COVER SHEET

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S.E.C. Registration Number

P.S.E. Control Number

V I V A N T C O R P O R A T I O N

(Company's Full Name)

9 T H F L R . O A K R I D G E I T C E N T E R 3

O A K R I D G E B U S I N E S S P A R K A . S .

F O R T U N A S T M A N D A U E C I T Y , C E B U

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

| Joan A. Giduquio-Baron | (032) 232-0283, 234-2256 and 234-2285 |
|---|---|
| Contact Persons | Telephone Number of the Contact Person |

| 0 3 | 3 1 | SEC FORM 17-Q | 0 3 | 3 1 |
|---|---|---|---|---|
| Month | Day | FORM TYPE | Month | Day |
| Fiscal Year | | | | |

N/A

Secondary license Type, If Applicable

| C F D | |
|---|---|
| Dept. Requiring this Doc. | Amended Articles Number/Section |

| 1,416 | 1,023,397,454 | 59,244 |
|---|---|---|
| Total No. of Stockholders | Domestic | Foreign |

To be accomplished by SEC Personnel concerned

File Number

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Remarks = Pls. Use black ink for scanning purposes

Securities and Exchange Commission Philippines SEC Cehu Extension Office

12 MAY 2021

By

RECEIVED SUBJECT TO REVIEW OF FORM AND CONTENTS

SECURITIES AND EXCHANGE COMMISSION

SEC FORM 17-Q

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

1. For the quarterly period ended: **March 31, 2021**

2. Commission identification number: **175222** 3. BIR Tax Identification No.: **242-603-734-000**

**Vivant Corporation**
4. Exact name of issuer as specified in its charter

**City of Mandaluyong**
5. Province, country or other jurisdiction of incorporation or organization

6. Industry Classification Code: ____ (SEC Use Only)

**9th Floor, Oakridge IT Center 3, Oakridge Business Park, A.S. Fortuna Street, Brgy. Banilad, Mandaue City, Cebu** **6014**
7. Address of issuer's principal office Postal Code

**(032) 234-2256; (032) 234-2285**
8. Issuer's telephone number, including area code

**NA**
9. Former name, former address and former fiscal year, if changed since last report

10. Securities registered pursuant to Sections 8 and 12 of the Code, or Sections 4 and 8 of the SRC

| Title of each Class | Number of shares of common stock outstanding and amount of debt outstanding |
|---|---|
| **Common Shares at Php 1.00 per share** | **Php 1,023,456,698** |
| **Amount of debt outstanding** | **Php 6,421,912,466** |

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

Yes [x ] No [ ]

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

**Philippine Stock Exchange** **Common Stock**

12. Indicate by check mark whether the registrant:

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

Yes [x] No [ ]

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

Yes [x] No [ ]

## PART I--FINANCIAL INFORMATION

**Item 1. Financial Statements.**

Please refer to attached financial statements and schedules.

**Item 2. Management's Discussion and Analysis of Consolidated Financial Condition and Results of Operations.**

## MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

*The following is a discussion and analysis of the Company's consolidated financial condition and results of operations for the interim period ended March 31, 2021 compared with the interim period ended March 31, 2020. This report should be read in conjunction with the consolidated financial statements and the notes thereto.*

### KEY PERFORMANCE INDICATORS

Management uses the following key performance indicators to evaluate the performance of the Company and its investee companies:

1. **Equity in Net Earnings (or Loss) of Associates.** Equity in net earnings (or loss) of associates is the Company's share in the income or loss of associates, or investee companies accounted for under the equity method. It indicates the profitability of the associates and measures their contribution to the profitability of the parent.

2. **Earnings Before Interest, Taxes, Depreciation and Amortization (EBITDA).** EBITDA is calculated by taking operating income and adding back to it the interest, depreciation and amortization expenses. Since EBITDA eliminates the effects of financing and accounting decisions, it can provide a relatively good comparison of the performance of the Company with other players in the industry. It also provides a good measure of the Company's ability to generate cash from operations to cover financial charges and income taxes.

3. **Cash Flow Generated.** Cash flow generated indicates the ability of the Company to generate enough cash for operating, investing and financing activities.

4. **Debt-to-Equity Ratio (DER).** DER gives an indication of the Company's leverage position and is computed by dividing total liabilities with total stockholders' equity.

5. **Current Ratio.** Current ratio is computed by dividing current assets by current liabilities. This indicates the liquidity of the Company in the short term and measures the peso amount of current asset available to cover a peso amount of current liability.

**Year-to-Date (YTD) March 31, 2021 versus YTD March 31, 2020**

The table below shows the comparative figures of the key performance indicators for the period in review.

| **Key Performance Indicators** *Amounts in Php '000, except for ratios* | YTD March 2021 | YTD March 2020 | YE 2020 Audited |
|---|---|---|---|
| Equity in Net Earnings of Associates and Joint Ventures | 336,583 | 493,673 | |
| EBITDA | 335,376 | 446,360[1] | |
| Net increase in cash and cash equivalents | 574,460 | 514,654 | |
| Net cash flows used in operating activities | (111,538) | (118,067) | |
| Net cash flows from investing activities | 492,417 | 833,122 | |
| Net cash flows from (used in) financing activities | 193,582 | (200,401) | |
| Debt-to-Equity Ratio (x) | 0.39 | 0.38 | 0.38 |
| Current Ratio (x) | 3.31 | 1.42 | 1.33 |

The Company's share in net earnings of associates and joint ventures as of end-March 2021 amounted to Php 336.6 mn, representing a 32% year-on-year (YoY) decrease from Php 493.7 mn. This was a result of the following:

1. Visayan Electric Company (VECO), the Company's distribution utility, recorded an 18% YoY drop in its bottomline contribution, from Php 212.5 mn to Php 175.0 mn. The 13% decline in volume sold mainly accounted for VECO's contraction in net earnings. This resulted from the slowdown in economic activities amidst the COVID-19 pandemic. Adding to this was the higher operating expense recorded during the quarter in review as depreciation on asset revaluation was not taken up in the previous year.

2. 40%-owned Abovant Holdings, Inc. (AHI) posted a 9% YoY decrease in its income contribution to Php 70.5 mn from Php 77.3 mn. This was driven by the decrease in the profitability of its associate, Cebu Energy Development Corporation (CEDC). CEDC posted lower earnings during the quarter in review, which was mainly attributed to the reduced dispatch in its energy-based bilateral contract (down by 7% YoY). This was in spite of better profits on sales at the Wholesale Electricity Spot Market (WESM) due to improved spot market rates. Increased operating expenses also contributed to the decline in income contribution.

[1] Reported as Php 423.6 mn in the SEC 17 1Q FY 2020 report. The restatement to Php 446.36 mn was made to align the formula with the Schedule of Financial Soundness Indicators, Annex 68 E of the 2020 Audited Consolidated Financial Statements. In the revised EBITDA computation, operating income includes foreign exchange gain / (loss) and finance cost on finance lease liability is added back.

3. 40%-owned Minergy Power Corporation (MPC) brought in contributions of Php 48.0 mn during the quarter in review, a 67% YoY decline from Php 146.7 mn. This can be mainly attributed to the drop in the volume of energy sales (down by 19% YoY). Increase in MPC's operating expenses also contributed to the unfavorable YoY variance.

4. 40%-owned Cebu Private Power Corporation (CPPC) recorded a 27% YoY drop in earnings contribution to Php 31.1 mn from Php 42.6 mn in spite of better profits from the sale of excess power to the WESM due to higher spot market rates. The quarter in review recorded higher operating expenses, which was due to the non-recording of the depreciation on asset revaluation last year, and lower interest income.

5. 50%-owned Calamian Islands Power Corporation (CIPC) saw a 56% YoY drop in its income contribution from Php 14.0 mn to Php 6.2 mn. This was brought about by the 33% YoY decline in energy sales volume as the COVID-19 pandemic affected overall power demand in the islands. CIPC also incurred costs for the preventive maintenance work done during the first quarter of 2021.

6. 50%-owned Delta P, Inc. (DPI) shored in an income contribution of Php 5.3 mn as of end-March 2021, a 79% YoY drop from Php 25.0 mn as of end-March 2020. The expiry of the company's Power Supply Agreement (PSA) for its old plant facility in April 2020 and the decline in electricity demand caused by the COVID-19 pandemic accounted for the drop in its bottomline. DPI also incurred costs for the preventive maintenance of its expansion plant facility that contributed to the reduced earnings during the quarter in review.

The above contraction in earnings contributions were tempered by the following:

1. 20%-owned Therma Visayas, Inc. (TVI) recorded a positive income contribution of Php 0.4 mn as of end-March 2021. This was a turnaround from the net loss contribution of Php 23.9 mn as of end-March 2020. Revenues from contracts with Retail Electricity Supply (RES) customers rose by 20% YoY, which mainly accounted for its improved bottomline. Further to this, the lower operating expenses during the quarter in review resulted to enhanced profitability.

2. 40%-owned Prism Energy, Inc. (Prism Energy), an RES, saw a 26% YoY rise in its income contribution to Php 3.1 mn from Php 2.5 mn. This was mainly attributed to the RES' enhanced margin per kilowatt hour (kWh).

EBITDA for the period dropped by 25% YoY to Php 335.4 mn from Php 446.4 mn. This was mainly an outcome of the 31% YoY decrease in operating income, which stemmed from:

1. 32% drop in equity earnings resulting from the decline in the bottomline of four associates and two joint ventures during the quarter in review. These are VECO, AHI, MPC, CPPC, CIPC and DPI.

2. 79% YoY reduction in engineering service income. This mainly resulted from the timing of billings to customers by 60%-owned Watermatic Philippines, Inc. (WMP).

3. 77% YoY drop in interest income driven by lower rates for its short-term investments.

4. 31% YoY rise in operating expenses.

However, this drop in EBITDA was mitigated by the following:

1. Sale of power showed a 33% YoY growth. This was mainly attributed to:

    - 23% YoY rise in the energy sales of 55.2%-owned 1590 Energy Corporation (1590 EC) that resulted from improved revenues from its ancillary services (up by 29% YoY) and the sale of its excess capacity to the WESM (up by 16% YoY).

    - Wholly-owned Corenergy, Inc. (Corenergy) and ET Energy Island, Inc. (ETEI) ended the quarter in review with 75% and 33% YoY increases in volume of energy sold, respectively. These were mainly attributed to the increased contracted capacities of the solar rooftop business of both companies.

    - 65%-owned Isla Norte Energy Corporation (INEC) shored in a revenue contribution of Php 15.2 mn from its interim power supply agreement with Bantayan Electric Cooperative, Inc. (BANELCO).

2. 9% YoY reduction in total cost of services which was mainly attributed to the lower cost of generation in 1590 EC given the reduced fuel consumption that resulted from lower energy dispatched to the WESM and a timing difference in the technical service agreements during the quarter in review.

The Company ended the quarter in review with a net increase in cash, before considering the effect of changes in the foreign exchange rates, in the amount of Php 574.5 mn. This was 12% higher than the net increase in cash as of end-March 2020 in the amount of Php 514.7 mn. Financing activities posted a net cash inflow as of end-March 2021, which was a reversal of the net cash outflow as of end-March 2020. Reduced spending for operating activities (dropped by 6% YoY) further contributed to the expansion in cash level. The net increase in cash was tempered by the decline in cash inflows from investing activities (down by 41% YoY) during the quarter in review.

Operating activities showed a net cash outflow of Php 111.5 mn during the quarter in review, which was 6% lower than the net cash outflow of Php 118.1 mn as of end-March 2020. This was mainly due to the significantly lower payments for trade and other payables and accrued expenses during the quarter in review. The Company and 1590 EC also saw a drop in the interest payments as of end-March 2021.

Investing activities generated cash in the amount of Php 492.4 mn vis-à-vis Php 833.1 mn as of end-March 2020. The 41% YoY decline was a result of the following: (1) increased capital expenditures by a subsidiary for the acquisition of properties intended to be the site for its future project; (2) construction costs for INEC's power generation facility and ETEI's solar rooftop projects; and (3) investments made by wholly owned Vivant Energy Corporation (VEC) and its subsidiaries, which included a 90% equity stake in two diesel power generation companies and a 34.81% equity stake in a solar engineering company. Cash level for investing activities was further reduced by lower dividends from associates (down by 12% YoY) and interest received from short-term investments during the period in review.

Financing activities for first quarter of 2021 generated cash of Php 193.6 mn, a reversal of the Php 200.4 mn in net cash outflow as of end-March 2020. This mainly stemmed from the proceeds of the Company's new Fixed Rate Corporate Note (FRCN) issued in January 2021 and the proceeds from a bridge financing facility of INEC. The infusion from a minority shareholder of INEC also contributed to the cash inflows during the quarter in review. These were offset by the settlement of the old FRCN in February 2021, the partial payment made by 1590 EC for its short-term loan, transaction costs related to the new FRCN and a subsidiary's advances to an associate. In 2020, the Company extended an interest-bearing loan to an associate for the latter's wastewater treatment project.

Debt-to-Equity ratio went up to 0.39x as of end-March 2021 vis-à-vis end-December 2020 level of 0.38x. Total equity increased by 1%, which was attributed to the earnings for the quarter. Meanwhile, total liabilities rose by 2%, which mainly stemmed from the net proceeds from the issuance of the new FRCN and the bridge financing facility of INEC. The accrued income tax of 1590 EC and the accrued pension of the Company and VEC also contributed to the increase in total liabilities.

The Company's current ratio improved to 3.31x as of end-March 2021 from year-end 2020 level of 1.33x. Current assets posted a growth of 7% (attributed to the 12% rise in cash and cash equivalents and a subsidiary's advances to an associate), while current liabilities showed a significant decrease of 57% from end-2020 level. The Company's outstanding FRCN in the amount of Php 2.8 bn, which was recognized as a current liability as of end-2020, was paid in February 2021. Payment of trade payables and accrued expenses (mostly in the Company, VEC, 1590 EC, ETEI and INEC) and the amortization of finance lease liability-current portion contributed to the decline in current liabilities.

*Material Changes in Line Items of Registrant's Income Statement*
*(YTD March 2021 vs. YTD March 2020)*

As of end-March 2021, the Company's total revenues amounted to Php 777.5 mn, recording a 10% YoY decline from Php 860.0 mn in the same period last year.

1. Sale of power went up by 33% YoY, which is attributed to:

    - 23% YoY rise in the energy sales of 55.2%-owned 1590 EC that resulted from improved revenues from its ancillary services (up by 29% YoY) and on the sale of its excess capacity to the WESM (up by 16% YoY).

    - Wholly-owned Corenergy and ETEI ended the quarter in review with 75% and 33% YoY increases in volume of energy sold, respectively. These were mainly attributed to the increased contracted capacities of the solar rooftop business of both companies.

    - 65%-owned INEC shored in a revenue contribution of Php 15.2 mn from its interim power supply agreement with BANELCO.

2. The Company's share in net earnings of associates and joint ventures as of end-March 2021 amounted to Php 336.6 mn, representing a 32% YoY decrease from Php 493.7 mn. This was a result of the following:

    - VECO, the Company's distribution utility, recorded an 18% YoY drop in its bottomline contribution, from Php 212.5 mn to Php 175.0 mn. The 13% decline in volume sold mainly accounted for VECO's contraction in net earnings. This resulted from the slowdown in economic activities amidst the COVID-19 pandemic. Adding to this was the higher oprating expense recorded during the quarter in review as depreciation on asset revaluation was not taken up in the previous year.

- 40%-owned AHI posted a 9% YoY decrease in its income contribution to Php 70.5 mn from Php 77.3 mn. This was driven by the decrease in the profitability of its associate, CEDC. CEDC posted lower earnings during the quarter in review, which was mainly attributed to the reduced dispatch in its energy-based bilateral contract (down by 7% YoY). This was inspite of better profits on sales at the WESM due to improved spot market rates. Increased operating expenses also contributed to the decline in income contribution.

- 40%-owned MPC brought in contributions of Php 48.0 mn during the quarter in review, a 67% YoY decrease from Php 146.7 mn. This can be mainly attributed to the drop in the volume of energy sales (down by 19% YoY). Increase in MPC's operating expenses also contributed to the unfavorable YoY variance.

- 40%-owned CPPC recorded a 27% YoY drop in earnings contribution to Php 31.1 mn from Php 42.6 mn in spite of better profits from the sale of excess power to the WESM due to higher spot market rates. The quarter in review recorded higher operating expenses, which was due to the non-recording of the depreciation on asset revaluation last year, and lower interest income.

- 50%-owned CIPC saw a 56% YoY drop in its income contribution from Php 14.0 mn to Php 6.2 mn. This was brought about by the 33% YoY decline in energy sales volume as the COVID-19 pandemic affected overall power demand in the islands. CIPC also incurred costs for the preventive maintenance work done during the first quarter of 2021.

- 50%-owned DPI shored in an income contribution of Php 5.3 mn as of end-March 2021, a 79% YoY drop from Php 25.0 mn as of end-March 2020. The expiry of the company's PSA for its old plant facility in April 2020 and the decline in electricity demand caused by the COVID-19 pandemic accounted for the drop in its bottomline. DPI also incurred costs for the preventive maintenance of its expansion plant facility that contributed to the reduced earnings during the quarter in review.

The above contraction in earnings contributions were tempered by the following:

- 20%-owned TVI recorded a positive income contribution of Php 0.4 mn as of end-March 2021. This was an improvement compared to the net loss contribution of Php 23.9 mn as of end-March 2020. Revenues from contracts with RES customers rose by 20% YoY, which mainly accounted for its improved bottomline. Further to this, the lower operating expenses during the quarter in review resulted to enhanced profitability.

- 40%-owned Prism Energy, an RES, saw a 26% YoY rise in its income contribution to Php 3.1 mn from Php 2.5 mn. This was mainly attributed to the RES' enhanced margin per kWh.

3. Engineering service income significantly dropped to Php 4.3 mn from Php 20.1 mn. This was mainly attributed to the timing of billings for the engineering service projects of 60%-owned WMP.

4. Interest income dropped by 77% YoY to Php 5.1 mn, which mainly resulted from lower interest rates on short-term placements.

Total cost of services and operating expenses for the first quarter of 2021 expanded by 6% YoY, from Php 493.6 mn to Php 523.6 mn. Said movement can be accounted for by the following:

1. Total cost of services dropped by 9% YoY to Php 277.9 mn from Php 306.2 mn. This can be attributed to the 13% YoY contraction in generation cost to Php 257.5 mn from Php 294.5 mn, which was brought about by the reduction in fuel consumption that resulted from lower energy dispatched to the WESM and a timing difference in technical service agreements during the quarter in review. This was tempered by the higher cost of power incurred by Corenergy as its energy sales volume went up by 75% YoY. Moreover, the increase in ETEI's cost of services (up by 43% YoY), which was attributed to technical consultancy contracts and higher depreciation cost on solar panels to service additional customers, offset the cost contraction.

   Meanwhile, engineering service fees ended up higher by 74% YoY to Php 20.4 mn from Php 11.8 mn. This was on the back of the improvement in WMP's contracts for water engineering projects.

2. Professional fees surged by 295% YoY to Php 102.9 mn from Php 26.1 mn. This was mainly due to legal fees incurred by two subsidiaries relating to projects.

3. Salaries and employee benefits went down by 8% YoY to Php 62.5 mn from Php 67.7 mn. Lower accrued expense for employee benefit mainly accounted for the decrease.

4. Taxes and licenses fell by 47% YoY to Php 20.6 mn from Php 38.8 mn, which was mainly due to lower business taxes and documentary stamp taxes (DST) paid during the quarter in review. As of end-March 2020, the Company and its subsidiaries incurred additional business taxes due to the change of business address. Payment of DSTs were also made in the same period last year as a result of the share issuance by a subsidiary and booking of advances from shareholders by INEC for the construction of an oil-fired power generation facility.

5. Depreciation and amortization grew by 7% YoY to Php 11.6 mn from Php 10.9 mn. The increase was attributed to higher depreciation expense due to the purchase of new assets and the depreciation of the right-of-use asset for a lease that was contracted in the second half of 2020.

6. Outside services went down by 38% YoY to Php 4.3 mn from Php 6.8 mn. The Company saw delays in supplier billings for its enterprise resource planning (ERP) system during the quarter in review. Further to this, costs as of end-March 2020 included delayed billings from suppliers for services covering 2019.

7. Management fees went down by 21% YoY to Php 2.7 mn from Php 3.4 mn. This was due to the non-renewal of a subsidiary's service agreement that expired in the second quarter of 2020. This is tempered by the increased frequency of the Company's board and committee meetings.

8. Communication and utilities went up by 31% YoY to Php 1.9 mn from Php 1.5 mn. This was mainly due to delayed billings from the Company's internet and communications service provider.

9. Rent and association dues was higher by 26% YoY at Php 1.6 mn from Php 1.2 mn. This resulted from delayed billings for association dues covering certain months of 2020.

10. Travel expenses significantly dropped by 81% YoY to Php 0.8 mn from Php 4.3 mn. This can be attributed to reduced business travel frequency due to government-mandated travel and mobility restrictions that were imposed since the latter part of the first quarter of 2020.

11. Representation expenses fell by 34% YoY to Php 0.3 mn from Php 0.4 mn. More virtual meetings were held as a result of travel restrictions and physical distancing requirements still in place during the quarter in review.

12. Other operating expenses rose by 39% YoY to Php 36.5 mn from Php 26.3 mn. This resulted from higher donations to Vivant Foundation Inc (VFI). New memberships in business organizations, new software subscriptions, and higher Securities and Exchange Commission (SEC)-related fees for the incorporation of a new subsidiary also contributed to the increase in cost.

Vivant booked Php 48.3 mn in other charges as of end-March 2021, recording a 15% decrease from the Php 56.6 mn in other charges booked in the same period last year. The following account for the movement:

1. Finance costs on the Company's FRCN was lower by 12% YoY to Php 36.5 mn from Php 41.3 mn. This reduction is attributed to lower rates for the new FRCN.

2. Finance costs on lease liabilities dropped by 23% YoY to Php 15.4 mn from Php 20.1 mn, which was a result of the amortization of the finance lease under PFRS 16.

3. Unrealized foreign exchange gain went down by 33% YoY to Php 1.8 mn from Php 2.7 mn. This was due to the lower US Dollar and Euro cash balances of the Company and three subsidiaries during the quarter in review.

4. Other income of Php 1.8 mn was booked as of end-March 2021, which was 11% lower than the Php 2.0 mn booked in the same period last year. Receipt of proceeds from an insurance claim by a subsidiary within the same quarter last year accounted for the variance.

For the first quarter of 2021, the Company booked an accrued consolidated income tax expense of Php 21.2 mn. This is a reversal of the Php 5.2 mn income tax benefit that was recorded last year, which was on account of the deferred income tax on the lease of 1590 EC.

Taking all of the above into account, the Company recorded a total net income of Php 184.4 mn for the period ending March 31, 2021, which is 41% lower than the Php 314.9 mn net income in the same period last year. Net income attributable to parent amounted to Php 142.0 mn, down by 56% YoY.

*Changes in Registrant's Consolidated Resources, Liabilities and Shareholders' Equity*
*(End-March 2021 vs. Year-end 2020)*

The Company's total assets marginally grew by 2%, from end-2020's level of Php 22.6 bn to Php 22.9 bn. The following are the material movements in the consolidated assets of the Company as of end-March 2021.

1. Cash and cash equivalents expanded by 12% to Php 5.4 bn as of end-March 2021 from Php 4.9 mn as of end-2020. This was attributed to the net cash generated from financing activities, a reversal of the use of cash for Php 291.7 mn as of end-2020. This was tempered by the use of cash for operating activities as of end-March 2021 of Php 111.5 mn as against the net cash inflow as of end-2020 of Php 114.5 mn, and lower net cash inflows from investing activities of Php 492.4 mn during the quarter in review vis-à-vis Php 640.0 mn as of end-2020.

2. Trade and other receivables went down by 10% to Php 730.3 mn as of end-March 2021. The decline was mainly a result of MPC's payment of dividends declared in 2020. Moreover, the lower interest rates on short term placements resulted to a reduction in accrued interest receivable during the quarter ending March 2021 as against end-2020 level.

3. Inventories dropped by 21% to Php 174.7 mn as of end-March 2021. This was attributed to the fuel consumption of 1590 EC and INEC.

4. Prepayments and other current assets were lower by 5% YoY at Php 267.8 mn as of end-March 2021. Transaction costs related to the Company's new FRCN was reclassified as a contra-liability account in compliance with PFRS 9[2] upon drawing in January 2021. Recoupment of INEC's down payments to contractors for the on-going construction of an oil-fired power generation facility and claims of input VAT against output VAT on revenues in 1590 EC during the quarter in review contributed to the drop in prepaid assets. This was tempered by the payment of a bid security for a power project.

5. Property, plant, and equipment rose by 7% to Php 2.4 bn, which was mainly attributed to the costs incurred for the construction of an oil-fired power plant by INEC. Project costs for the solar projects in ETEI, acquisition of a property as future project site of a subsidiary and the Company's purchase of service vehicles and other assets also contributed to the increase.

6. Right-of-use assets was lower by 9% at Php 614.2 mn, which was due to the amortization as of end-March 2021.

7. Deferred income tax assets grew by 13% YoY to Php 38.3 mn, as a result of the amortization of 1590 EC's finance lease liability under PFRS 16.

8. Other noncurrent asset rose by 8% YoY to Php 1.3 bn. VEC and a wholly-owned subsidiary made down payments for an investment in two power generation plant facilities during the quarter in review. Accumulation of input VAT-noncurrent and creditable withholding taxes also contributed to the asset expansion.

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[2] PFRS 9, *Financial Instruments*, provides that at initial recognition, an entity measures a financial asset or a financial liability at its fair value plus or minus, in the case of a financial asset or a financial liability not at fair value through profit or loss, transaction costs that are directly attributable to acquisition or issue of the financial asset or financial liability.

Total consolidated liabilities grew by 2% YoY to Php 6.4 bn as of first quarter 2021 from end-2020's Php 6.3 bn. This can be mainly attributed to the proceeds from the issuance of the new FRCN, net of the full settlement of the old FRCN. Other factors include:

1. Short-term note payable increased by 10% to Php 826.5 mn from Php 749.3 mn. This was due to the additional borrowings made by INEC against a bridge financing facility, but tempered by the partial principal payment made by 1590EC.

2. Income tax payable significantly increased by 68% to Php 62.1 mn, which was attributed to the earnings of 1590 EC during the quarter in review.

The growth in liabilities were offset by the following:

1. Current portion of trade and other payables were lower by 6% to Php 822.7 mn from Php 875.8 mn. This was attributed to the settlement of trade payables and accrued expenses (mostly by VVT, VEC, 1590 EC, ETEI, and INEC) during the period in review.

2. Current portion of lease liabilities decreased by 11% to Php 319.7 mn from Php 360.1 mn. This was mainly attributed to the amortization of the finance lease recognized in 1590 EC under PFRS 16.

As a result of net income generated during the period in review, total stockholders' equity slightly increased by 1%, from Php 16.3 bn as of year-end 2020 to Php 16.5 bn as of end-March 2021. Meanwhile, equity attributable to parent ended slightly higher by 1% at Php 15.6 bn as of end-March 2021.

*Material Changes in the Consolidated Liquidity and Cash Reserves of Registrant*
*(End-March 2021 vs. End-March 2020)*

Cash and cash equivalents were higher by 11% YoY, from Php 4.9 bn as of end-March 2020 to Php 5.4 bn as of end-March 2021.

The Company ended the quarter in review with a net increase in cash, before considering the effect of changes in the foreign exchange rates, in the amount of Php 574.5 mn. This was 12% higher than the net increase in cash as of end-March 2020 in the amount of Php 514.7 mn. Financing activities posted a net cash inflow as of end-March 2021, which was a reversal of the net cash outflow as of end-March 2020. Reduced spending for operating activities (dropped by 6% YoY) further contributed to the expansion in cash level. The net increase in cash was tempered by the decline in cash inflows from investing activities (down by 41% YoY) during the quarter in review.

Operating activities showed a net cash outflow of Php 111.5 mn during the quarter in review, which was 6% lower than the net cash outflow of Php 118.1 mn as of end-March 2020. This was mainly due to the significantly lower payments for trade and other payables and accrued expenses during the quarter in review. The Company and 1590 EC also saw a drop in the interest payments as of end-March 2021.

Investing activities generated cash in the amount of Php 492.4 mn vis-à-vis Php 833.1 mn as of end-March 2020. The 41% YoY decline was a result of the following: (1) increased capital expenditures by a subsidiary for the acquisition of properties intended to be the site for its project; (2) construction costs for INEC's power generation facility and ETEI's solar rooftop projects; and (3) investments made by wholly owned VEC and its subsidiaries, which included a 90% equity stake in two diesel power generation companies and a 34.81% equity stake in a solar engineering company. Cash level for investing activities was further reduced by lower dividends from associates (down by 12% YoY) and interest received from short-term investments during the period in review.

Financing activities for first quarter of 2021 generated cash of Php 193.6 mn, a reversal of the Php 200.4 mn in net cash outflow as of end-March 2020. This mainly stemmed from the proceeds of the Company's new FRCN issued in January 2021 and the proceeds from a bridge financing facility of INEC. The infusion from a minority shareholder of INEC also contributed to the cash inflows during the quarter in review. These were offset by the settlement of the old FRCN in February 2021, the partial payment made by 1590 EC for its short-term loan, transaction costs related to the new FRCN and a subsidiary's advances to an associate. In 2020, the Company extended an interest-bearing loan to an associate for the latter's wastewater treatment project.

*Financial Ratios*

Debt-to-Equity ratio went up to 0.39x as of end-March 2021 vis-à-vis end-December 2020 level of 0.38x. Total equity increased by 1%, which was attributed to the earnings for the quarter. Meanwhile, total liabilities rose by 2%, which mainly stemmed from the net proceeds from the issuance of the new FRCN and the bridge financing facility of INEC. The accrued income tax of 1590 EC and the accrued pension of the Company and VEC also contributed to the increase in total liabilities.

The Company's current ratio improved to 3.31x as of end-March 2021 from year-end 2020 level of 1.33x. Current assets posted a growth of 7% (attributed to the 12% rise in cash and cash equivalents and a subsidiary's advances to an associate), while current liabilities showed a significant decrease of 57% from end-2020 level. The Company's outstanding FRCN in the amount of Php 2.8 bn, which was recognized as a current liability as of end-2020, was paid in February 2021. Payment of trade payables and accrued expenses (mostly in the Company, VEC, 1590 EC, ETEI and INEC) and the amortization of finance lease liability-current portion contributed to the decline in current liabilities.

*Material Events and Uncertainties*

- Any known trends or any known demands, commitments, events or uncertainties that will result in or that are reasonably likely to result in the registrant's liquidity increasing or decreasing in any material way. The following conditions shall be indicated: whether or not the registrant is having or anticipates having within the next twelve (12) months any cash flow or liquidity problems; whether or not the registrant is in default or breach of any note, loan, lease or other indebtedness or financing arrangement requiring it to make payments; whether or not a significant amount of the registrant's trade payables have not been paid within the stated trade terms.

  The Company does not expect any liquidity problems and is not in default of any financial obligations.

- Any events that will trigger direct or contingent financial obligation that is material to the company, including any default or acceleration of an obligation.

  None.