be accomplished by SEC Personnel concerned

File Number

LCU

Document I.D.

Cashier

STAMPS

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SECURITIES AND EXCHANGE COMMISSION

SEC FORM 17-Q

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

1. For the quarterly period ended September 30, 2016

2. SEC Identification Number AS094-002365 3. BIR Tax Identification No. 003-868-048

SPC POWER CORPORATION

4. Exact name of issuer as specified in its charter

Metro Manila, Philippines

5. Province, country or other jurisdiction of incorporation or organization

6. Industry Classification Code (SEC Use Only)

7th Floor, Cebu Holdings Center, Cebu Business Park, Cebu City 6000
(Manila Office: 7th Floor, 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 September 30, 2016)	1,496,551,803 shares
Total Debt (as of September 30, 2016)	₱1,611,278,339

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 – September 30, 2016 (unaudited) and December 31, 2015 (audited).
- b. Consolidated Statements of Comprehensive Income – Three Months Ended September 30, 2016 and 2015 (unaudited).
- c. Consolidated Statements of Comprehensive Income – Nine Months Ended September 30, 2016 and 2015 (unaudited).
- d. Consolidated Statements of Changes in Stockholders' Equity – Nine Months Ended September 30, 2016 and 2015 (unaudited).
- e. Consolidated Statements of Cash Flows – Nine Months ended September 30, 2016 and 2015 (unaudited).
- f. Notes to the Consolidated Financial Statements.

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

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

Financial Conditions and Results of Operations

Results of Operations

Three Months Ended September 30, 2016 and 2015

The Group's July-September 2016 consolidated net income increased by 6.1% year-on-year to P450.4 million, as higher earnings from the power distribution business segment and other income made up for lower earnings generated from the power generation business segment and associates.

The net income contributed by the power distribution business segment increased to P19.2 million in the third quarter of 2016 from P5.4 million only in the same period last year due mainly to: (i) the 8.1% increase in the volume of electricity distributed to customers in the third quarter of 2016 to 24,670 megawatt-hours from 22,814 megawatt-hours during the same quarter last year; and (ii) the implementation of the ERC-approved maximum average price of the distribution charge under the Performance Based Regulation of P0.9840 per kilowatt-hour effective August 2016.

Lower dispatch brought about by maintenance outage of some of the Group's generating units, coupled with lower spot market prices in September 2016, dragged down the gross margin (the difference between revenue and plant operating expenses) of the power generation business segment to ₱187.2 million in the third quarter of 2016 from ₱190.1 million in the same period last year. The dip in the spot market prices in September 2016 was attributed to confluence of increase supply due to higher availability of other competing generating units and lower demand due to generally colder temperature.

The overall equity share from the earnings of associates likewise fell 8.3% to ₱265.4 million in the July-September 2016 period from ₱289.3 million in the same period last year due mainly to the scheduled maintenance outage of one 100-MW generating unit of KSPC and higher operating expenses of MECO.

Consolidated revenues grew only by 1.3% year-on-year to ₱730.7 million in the third quarter of 2016 from ₱721.2 million in the same period last year. The increase was net of reduction in revenues coming from the power generation business unit.

Consolidated cost of services decreased only slightly by 1.1% to ₱516.9 million in the third quarter of 2016 from ₱522.6 million in the same period last year. The substantial decrease in the volume and cost of fuel used and lower depreciation and amortizations were partly offset by increase in purchased power distributed to customers (both in volume and cost) as well as higher usage of maintenance spares, materials and supplies.

As revenues grew faster than cost of services, consolidated gross margin (the difference between revenues and cost of services) increased by 7.6% to ₱213.7 million during the July-September 2016 period from ₱198.6 million in the same period last year.

Consolidated general and administrative expenses decreased by 16.8% to ₱31.4 million in July – September 2016 from ₱37.8 million in the same period last year. The decrease was due mainly to lower expenses for business development and taxes and licenses.

Nine Months Ended September 30, 2016 and 2015

Consolidated net income jumped by 29.7% to ₱1.48 billion in the first nine months of 2016, buoyed by strong performance from the investee companies and sustained margins from the power generation and distribution business segments.

The investee companies continued to give the biggest income contribution for the Group during the period, accounting for 65.2% of the total comprehensive income. The power generation and power distribution business segments contributed 31.4% and 3.3%, respectively.

Total equity share in the earnings of associates declined in the third quarter of 2016 due mainly to a generating unit that was under scheduled maintenance and higher operating expenses. However, the nine-month share was still up by 23.8% to ₱861.8 million in 2016 from ₱696.3 in the same period last year. Higher operating expenses were more than offset by higher revenues generated from customers under bilateral contracts, lower financing charges and lower net foreign exchange losses due to diminished balance of dollar-denominated obligations.

The nine-month net income contribution from the power generation business also remained high at ₱165.6 million in 2016 which was 27.8% higher compared to the ₱129.6 million contribution in the same nine-month period last year. This was attributed mainly to higher average availability of generating units and the additional income generated from new ancillary service contract started in the last quarter of 2015.

The net income contributed by the distribution business segment increased to ₱48.5 million in the first nine months of 2016 from ₱38.6 million only in the same period last year due mainly to: (i) the 11.2% increase in the volume of electricity distributed to customers in the first nine months of 2016 to 85,791 megawatt-hours from 77,181 megawatt-hours in the same nine-month span in 2015, and (ii) the implementation of the ERC-approved maximum average price of the distribution charge under the Performance Based Regulation of ₱0.9840 per kilowatt-hour effective August 2016.

The consolidated comprehensive income attributable to equity holders of the Parent Company translated to ₱0.97 in earnings per share compared to ₱0.75 in the same period last year (see Note 3).

The performance likewise translated to a return on equity of 17.29% in the first nine months of 2016 versus 15.84% in the same period last year.

Consolidated revenues across all segments grew 14.6% year-on-year to ₱2,301.5 million in the first nine months of 2016. The higher average demand for electricity and ancillary services boosted top-line growth during the period.

Consolidated cost of services, which covered the bulk of the Group's total operating expenses, went up by 4.0% to ₱1,534.2 million in the first nine months of 2016 from ₱1,475.7 million in the same period last year. Accounting for a major part of the increase were: (i) higher volume and cost of purchased power distributed to customers; (ii) higher usage of maintenance spares, materials and supplies; and (iii) higher personnel costs. These increases in costs were partly offset by lower fuel cost, depreciation and amortization.

As revenues grew faster than cost of services, consolidated gross margin (the difference between revenues and cost of services) increased by 44.2% to ₱767.3 million in the first nine months of 2016 from ₱532.0 million in the same nine-month period of 2015.

Consolidated general and administrative expenses substantially went up by 7.4% to ₱146.7 million in the first nine months of 2016 from ₱136.6 million in the same period last year. This was due mainly to higher expenses for business development, professional fees and personnel.

Financial Condition

September 30, 2016 Vs. December 31, 2015

As at end-September 2016, total consolidated assets grew by 12.1% to ₱10,664.9 million from the last audited balance of ₱9,515.2 million as at end-December 2015. The growth was attributed mainly to the continued growth in the carrying value of investment in associates, acquisition of SPC Power Barge 104 on June 30, 2016 (see Note 12), and increase in cash and cash equivalents.

Consolidated liabilities also went up, but at a much slower pace, by 9.3% to ₱1,611.3 million as at end-September 2016 from ₱1,474.3 million as at end-December 2015. This was attributed mainly to the increase in the balance of current liabilities more particularly on trade and other payables, due to PSALM, and income tax payable.

Total stockholders' equity stood at ₱9,053.6 million as at end-September 2016 from ₱8,040.9 million as at end-December 2015. The 12.6% growth came from the total comprehensive income in the first nine months of 2016 amounting to ₱1,012.7 million, net of cash dividends declared amounting to ₱465.2 million. Book value per share grew to ₱6.05 as at end-September 2016 from ₱5.37 at the beginning of the year.

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

Details of changes in the balance of cash and cash equivalents are discussed in the section for Cash Flows, below.

Trade and other receivables decreased by 35.8% to P343.2 million as at end-September 2016 from P534.6 million as at end-December 2015. This was due mainly to the collection of long outstanding receivables by SMPC and SIPC. It was also reflective of high collection efficiency during the nine months ended September 30, 2016.

Materials and supplies inventory increased by 11.7% to P318.6 million as at end-September 2016 from P285.1 million at the beginning of the quarter. The increase was traced to spare parts and supplies in-transit for the rehabilitation of SPC PB 104 as well as the higher cost of fuel inventory purchased in September 2016.

Prepayments and other current assets rose by 27.4% to P41.7 million as at end-September 2016 from P32.7 million at the beginning of the year due mainly to input tax paid on the acquisition of Power Barge 104 (see Note 12) and carry-over of unused input tax from other purchases for offsetting against future output tax.

Investment in associates continued to increase by 14.9% to P5,781.0 million as at end-September 2016 from P5,030.1 million as at end-December 2015. The increase reflected fresh equity share in the net earnings of KSPC and MECO amounting to P964.3 million less dividends declared by KSPC and MECO amounting to P213.3 million.

The controlling balance of property, plant and equipment remains about the same at around P448 million as at end-September 2016 and end-December 2015. Total new additions amounting to P64.8 million was negated by depreciation and disposal of assets in the nine months ending September 30, 2016.

As at end-September, total other noncurrent assets increased by 18.6% to P1,394.0 million from P1,175.4 million at the beginning of the year due mainly to the acquisition of SPC Power Barge 104. The balance of this account is inclusive of the P1,143.2 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 increased by 10.4% to P427.1 million as at end-September 2016 from P386.7 million at the beginning of the year. The increase was traced mainly to the following: (i) Unpaid purchases of spares, materials and supplies intended for the rehabilitation of SPC PB 104, and (ii) unpaid fuel purchases (for power generation) as of September 30, 2016 with higher prices compared to prevailing prices as of December 31, 2015.

Due to NPC/PSALM increased by 51.4% to P253.5 million as at end-September 2016 from P167.4 million at the beginning of the year. The increase was due to additional consumption of NPPC inventories (HFO, LFO and Coal) which were acquired as a consequence of the Asset Purchase Agreement (APA) executed between the Parent Company and PSALM for the acquisition of NPPC (see Note 12).

Current portion of long-term debt increased by 54.9% to P160.7 million as at end-September 2016 from P103.8 million as at end-December 2015 due to the reclassification of a portion of long-term debt which is due for payment within one year.

Income tax payable increased by 29.5% to P43.9 million as at end-September 2016 from P33.9 million as at end-December 2015. The increase was due higher taxable income in the third quarter of 2016 (income tax is payable in November 2016) as compared to the fourth quarter of 2015 (income tax was paid in April 15, 2016).

Long-term debt – net of current portion decreased by 12.5% to P503.7 million as at end-September 2016 from P575.4 million as at end-December 2015 due to: (i) reclassification of portion payable within one year into current liabilities, and (ii) periodic amortization of loan principal.

Customers' deposits increased by 8.2% to P97.8 million as at end-September 2016 from P90.4 million as at end-December 2015 due to additional material deposits for cost of transformers and poles paid by large-load consumers for power connections.

Asset retirement obligation rose by 4.0% to P110.9 million as at end-September 2016 from P106.6 million as at end-December 2015 due to accretion of the original discounted retirement obligation.

Unappropriated retained earnings increased by 21.0% to P5,768.6 million from P4,765.8 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 nine months of 2016 amounting to P1,451.7 million, reduced by cash dividends amounting to P449.0 million that was declared by the Parent Company's Board of Directors on March 30, 2016.

Cash Flows

Cash and cash equivalents and short-term investments increased by 16.8% to P2,266.2 million as at September 30, 2016 from P1,940.5 million at the beginning of the year. The total of net cash flows generated from operating activities exceeded the net cash flows used for investing and financing activities.

The major source of additional cash and cash equivalents was from the Group's operating activities. In the nine months ended September 30, 2016, cash inflows generated from operating activities amounted to P866.6 million, substantially higher compared to the P425.4 million generated in the same period last year. The increase in cash flows generated from operating activities was largely on account of higher cash profit and improved efficiency in the collection of receivables.

Net cash flows generated from (used in) investing activities in the first nine months of 2016 consist of the following major items: (i) receipt of cash dividends amounting to P213.4 million from investee companies; (ii) acquisition of Power Barge 104 amounting to P218.9 million (see Note 12) and additions to other property, plant and equipment amounting to P64.8 million.

Net cash flows used for financing activities in the first nine months of 2016 pertained to payment of cash dividends and loan principal amortization amounting to P461.9 million and P15.4 million, respectively.

Key Performance Indicators

The following financial indicators are used, among others, to evaluate the performance of the Parent Company and its Subsidiaries as of September 30, 2016 and December 31, 2015 and for the nine months ended September 30, 2016 and 2015:

Key Performance Indicators	2016	2015
A. For Nine Months Ended September 30, 2016 and 2015:		
Earnings Per Share	0.97	0.75
Share In Net Earnings of Associates	P964,270,478	P843,729,701
Return on Equity	17.29%	15.84%
Return on Assets	13.86%	11.82%
Cash Flows:		
Net cash flows generated from operating activities	P866,641,937	P425,414,570
Net cash flows generated from (used in) investing activities	(P70,652,169)	P156,234,026
Net cash flows used in financing activities	(P477,354,000)	(P348,493,404)
B. As of September 30, 2016 and Dec. 31, 2015:		
Balance of cash and cash equivalents at end of period	P2,266,152,217	P1,940,459,937
Current ratio	3.35	4.04
Debt ratio	0.15	0.16
Debt-to-equity ratio	0.178	0.183
Solvency ratio	6.62	6.45

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 total assets. This ratio measures the ability of the Group's management to realize an adequate return on the 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 tangible 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 Assets 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 September 30, 2016, there are no material commitment for capital expenditures other than the rehabilitation of SPC Power Barge 104 (see Note 12) and 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 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:


REYNANTE C. DEL ROSARIO
Chief Financial Officer




ALFREDO S. BALLESTEROS
SVP for Finance and Administration

Date: November 11, 2016

Date: November 11, 2016

SPC POWER CORPORATION AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF FINANCIAL POSITION

(Amounts in Philippine Pesos)

	Sept. 30, 2016	Dec. 31, 2015	Incr. / (Decr.)	
	(Unaudited)	(Audited)	Amount	Percent
ASSETS				
Current Assets				
Cash and cash equivalents	2,266,152,217	1,940,459,937	325,692,280	16.8%
Trade and other receivables - net	343,188,633	534,577,971	(191,389,338)	-35.8%
Due from NPC/PSALM	2,672,139	2,089,392	582,747	27.9%
Due from related parties	1,486,341	1,406,811	79,530	5.7%
Materials and supplies	318,563,299	285,080,853	33,482,446	11.7%
Prepayments and other current assets (Note 12)	41,677,388	32,705,938	8,971,450	27.4%
Total Current Assets	2,973,740,017	2,796,320,902	177,419,115	6.3%
Noncurrent Assets				
Investment in associates	5,780,993,031	5,030,082,432	750,910,599	14.9%
Property, plant and equipment - net	448,189,286	447,544,906	644,380	0.1%
Deferred income tax assets	35,506,109	33,258,237	2,247,872	6.8%
Goodwill	32,522,016	32,522,016	0	0.0%
Other noncurrent assets - net (Note 12)	1,393,954,656	1,175,438,977	218,515,679	18.6%
Total Noncurrent Assets	7,691,165,098	6,718,846,568	972,318,530	14.5%
TOTAL ASSETS	10,664,905,115	9,515,167,470	1,149,737,645	12.1%
LIABILITIES & STOCKHOLDERS' EQUITY				
Current Liabilities				
Trade and other payables	427,086,402	386,702,393	40,384,009	10.4%
Dividends payable	0	1,290	(1,290)	100%
Due to NPC/PSALM	253,486,901	167,425,320	86,061,581	51.4%
Current portion of long-term debt	160,695,989	103,760,265	56,935,724	54.9%
Due to related parties	(127,282)	63,270	(190,552)	-301.2%
Income tax payable	43,881,105	33,885,039	9,996,066	29.5%
Dividends payable	3,262,124	1,290	3,260,834	252778%
Total current liabilities	888,285,239	691,838,867	196,446,372	28.4%
Noncurrent Liabilities				
Long-term debt - net of current portion	503,673,675	575,436,669	(71,762,994)	-12.5%
Customers' deposits	97,801,449	90,405,145	7,396,304	8.2%
Asset retirement obligation	110,879,743	106,607,414	4,272,329	4.0%
Pension liability	10,638,233	9,981,652	656,581	6.6%
Total noncurrent liabilities	722,993,100	782,430,880	(59,437,780)	-7.6%
Total Liabilities	1,611,278,339	1,474,269,747	137,008,592	9.3%



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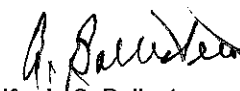
SPC POWER CORPORATION AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF FINANCIAL POSITION

(Amounts in Philippine Pesos)

	Sept. 30, 2016	Dec. 31, 2015	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%
Additional paid-in capital	86,810,752	86,810,752	0	0%
Treasury stock at cost - 72,940,097 shares	(131,008,174)	(131,008,174)	0	-0%
Retained earnings:				
Appropriated	1,250,000,000	1,250,000,000	0	0%
Unappropriated	5,768,577,085	4,765,808,415	1,002,768,670	21.0%
Other component of equity:				
Net unrealized valuation losses				
on available for sale investment	(350,000)	(350,000)	0	-0.0%
Share in OCI of associates	(552,266)	(552,266)	0	-0.0%
Remeasurement of employee benefits	99,615	99,615		
Equity attributable to equity holders of Parent	8,543,068,912	7,540,300,242	1,002,768,670	13.3%
Equity attributable to Non-controlling Interests	510,557,864	500,597,481	9,960,383	2.0%
Total Stockholders' Equity	9,053,626,776	8,040,897,723	1,012,729,053	12.6%
TOTAL LIABILITIES and EQUITY	10,664,905,115	9,515,167,470	1,149,737,645	12.1%

See accompanying Notes to Consolidated Financial Statements.


Reynante C. del Rosario
Chief Financial Officer


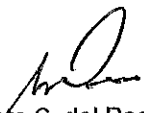

Alfredo S. Ballesteros
Senior Vice President - Finance and Administration


SPC POWER CORPORATION AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME

(Amounts in Philippine Pesos)

	Three Months Ended Sept. 30		Increase / (Decrease)	
	2016 Unaudited)	2015 Unaudited)	Amount	Percent
REVENUE	730,692,581	721,201,597	9,490,984	1.3%
COST OF SERVICES				
Plant operations	516,947,069	522,611,586	(5,664,517)	-1.1%
CONTRIBUTION MARGIN	213,745,512	198,590,011	15,155,501	7.6%
GENERAL AND ADM. EXPENSES	(31,393,608)	(37,752,400)	6,358,792	-16.8%
INTEREST INCOME	5,617,398	4,326,328	1,291,070	29.8%
INTEREST EXPENSE	(8,441,332)	(12,791,298)	4,349,966	-34.0%
FOREIGN EXCHANGE LOSSES - NET	7,683,533	(345,123)	8,028,656	-2326.3%
OTHER INCOME (CHARGES):				
Equity in net earnings of associates	265,442,981	289,347,446	(23,904,465)	-8.3%
VAT income	1,757,795	0	1,757,795	100.0%
Service income	36,365,906	14,546,366	21,819,540	150.0%
Gain on disposal of assets	309,223	0	309,223	-100.0%
Others - net	4,584,837	8,667,072	(4,082,235)	-47.1%
INCOME BEFORE INCOME TAX	495,672,245	464,588,402	31,083,843	6.7%
PROVISION FOR/(BENEFIT FROM) INCOME TAX				
Current	46,291,565	40,801,083	5,490,482	13.5%
Deferred	(985,386)	(644,670)	(340,716)	52.9%
	45,306,179	40,156,413	5,149,766	12.8%
NET INCOME	450,366,066	424,431,989	25,934,077	6.1%
OTHER COMPREHENSIVE INCOME	0	0	0	0.0%
TOTAL COMPREHENSIVE INCOME	450,366,066	424,431,989	25,934,077	6.1%
ATTRIBUTABLE TO:				
Equity holders of the Parent	441,134,982	421,985,917	19,149,065	4.5%
Non-controlling interests	9,231,084	2,446,072	6,785,012	277.4%
	450,366,066	424,431,989	25,934,077	6.1%
EARNINGS PER SHARE:				
Basic/diluted, for income for the period attributable to equity holders of the Parent	0.29	0.28	0.01	4.5%

See accompanying Notes to Consolidated Financial Statements.


Reynante C. del Rosario
Chief Financial Officer


Alfredo S. Ballesteros
Corporate Secretary/Information Officer
Senior Vice President

SPC POWER CORPORATION AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME

(Amounts in Philippine Pesos)

	Nine Months Ended Sept. 30		Increase / (Decrease)	
	2016 Unaudited)	2015 Unaudited)	Amount	Percent
REVENUE	2,301,543,376	2,007,689,827	293,853,549	14.6%
COST OF SERVICES				
Plant operations	1,534,199,903	1,475,673,471	58,526,432	4.0%
CONTRIBUTION MARGIN	767,343,473	532,016,356	235,327,117	44.2%
GENERAL AND ADM. EXPENSES	(146,737,799)	(136,640,828)	(10,096,971)	7.4%
INTEREST INCOME	18,139,384	8,394,875	9,744,509	116.1%
INTEREST EXPENSE	(24,747,680)	(32,658,267)	7,910,587	-24.2%
FOREIGN EXCHANGE GAINS (LOSSES) - Net	6,105,083	(858,205)	6,963,288	-811.4%
OTHER INCOME (CHARGES):				
Equity in net earnings of associates	964,270,478	843,729,701	120,540,777	14.3%
VAT income	1,757,795	0	1,757,795	100.0%
Service income	36,365,906	14,546,366	21,819,540	150.0%
Gain (loss) on disposal of assets	377,733	(3,118)	380,851	-12215%
Others - net	227,293	19,001,897	(18,774,604)	-98.8%
INCOME BEFORE INCOME TAX	1,623,101,666	1,247,528,777	375,572,889	30.1%
PROVISION FOR/(BENEFIT FROM) INCOME TAX				
Current	147,442,943	110,200,304	37,242,639	33.8%
Deferred	(2,247,872)	(2,055,182)	(192,690)	9.4%
	145,195,071	108,145,122	37,049,949	34.3%
NET INCOME	1,477,906,595	1,139,383,655	338,522,940	29.7%
OTHER COMPREHENSIVE INCOME	0	0	0	0.0%
TOTAL COMPREHENSIVE INCOME	1,477,906,595	1,139,383,655	338,522,940	29.7%
ATTRIBUTABLE TO:				
Equity holders of the Parent	1,451,734,207	1,122,607,746	329,126,461	29.3%
Non-controlling interests	26,172,388	16,775,909	9,396,479	56.0%
	1,477,906,595	1,139,383,655	338,522,940	29.7%
EARNINGS PER SHARE (Note 3):				
Basic/diluted, for income for the period attributable to equity holders of the Parent	0.97	0.75	0.22	29.3%

See accompanying Notes to Consolidated Financial Statements.

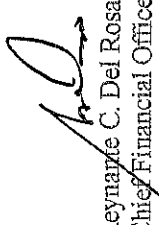
Reynante C. del Rosario
Chief Financial Officer


Alfredo S. Ballesteros
SVP - Finance and Administration

SPEC POWER CORPORATION AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY
FOR NINE MONTHS ENDED SEPTEMBER 30, 2016 AND 2015

	Equity Attributable to Equity Holders of the Parent										
	Share In										
	Capital Stock	Additional Paid-in Capital	Treasury Stock at Cost	Remeasurement of Employee Benefits	Remeasurement of Employee Benefits of Associates	Appropriated Retained Earnings	Unappropriated Retained Earnings	Net Unrealized Valuation Losses on AFS Investment	Total	Non-controlling interest	Total
Balances at January 1, 2016	₱1,569,491,900	₱86,810,752	(₱131,008,174)	₱99,615	(₱652,266)	₱1,250,000,000	₱4,765,808,415	(₱350,000)	₱7,540,300,242	₱500,597,481	₱8,040,897,723
Total comprehensive income	-	-	-	-	-	-	1,451,734,207	-	1,451,734,207	26,172,388	1,477,906,595
Cash dividends	-	-	-	-	-	-	(448,965,541)	-	(448,965,541)	(1,621,004)	(450,586,545)
Appropriation	-	-	-	-	-	-	-	-	-	-	-
Balances at September 30, 2016	₱1,569,491,900	₱86,810,752	(₱131,008,174)	₱99,615	(₱652,266)	₱1,250,000,000	₱5,768,577,085	(₱350,000)	₱8,543,058,908	₱510,557,865	₱9,053,626,776
Balances at January 1, 2015	₱1,569,491,900	₱66,810,752	(₱131,008,174)	₱1,074,492	₱-	₱850,000,000	₱3,839,421,474	(₱350,000)	₱6,215,440,444	₱480,593,208	₱6,696,033,652
Total comprehensive income	-	-	-	-	-	-	1,122,607,746	-	1,122,607,746	16,775,909	1,139,383,655
Cash dividends	-	-	-	-	-	-	(149,655,178)	-	(149,655,178)	-	(149,655,178)
Appropriation	-	-	-	-	-	-	-	-	-	-	-
Balances at September 30, 2015	₱1,569,491,900	₱66,810,752	(₱131,008,174)	₱1,074,492	₱-	₱850,000,000	₱4,812,374,042	(₱350,000)	₱7,188,393,012	₱497,369,117	₱7,685,762,129

See accompanying Notes to Consolidated Financial Statements.


 Reynante C. Del Rosario
 Chief Financial Officer

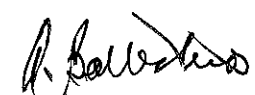

 Alfredo S. Ballesteros
 Senior Vice President – Finance and Administration

SPC POWER CORPORATION AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF CASH FLOWS

	Nine Months Ended Sept. 30	
	2016 (Unaudited)	2015 (Unaudited)
CASH FLOWS FROM OPERATING ACTIVITIES		
Income before income tax	1,623,101,666	1,247,528,777
Adjustments for:		
Depreciation and amortizations	60,143,747	104,099,536
Unrealized foreign exchange losses (gains) - net	820,203	1,072,366
Loss (gain) on disposal of assets	(377,733)	3,118
Equity in net earnings of associates	(964,270,478)	(843,729,701)
Interest expense	24,747,680	32,658,267
Interest income	(18,139,384)	(8,394,875)
Pension expense	1,768,662	2,238,109
Operating income before working capital changes	727,794,363	535,475,597
Decrease (increase) in:		
Trade and other receivables	191,389,338	(86,645,763)
Due from NPC/PSALM	(582,747)	0
Due from related parties	(79,530)	10,815,614
Prepayments and other current assets	(8,971,450)	(13,268,465)
Materials and supplies	(33,482,446)	10,539,301
Increase (decrease) in:		
Trade and other payables	38,176,190	128,250,255
Due to NPC/PSALM	86,061,581	(35,069,946)
Due to related parties	(190,552)	(7,421,906)
Customers' deposits	7,396,304	8,506,289
Net cash generated from operations	1,007,511,051	551,180,976
Income tax paid	(137,446,877)	(109,020,202)
Interest paid	(20,449,540)	(23,749,853)
Interest received	18,139,384	8,394,875
Contributions to the pension plan	(1,112,081)	(1,391,226)
Net cash flows from operating activities	866,641,937	425,414,570
CASH FLOWS FROM INVESTING ACTIVITIES		
Cash dividends received	213,359,877	310,429,954
Additions to plant, property and equipment	(64,757,898)	(128,096,124)
Additional investment in subsidiary	0	(249,995)
Decrease (increase) in:		
Other noncurrent assets	(219,254,148)	(25,849,809)
Net cash provided by (used in) investing activities	(70,652,169)	156,234,026
CASH FLOWS FROM FINANCING ACTIVITIES		
Payment of short-term debt	0	(180,000,000)
Payment of long-term debt	(15,437,289)	(14,978,225)
Cash dividends paid	(461,916,711)	(153,515,179)
Net cash provided by (used in) financing activities	(477,354,000)	(348,493,404)
NET EFFECT OF EXCHANGE RATE CHANGES	7,056,512	965,873
NET INCREASE IN CASH AND CASH EQUIVALENTS	325,692,280	234,121,065
CASH AND CASH EQUIVALENTS AT BEG. OF PERIOD	1,940,459,937	1,315,765,500
CASH AND CASH EQUIVALENTS AT END OF PERIOD	2,266,152,217	1,549,886,565

See accompanying Notes to Financial Statements.


Reynante C. del Rosario
Chief Financial Officer


Alfredo S. Ballesteros
SVP - Finance and 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 2015.

3. Earnings Per Share

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

	Nine Months Ended September 30	
	2016	2015
Net income attributable to equity holders of the parent	₱1,451,734,207	₱1,122,607,746
Weighted average number of common shares issued and outstanding	1,496,551,803	1,496,551,803
Basic/Diluted earnings per share	₱0.97	₱0.75

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

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

There are no dilutive potential common stocks issued as of September 30, 2016.

4. Seasonal Aspects

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

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

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

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

There are no changes in estimates of amounts in the nine months ended September 30, 2016.

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

There are no issuances, repurchases and repayments of debt and equity securities during the nine months ended September 30, 2016.

8. Segment Information

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

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

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

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

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

No inter-segment revenues were earned within the Group in the nine months ended September 30, 2016 and 2015.

The following tables present revenue and income information and certain asset and liability information regarding the business segments as of September 30, 2016 and 2015:

September 30, 2016						
	Before Eliminations			Total	Adjustments and Eliminations	After Eliminations/ Consolidated
	Generation	Distribution	Others			
Revenue	P1,597,030,208	P704,513,168	P-	P2,301,543,376	P-	P2,301,543,376
Income before income tax	826,069,693	62,439,691	9,469,677	897,979,061	725,122,605	1,623,101,666
Net income	693,531,444	48,452,979	10,799,567	752,783,990	725,122,605	1,477,906,595
Total assets	7,475,939,693	477,274,538	134,398,805	8,087,613,036	2,577,292,079	10,664,905,115
Property, plant and equipment	297,442,188	150,747,098	-	448,189,286	-	448,189,286
Total liabilities	1,433,207,145	248,831,471	23,796	1,682,062,412	(70,784,073)	1,611,278,339
Depreciation and amortization	46,054,936	14,088,786	-	60,143,749	-	60,143,749

September 30, 2015						
	Before Eliminations			Total	Adjustments and Eliminations	After Eliminations/ Consolidated
	Generation	Distribution	Others			
Revenue	P1,436,048,463	P571,641,364	P-	P2,007,689,827	P-	P2,007,689,827
Income before income tax	659,071,163	54,959,434	198,432	714,229,029	533,299,748	1,247,528,777
Net income	567,301,589	38,583,886	198,432	606,083,907	533,299,748	1,139,383,655
Total assets	7,117,459,909	463,477,474	75,158,653	7,656,096,036	1,982,357,887	9,638,453,923
Property, plant and equipment	689,491,364	141,491,444	-	830,982,808	-	830,982,808
Total liabilities	1,757,038,886	203,682,103	15,638	1,960,736,627	(8,044,833)	1,952,691,794
Depreciation and amortization	89,525,389	14,574,147	-	104,099,536	-	104,099,536

Adjustments and Eliminations

Adjustments and eliminations are part of detailed reconciliations presented below:

Reconciliation of Net Income

	Nine Mos. Ended September 30	
	2016	2015
Segment net income	P513,636,117	P606,083,908
Equity in net earnings of associates	964,270,478	843,729,701
Dividend income	-	(310,429,954)
Group net income	P1,477,906,595	P1,139,383,655

Reconciliation of Total Assets

	Sept 30, 2016	Dec. 31, 2015
Segment assets	P8,087,613,036	P8,039,596,479
Inter-segment receivables	(74,155,028)	(424,965,518)
Investments in associates and subsidiaries	2,618,925,091	1,868,014,493
Goodwill	32,522,016	32,522,016
Group assets	P10,664,905,115	P9,515,167,470

Reconciliation of Total Liabilities

	Sept 30, 2016	Dec. 31, 2015
Segment liabilities	P1,682,062,357	P1,895,864,307
Inter-segment payables	(70,784,018)	(421,594,560)
Group liabilities	P1,611,278,339	P1,474,269,747

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.

The following table sets out the maturity profile and the interest rate of the Group's financial liabilities that are exposed to interest rate risk:

Parent Company	Interest rates	Term	Total	Peso Equivalent
Long-term debt:				
Foreign currency denominated debt				
2016	3.19%	2-7 years	US\$335,083	₱16,251,542
2015	3.19%	2-7 years	US\$670,167	₱31,538,043
Philippine Peso currency denominated debt				
2016	4.01%	2-7 years		₱650,000,000
2015	4.01%	2-7 years		₱650,000,000

The following table demonstrates the sensitivity to a reasonably possible change in interest rates, with all other variables held constant, of the Group's income before income tax (through the impact on variable rate borrowings). There is no other impact on the Group's equity other than those already affecting the profit and loss.

	Increase (decrease) in basis points	Effect on income before income tax
2016	+500	(P646,668)
	-500	646,668
2015	+500	(P579,717)
	-500	579,717

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 September 30, 2016 and December 31, 2015 based on contractual undiscounted payments:

	September 30, 2016					
	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	P2,266,152,217	P2,266,152,217	P--	P--	P--	P--
Trade and other receivables:						
NPC	--	--	--	--	--	--
Receivable from customers	329,910,041	179,260,924	63,004,135	13,433,829	40,260,744	33,950,409
Others	26,709,893	2,073,178	383,185	131,400	106,026	24,016,104
	356,619,934	181,334,102	63,387,320	13,565,229	40,366,770	57,966,513
Due from NPC/PSALM	2,672,139	--	--	--	1,497,011	1,175,128
Due from related parties	1,486,341	40,770	117,411	609,300	55,827	663,033
Noncurrent receivable (included in "Other noncurrent assets")	1,143,240,000	--	--	--	--	1,143,240,000
	3,770,170,631	2,447,527,089	63,504,731	14,174,529	41,919,608	1,203,044,674
AFS:						
Quoted equity security	1,300,000	1,300,000	--	--	--	--
	3,771,470,631	2,448,827,089	63,504,731	14,174,529	41,919,608	1,203,044,674
Financial Liabilities						
Trade and other payables:						
Trade	P311,444,523	P216,134,077	P31,194,723	P22,409,386	P29,045,760	P12,660,577
Accrued expenses	37,355,661	4,936,754	4,042,638	2,019,485	1,602,607	24,754,177
Non-trade	23,487,871	11,622,675	155,529	167,107	4,838,649	6,623,911
	372,208,055	232,693,506	35,392,890	24,595,978	35,487,016	44,038,665
Dividends payable	--	--	--	--	--	--
Due to NPC/PSALM	253,486,901	17,790,520	21,436,418	1,008,555	11,310,890	201,940,518
Due to related parties	(127,282)	(4,600)	(10,869)	(4,500)	(10,015)	(97,298)
Long-term debt	664,369,664	--	--	--	--	664,369,664
Customers' deposits	97,801,449	3,095,670	1,000,031	412,735	621,013	92,672,900
	1,387,738,707	253,575,096	57,818,470	26,012,768	47,406,904	1,002,923,549
Net Financial Assets (Liabilities)	P2,383,731,944	P2,195,251,993	P5,686,261	(P11,838,239)	(P5,489,296)	P200,121,125

	December 31, 2015					
	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	₱1,940,459,937	₱1,940,459,937	₱-	₱-	₱-	₱-
Trade and other receivables:						
NPC	42,753,130	42,753,130	-	-	-	-
Receivable from customers	421,882,840	312,841,135	23,345,819	14,298,919	18,960,000	52,416,967
Others	83,373,300	58,900,198	6,830,555	16,152,015	143,300	1,347,232
	548,009,270	414,494,463	30,176,374	30,450,934	19,123,300	53,764,199
Due from NPC/PSALM	2,089,392	-	-	2,089,392	-	-
Due from related parties	1,406,811	312,686	40,416	1,053,709	-	-
Noncurrent receivable (included in "Other noncurrent assets")	1,143,240,000	-	-	-	-	1,143,240,000
	3,635,205,410	2,355,267,086	30,216,790	33,594,035	19,123,300	1,197,004,199
AFS:						
Quoted equity security	1,300,000	1,300,000	-	-	-	-
	3,636,505,410	2,356,567,086	30,216,790	33,594,035	19,123,300	1,197,004,199
Financial Liabilities						
Trade and other payables:						
Trade	₱262,638,594	₱224,754,082	₱35,524,179	₱838,624	₱97,023	₱1,424,686
Accrued expenses	49,298,279	42,044,511	3,621,783	-	-	3,631,985
Non-trade	50,284,365	47,841,293	2,443,072	-	-	-
	362,221,238	314,639,886	41,589,034	838,624	97,023	5,056,671
Dividends payable	1,290	1,290	-	-	-	-
Due to NPC/PSALM	167,425,320	167,425,320	-	-	-	-
Due to related parties	63,270	63,270	-	-	-	-
Long-term debt	762,795,277	-	-	-	-	762,795,277
Customers' deposits	90,405,145	-	-	-	-	90,405,145
	1,382,911,540	482,129,766	41,589,034	838,624	97,023	858,257,093
Net Financial Assets (Liabilities)	₱2,253,593,870	₱1,874,437,320	(₱11,372,244)	₱32,755,411	₱19,026,277	₱338,747,106

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 ₱48.500 and ₱47.060 on September 30, 2016 and December 31, 2015, 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
2016	+1	(₱1,864,941)
	-1	1,864,941
2015	+1	₱1,605,067
	-1	(1,605,067)

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	
	Sept. 30, 2016	Dec. 31, 2015	Sept. 30, 2016	Dec. 31, 2015
Cash and cash equivalents	\$4,205,323	US\$3,454,080	₱203,958,150	₱162,549,012
Trade and other payables:				
Trade	(25,000)	(345,437)	(1,212,500)	(16,256,278)
Non-trade	—	—	—	—
Long-term debt	(335,083)	(670,167)	(16,251,542)	(31,538,043)
Net foreign-currency-denominated monetary assets	US\$3,845,240	US\$2,438,476	₱186,494,108	₱114,754,691

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

	September 30, 2016		
	Maximum exposure	Offset	Exposure to credit risk
Loans and receivables:			
Cash and cash equivalents (excluding cash on hand)	₱2,265,801,486	(₱9,413,018)	₱2,256,388,468
Trade and other receivables	370,051,234	(81,182,872)	288,868,362
Due from related parties	1,486,341	—	1,486,341
Due from NPC/PSALM	2,672,139	—	2,672,139
Noncurrent receivable (Included in "Other noncurrent assets")	1,143,240,000	—	1,143,240,000
	3,783,251,200	(90,595,890)	3,692,655,310
AFS financial asset	1,300,000	—	1,300,000
	₱3,784,551,200	(₱90,595,890)	₱3,693,955,310

December 31, 2015			
	Maximum exposure	Offset	Exposure to credit risk
Loans and receivables:			
Cash and cash equivalents (excluding cash on hand)	₱1,940,104,667	(₱8,126,491)	₱1,931,978,176
Trade and other receivables	534,577,971	(26,670,814)	507,907,157
Due from related parties	1,406,811	–	1,406,811
Due from NPC/PSALM	2,089,392	–	2,089,392
Noncurrent receivable (included in "Other noncurrent assets")	1,143,240,000	–	1,143,240,000
	3,621,418,841	(34,797,305)	3,586,621,536
AFS financial asset	1,300,000	–	1,300,000
	₱3,622,718,841	(₱34,797,305)	₱3,587,921,536

As of September 30, 2016 and December 31, 2015, the Group's significant concentration of credit risk pertains to its trade and other receivables and due from NPC/PSALM amounting to ₱371.5 million and ₱536.7 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 September 30, 2016 and December 31, 2015:

September 30, 2016							
	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)	₱2,265,801,486	₱2,265,801,486	₱–	₱–	₱–	₱–	₱–
Trade and other receivables:							
NPC/PSALM	–	–	–	–	–	–	–
Receivable from customers	329,910,041	179,260,924	63,004,135	13,433,829	40,260,744	20,519,109	13,431,300
Others	26,709,893	2,073,178	383,185	131,400	106,026	24,016,104	–
	356,619,934	181,334,102	63,387,320	13,565,229	40,366,770	44,535,213	13,431,300
Due from NPC/PSALM	2,672,139	–	–	–	1,497,011	1,175,128	–
Due from related parties	1,486,341	40,770	117,411	609,300	55,827	663,033	–
Noncurrent receivable (included in "Other noncurrent assets")	1,143,240,000	–	–	–	–	1,143,240,000	–
	3,769,819,900	2,447,176,358	63,504,731	14,174,529	41,919,608	1,189,613,374	13,431,300
AFS Financial Asset							
Quoted equity security	1,300,000	1,300,000	–	–	–	–	–
	₱3,771,119,900	₱2,448,476,358	₱63,504,731	₱14,174,529	₱41,919,608	₱1,189,613,374	₱13,431,300

December 31, 2015							
	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)	₱1,940,104,667	₱1,940,104,667	₱–	₱–	₱–	₱–	₱–
Trade and other receivables:							
NPC/PSALM	42,753,130	–	–	–	–	42,753,130	–
Receivable from customers	421,882,840	313,472,436	23,345,819	14,298,919	18,980,000	38,354,366	13,431,300
Others	83,373,300	58,921,505	6,830,555	896,971	289,117	16,435,152	–
	548,009,270	372,393,941	30,176,374	15,195,890	19,269,117	97,542,648	13,431,300
Due from NPC/PSALM	2,089,392	–	–	–	–	2,089,392	–
Due from related parties	1,406,811	312,686	40,416	152,622	451,237	449,850	–
Noncurrent receivable (included in "Other noncurrent assets")	1,143,240,000	1,143,240,000	–	–	–	–	–
	3,634,850,140	3,456,051,294	30,216,790	15,348,512	19,720,354	100,081,890	13,431,300
AFS Financial Asset							
Quoted equity security	1,300,000	1,300,000	–	–	–	–	–
	₱3,636,150,140	₱3,457,351,294	₱30,216,790	₱15,348,512	₱19,720,354	₱100,081,890	₱13,431,300

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 September 30, 2016 and December 31, 2015:

	September 30, 2016					
	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)	P2,265,801,486	P2,265,801,486	P-	P-	P-	P-
Trade and other receivables:						
NPC/PSALM	-	-	-	-	-	-
Receivable from customers	329,910,041	179,260,924	-	-	137,217,817	13,431,300
Others	26,709,893	2,073,178	-	-	24,636,715	-
	356,619,934	181,334,102	-	-	161,854,532	13,431,300
Due from NPC/PSALM	2,672,139	-	-	-	2,672,139	-
Due from related parties	1,486,341	40,770	-	-	1,445,571	-
Noncurrent receivable (included in "Other noncurrent assets")	1,143,240,000	-	-	-	1,143,240,000	-
	3,769,819,900	2,447,176,358	-	-	1,309,212,242	13,431,300
AFS Financial Asset						
Quoted equity security	1,300,000	1,300,000	-	-	-	-
	P3,771,119,900	P2,448,476,358	P-	P-	P1,309,212,242	P13,431,300

	December 31, 2015					
	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)	P1,940,104,667	P1,940,104,667	P-	P-	P-	P-
Trade and other receivables:						
NPC/PSALM	42,753,130	-	-	-	42,753,130	-
Receivable from customers	421,882,840	203,953,838	107,644,972	1,873,626	94,979,104	13,431,300
Others	83,373,300	6,895,222	52,026,284	-	24,451,794	-
	548,009,270	210,849,060	159,671,256	1,873,626	162,184,028	13,431,300
Due from NPC/PSALM	2,089,392	-	-	-	2,089,392	-
Due from related parties	1,406,811	37,228	275,463	-	1,094,120	-
Noncurrent receivable (included in "Other noncurrent assets")	1,143,240,000	1,143,240,000	-	-	-	-
	3,634,850,140	3,294,230,955	159,946,719	1,873,626	165,367,540	13,431,300
AFS Financial Asset						
Quoted equity security	1,300,000	1,300,000	-	-	-	-
	P3,636,150,140	P3,295,530,955	P159,946,719	P1,873,626	P165,367,540	P13,431,300

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).
- *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 September 30, 2016 and December 31, 2015, the carrying value of the noncurrent receivable approximates its fair value.

Long-term Debt. The fair value of borrowings with floating interest rate is based on the discounted net present value of cash flows using an effective discount rate of 4.01% and 4.39% as of September 30, 2016 and December 31, 2015, respectively.

The estimated fair values of the categories of the Company's financial instruments approximate their carrying values as of September 30, 2016 and December 31, 2015.

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

a. Acquisition of the 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 ₱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 Supreme Court issued a Notice 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 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 Group to PSALM in 2014) was recognized as other noncurrent receivable as of December 31, 2015 and September 30, 2016. Since the SC decisions do not specify details on how the nullified transaction will be settled between the Parent Company and PSALM, the ultimate disposition of the recorded assets and liabilities remain uncertain as of September 30, 2016. The Group believes that how the matter will be settled could be finalized over 2 years. Any adjustments arising from the settlement of this matter will be reflected in the financial statements as they are determined.

In a resolution of the SC dated October 5, 2016, the High Court granted the Manifestation/Motion dated March 16, 2016 of respondent Therma Power Visayas, Inc. (TPVI) ordering that the Entry of Judgment of its decision dated September 28, 2015 be LIFTED and the fallo of the said decision amended to include a directive reinstating the April 30, 2014 Notice of Award in favor of said respondent TPVI, excluding the portion therein granting to the Parent Company the Right to Top. The SC further ordered respondent PSALM to execute the NPPC – APA and NPPC – LLA in favor of the respondent TPVI with dispatch.

On October 26, 2016, the Parent Company filed with the SC an Urgent Motion for Reconsideration With Alternative Motion to Refer to the En Banc the case of Sergio R. Osmeña III vs. PSALM, Emmanuel R. Ledesma, Jr., the Parent Company and TPVI.

b. Power Barge 104

On April 15, 2016, SIPC submitted the highest offer to PSALM in the negotiated sale of the 32-MW Power Barge 104 (PB 104) located at the Holcim compound in Ilang, Davao City, besting two other companies with its proposal of ₱218.9 million including VAT. The Notice of Award was received by SIPC on June 1, 2016.

On June 16, 2016, the Parent Company executed an Amendment, Accession and Assumption Agreement between and among PSALM and SIPC. Under the said agreement, SIPC assigned all its rights and obligations as BUYER of PB 104 to the Parent Company after PSALM gave its consent pursuant to the provisions of the Asset Purchase Agreement between SIPC and PSALM.

On June 30, 2016, PSALM turned over the PB 104 to the Parent Company and on August 1, 2016, the barge was towed from Davao to Gensan Shipyard and Machine Works, Inc. in Siguil, Tinoto, Maasim, Sarangani Province for dry-docking and rehabilitation. The rehabilitation is expected to be completed in the first quarter of 2017. Pending completion of the rehabilitation and prior to commercial operation, the acquisition cost of ₱195.4 million and ₱23.5 million (VAT portion) were recognized as "Other

noncurrent assets" and "Prepayments and other current assets", respectively, as of September 30, 2016.

c. Others

Except as already discussed in the Management's Discussion and Analysis of Financial Conditions and Results of Operations as well as 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.