

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)

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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

Contact Persons

(032) 232-0283, 234-2256 and 234-2285

Telephone Number of the Contact Person

0 6 3 0

Month Day Fiscal Year

SEC FORM 17-Q

0 6 3 0

FORM TYPE

Month Day

N/A

Secondary license Type, If Applicable

C F D

Dept. Requiring this Doc.

Amended Articles Number/Section

1,417

Total No. of Stockholders

1,023,265,804

Domestic

190,894

Foreign

To be accomplished by SEC Personnel concerned

File Number

Document I.D.

LCU

Cashier

Remarks = Pls. Use black ink for scanning purposes



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: **June 30, 2020**

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**

7. Address of issuer's principal office **6014**
Postal Code

(032) 234-2256; (032) 234-2285

8. Issuer's telephone number, including area code

**907-908 Ayala Life-FGU Center, Mindanao Avenue corner Biliran Road, Cebu Business Park,
Mindanao Ave. cor Biliran Road, Brgy. Luz, Cebu City**

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
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Common Shares at Php 1.00 per share	Php 1,023,456,698
Amount of debt outstanding	Php 6,190,088,204

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 No

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

Yes 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 June 30, 2020 compared with the interim period ended June 30, 2019. 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) June 30, 2020 versus YTD June 30, 2019

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

Key Performance Indicators <i>Amounts in Php '000, except for ratios</i>	YTD June 2020	YTD June 2019	YE 2019 Audited
Equity in Net Earnings of Associates and Joint Ventures	905,462	1,040,110	
EBITDA	1,092,370	1,564,354 ¹	
Cash Flows From / (Used)	98,013	973,568	
Net cash flows from (used in) operating activities	(337,862)	414,136	
Net cash flows from investing activities	625,210	1,088,502	
Net cash flows used in financing activities	(189,335)	(529,070)	
Debt-to-Equity Ratio (x)	0.41	0.43	0.41
Current Ratio (x)	1.36	5.55	3.42

The Company's share in net earnings of associates and joint ventures as of first half (1H) 2020 amounted to Php 905.5 mn, representing a 13% year-on-year (YoY) decrease from Php 1.0 bn. This was a result of the following:

1. Visayan Electric Company (VECO), the Company's distribution utility, recorded a 3% YoY drop in its bottomline contribution, from Php 406.1 mn to Php 394.6 mn. This was mainly attributed to lower volume sold during the semester in review (down by 8% YoY).
2. 40%-owned Minergy Power Corporation (MPC) brought in contributions of Php 266.9 mn as of 1H 2020, a 10% YoY decrease from Php 295.9 mn. This can be mainly attributed to the reduced energy sales (down by 10% YoY) and higher operating expenses.
3. 40%-owned Abovant Holdings, Inc. (AHI) posted a 9% YoY decline in its income contribution to Php 141.0 mn from Php 155.1 mn. This was driven by the decrease in profitability of its associate, Cebu Energy Development Corporation (CEDC). The drop in CEDC's performance during the period in review was mainly on account of lower sales at the Wholesale Electricity Spot Market (WESM) and increased maintenance costs.

¹ Reported as Php 1.6 bn in the SEC 17 2Q FY 2019 report. The change is due to the take-up of finance cost on lease liability in the EBITDA computation to be comparable with the 2Q 2020 EBITDA figure.

4. 40%-owned Cebu Private Power Corporation (CPPC) recorded a 3% YoY drop in earnings contribution to Php 89.2 mn from Php 92.1 mn, resulting from lower revenues generated from the sale of its excess capacity to the WESM.
5. 20%-owned Therma Visayas, Inc. (TVI) posted a negative income contribution of Php 44.4 mn during the period in review, which was a reversal of last year's Php 37.7 mn profit share. This can be attributed to the incurrence of interest expense on the company's debt. In the same period last year, interest expense was capitalized prior to the start of commercial operations of Unit 1 in April 2019. Adding to this were the costs of replacement power during its scheduled maintenance work in the first quarter of 2020.
6. 40%-owned Prism Energy, Inc. (Prism Energy), a Retail Electricity Supplier (RES), saw a 56% YoY decline in its income contribution to Php 5.6 mn from Php 12.7 mn. This was attributed to the drop in contracted capacities and lower price per kilowatt hour (kwh).

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

1. 50%-owned Delta P, Inc. (DPI) shored in an income contribution of Php 34.0 mn as of end-June 2020, a 13% YoY rise from Php 30.1 mn, which was on the back of increased volume of energy sold in Unit 2 (up by 41% YoY). Also, Unit 1 of the company's old plant facility caught fire in February 2019, which resulted to a temporary shutdown of said unit during the same period last year. Moreover, the reduced debt service cost further enhanced the company's profit performance for the first semester of 2020.
2. 50%-owned Calamian Islands Power Corp (CIPC) saw a 38% YoY expansion in its income contribution from Php 17.8 mn to Php 24.6 mn. The enhanced income contribution was an effect of reduced maintenance cost and lower debt service cost.

EBITDA for the period dropped by 30% YoY to Php 1.1 bn from Php 1.6 bn. This was mainly an outcome of the 35% YoY decrease in operating income, which stemmed from:

1. A 62% reduction in the sale of power. This mainly resulted from the 53% YoY contraction of energy sales in 55.2%-owned 1590 Energy Corporation (1590 EC) and the absence of sales in wholly-owned Vivant Energy Corporation (VEC) during the period in review.

Reduced sales volume of 1590 EC during the 1H 2020, coupled with the lower spot market prices in the WESM for the sale of its excess capacity, brought down its topline performance. In the same period last year, 1590 EC had increased dispatch from its bilateral contract which was terminated in September 2019. Meanwhile, VEC's Independent Power Producer Administrators (IPPA) Agreement with the Power Sector Assets and Liabilities Management (PSALM) was terminated in October 2019.

The decline in energy sales was mitigated by the 11% YoY rise in energy sales of 100%-owned ET Energy Island, Inc. (ETCI), the special purpose vehicle where all rooftop solar projects of the Company are currently housed.

2. 13% drop in equity earnings resulting from the decline in the bottom line of six associates during the period in review. These are VECO, MPC, AHI, CPPC, TVI and Prism Energy.

3. 55% YoY drop in interest income given lower rates for its short-term investments and lower cash placements.
4. 27% YoY rise in operating expenses.

However, the contraction in EBITDA was mitigated by the 117% YoY rise in management fees, a subsidiary's revenues from its water engineering service contracts, and 64% YoY drop in cost of services.

The Company ended the semester in review with a net increase in cash (before considering the effect of changes in the foreign exchange rates) in the amount of Php 98.0 mn, which was 90% lower than last year's net increase in cash of Php 973.6 mn.

Operating activities showed a net cash outflow of Php 337.9 mn during the semester in review, recording a reversal of the net cash inflow of Php 414.1 mn as of end-June 2019. This was mainly due to the payment of trade and other payables and accrued expenses during the period (mostly in VEC and 1590 EC). The purchase of inventory by 1590 EC, payment of interest and income taxes during the semester in review also contributed to the use of cash. In the same period last year, the Company posted net cash inflows as a result of the increase in trade receivables on the back of improved energy sales, coupled with the rise in trade payables.

Investing activities generated cash in the amount of Php 625.2 mn, which was 43% lower than the net cash inflow of Php 1.1 bn as of end-June 2019. The advance payment made by 65%-owned Isla Norte Energy Corporation (INEC) and 1590 EC to their suppliers, capital infusions in new and existing investments, and increased capital expenditures for the acquisition of property and equipment during the semester in review mainly accounted for the reduced cash inflows. This is tempered by the 12% YoY increase in total dividends received from investee companies (VECO, MPC, CPPC, DPI, Prism Energy and CIPC).

Financing activities for the semester recorded a cash usage of Php 189.3 mn, posting a 64% YoY drop vis-à-vis last year's Php 529.1 mn. The proceeds from the short-term notes payable of 1590 EC and INEC, infusions from a minority shareholder of INEC for its new power plant project in the Visayas, and proceeds of an interest-bearing cash advance from a minority shareholder of a subsidiary for its share in a one-off expense mainly accounted for the significant decrease in net cash outflow against the end-June 2019 level. This is tempered by the Company's interest-bearing advances related to the wastewater treatment project of an associate and the Company's dividend declaration during the semester in review.

Debt-to-Equity ratio remained at 0.41x as of end-June 2020 vis-à-vis end-December 2019 level of 0.41x. Total equity increased by 3%, which was attributed to the earnings for the period, net of the Company's dividend declaration in 2020. Meanwhile, total liabilities rose by 2%, which mainly stemmed from the short-term loans of INEC and 1590 EC. Advances received by a subsidiary from a minority shareholder and accrued income tax of 1590 EC, net of the payment of trade payables (mostly in VEC and 1590 EC), also contributed to the increase in liabilities.

The Company's current ratio dropped to 1.36x as of end-June 2020 from year-end 2019 level of 3.42x. Current liabilities posted a significant increase of 182% from end-2019 level, while current assets only recorded a growth of 12%. The Company's outstanding FRCN in the amount of Php 2.8 bn, which is maturing in February 2021, has been recognized as a current liability. Moreover, the availment of short-term notes payable by 1590EC and INEC and the advances from a minority shareholder of a subsidiary

for a new power plant project in the Visayas, and accrued income tax from 1590 EC also contributed to the rise in current liabilities for the first half of 2020.

Material Changes in Line Items of Registrant's Income Statement
(YTD June 2020 vs. YTD June 2019)

As of 1H 2020, the Company's total revenues amounted to Php 1.8 bn, recording a 43% YoY decline from Php 3.2 bn in the same period last year.

1. Sale of power reduced by 62% YoY, which was attributed to:
 - A 53% YoY contraction of energy sales in 55.2%-owned 1590 EC given the lower energy volume and price per kwh from the sale of its excess capacity to the WESM. In the same period last year, 1590 EC had increased dispatch from its bilateral contract which was terminated in September 2019.
 - Also, wholly owned VEC had no energy sales during the quarter in review after the termination of its IPPA Agreement with PSALM in October 2019.

The decline in energy sales was mitigated by the 11% YoY rise in energy sales of 100%-owned ETEI, the special purpose vehicle where all rooftop solar projects of the Company are currently housed.

2. The Company's share in net earnings of associates and joint ventures as of 1H 2020 amounted to Php 905.5 mn, representing a 13% YoY decrease from Php 1.0 bn. This was a result of the following:
 - VECCO, the Company's distribution utility, recorded a 3% YoY drop in its bottomline contribution, from Php 406.1 mn to Php 394.6 mn. This was mainly attributed to lower volume sold during the semester in review (down by 8% YoY).
 - 40%-owned MPC brought in contributions of Php 266.9 mn as of 1H 2020, a 10% YoY decrease from Php 295.9 mn. This can be mainly attributed to the reduced energy sales (down by 10% YoY) and higher operating expenses.
 - 40%-owned AHI posted a 9% YoY decline in its income contribution to Php 141.0 mn from Php 155.1 mn. This was driven by the decrease in profitability of its associate, CEDC. The drop in CEDC's performance during the period in review was mainly on account of lower selling rates at the WESM and increased maintenance costs.
 - 40%-owned CPPC recorded a 3% YoY drop in earnings contribution to Php 89.2 mn from Php 92.1 mn, resulting from lower revenues generated from the sale of its excess capacity to the WESM.
 - 20%-owned TVI posted a net loss of Php 44.4 mn during the period in review, which was a reversal of last year's Php 37.7 mn profit share. This can be attributed to the incurrence of interest expense on the company's debt. In the same period last year, interest expense was capitalized prior to the start of commercial operations of Unit 1 in April 2019. Adding to this were the costs of replacement power during its scheduled maintenance work in the first quarter of 2020.
 - 40%-owned Prism Energy saw a 56% YoY decline in its income contribution to Php 5.6 mn from Php 12.7 mn. This was attributed to the drop in contracted capacities and lower price per kwh.

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

- 50%-owned DPI shored in an income contribution of Php 34.0 mn as of end-June 2020, a 13% YoY rise from Php 30.1 mn, which was on the back of increased volume of energy sold in Unit 2 (up by 41% YoY). Also, Unit 1 of the company's old plant facility caught fire in February 2019, which resulted to a temporary shutdown of said unit during the same period last year. Moreover, the reduced debt service cost further enhanced the company's profit performance for the first semester of 2020.
 - 50%-owned CIPC saw a 38% YoY expansion in its income contribution from Php 17.8 mn to Php 24.6 mn. The enhanced income contribution was an effect of reduced maintenance cost and lower debt service cost.
3. Management fee rose to Php 6.9 mn from Php 3.2 mn (up by 117% YoY). This was attributed to the upward adjustment in the service fees for two joint ventures.
 4. Engineering service fees significantly grew to Php 83.8 mn from Php 2.8 mn². This was mainly attributed to the engineering service contracts of 60%-owned Watermatic Philippines Corporation (WMP)³.
 5. Interest income dropped by 55% YoY to Php 40.4 mn, which mainly resulted from lower interest rates on short-term placements. Lower cash level during the semester in review also contributed to this negative variance.

Total cost of services and operating expenses as of 1H 2020 was reduced by 50% YoY, from Php 1.7 bn to Php 861.3 mn. Said movement can be accounted for by the following:

1. Total cost of services dropped by 64% to Php 512.2 mn from Php 1.4 bn. This can be attributed to the 69% contraction in generation cost to Php 450.7 mn as of end-June 2020 from Php 1.4 bn as of end-June 2019. Lower energy sales of 1590 EC and 100%-owned Corenergy, Inc., a RES, mainly accounted for this decline.

Meanwhile, WMP incurred technical consultancy and materials costs in the amount of Php 61.5 mn for its water engineering services during the semester in review. This was a significant increase from the engineering service fees in the amount of Php 0.3 mn⁴ as of end-June 2019.

2. Salaries and employee benefits grew by 28% to Php 150.7 mn from Php 117.4 mn. Manpower headcount and the upward movement in salaries and bonuses mainly accounted for this increase. The advance payment of the 13th month pay to employees also contributed to the cost expansion during the semester in review.
3. Taxes and licenses were significantly higher by 104% at Php 44.8 mn from Php 22.0 mn. The improved prior year revenues of the Company, 1590 EC, and VEC resulted to higher local business taxes. Additional business taxes were incurred due to the change of business address by the Company and its subsidiaries. Payment of documentary stamp taxes (DST) were made

² Reported as nil in the in the SEC 17 2Q FY 2019 report. Engineering service fees of Php 2.8 mn was reclassified from Other Income to conform with the SEC 17 2Q FY 2020 presentation in compliance to Philippine Accounting Standards (PAS) 1, Presentation of Financial Statements.

³ Registered with the Securities and Exchange Commission on July 23, 2019

⁴ Lumped under generation cost in the SEC 17 2Q FY 2019 report. This change in presentation is to conform with the SEC 17 2Q FY 2020 presentation in compliance to PAS 1, Presentation of Financial Statements

during the first half of the year as a result of the share issuance by three subsidiaries and booking of advances from shareholders by another subsidiary that is developing a new power plant project.

4. Depreciation and amortization grew by 58% YoY to Php 23.4 mn from Php 14.8 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 fourth quarter of 2019.
5. Management fees were 6% lower from Php 20.1 mn to Php 18.9 mn due to the reduction in fees.
6. Outside services was up by 27% YoY to Php 11.7 mn from Php 9.2 mn, which is materially attributed to the hosting and support fees incurred for the Company's enterprise resource planning (ERP) system and the spot market trading software used by VEC.
7. Travel expenses saw a drop of 25% to Php 5.0 mn from Php 6.7 mn. This can be attributed to reduced travel frequency due to travel restrictions during the implementation of the community quarantine in the country.
8. Communication and utilities went down by 10% to Php 2.5 mn from Php 2.8 mn. This was mainly due to delayed billings from the service provider.
9. Rent and association dues was significantly higher by 223% at Php 1.9 mn from Php 0.6 mn. This resulted from the increase in association dues for the Company's principal office.
10. Representation expenses were lower by 30% to Php 0.5 mn from Php 0.7 mn. More virtual meetings were held as a result of travel restrictions and physical distancing requirements brought about by the implementation of community quarantine in the country.
11. Other operating expenses rose by 25% YoY to Php 38.1 mn from Php 30.4 mn. This resulted substantially from higher donations to Vivant Foundation Inc (VFI). Higher issuance fees for Stand-by Letters of Credit for new projects and higher repairs expense also contributed to the increase in cost.

Vivant booked Php 77.5 mn in other charges as of 1H 2020, recording a 15% decrease from previous year's other charges of Php 90.6 mn⁵. The following account for the movement:

1. Finance costs on lease liabilities dropped by 9% YoY to Php 39.0 mn from Php 42.8 mn resulting from the amortization of the finance lease under Philippine Financial Reporting Standards (PFRS) 16.
2. An unrealized foreign exchange gain of Php 2.2 mn was taken up during the period in review. This pertains to the restatement of the US Dollar and Euro cash balances of the Company and three subsidiaries. This was against an unrealized foreign exchange loss of Php 0.6 mn recorded for the same period last year.

⁵ Reported as 88.2 mn in the SEC 17 2Q FY 2019 report. This change is due to the reclassification of Php 2.8mn in engineering service fees from Other Income to a topline revenue item.

3. Other income of Php 43.0 mn was booked as of end-June 2020, which was 20% higher than the Php 35.9 mn⁶ booked in the same period last year. Proceeds from insurance claims mainly accounted for this increase.

The Company posted a 55% YoY drop in accrued consolidated income tax expense to Php 44.5 mn from Php 99.8 mn. This was mainly a result of the decline in the energy sales of 1590 EC during the semester in review.

Taking all of the above into account, the Company recorded a total net income of Php 814.4 mn for the period ending June 30, 2020, which is 35% lower than last year's Php 1.3 bn. Net income attributable to parent amounted to Php 743.4 mn, down by 32% from end-June 2019 level of Php 1.1 bn.

Changes in Registrant's Consolidated Resources, Liabilities and Shareholders' Equity
(End-June 2020 vs. Year-end 2019)

The Company's total assets marginally grew by 2%, from end-2019's level of Php 20.9 bn to Php 21.4 bn. The following are the material movements in the consolidated assets of the Company as of end-June 2020.

1. Trade and other receivables went down by 8% to Php 727.9 mn as of end-June 2020. This decrease was mainly attributed to the collection of trade receivables by 1590 EC and receipt of dividends for declarations made in 2019 by DPI, Prism Energy and CIPC.
2. Advances to associates and stockholders was higher by 164% at Php 242.2 mn as of end-June 2020. The increase was mainly a result of the interest-bearing advances to an associate for a waste-water treatment project that the Company invested in.
3. Inventories rose by 115% to Php 217.9 mn as of end-June 2020. This was attributed to the purchase of fuel by 1590 EC, net of the inventory withdrawals of WMP for a contract project involving an expansion of an existing surface water facility.
4. Prepayments and other current assets were higher by 234% YoY at Php 533.9 mn as of end-June 2020. During the semester in review, 1590 EC and INEC incurred advanced payments for plant equipment.
5. Right-of-use assets was lower by 13% at Php 808.3 mn, which was due to the depreciation as of end-June 2020.

Total consolidated liabilities expanded by 2% YoY to Php 6.2 bn as of 1H 2020 from end-2019's Php 6.1 bn. This was mainly brought about by the following:

1. The availment of a short term borrowing by 1590 EC for its working capital requirements and a bridge financing facility by INEC for its new power plant project in the Visayas.
2. Advances from related parties grew by 74% to Php 31.8 mn. This was a result of the advances received from a minority shareholder of a subsidiary for its share in a one-off expense and by another subsidiary from its minority shareholder for a new power plant project.

⁶ Reported as Php 38.1 mn in the SEC 17 2Q FY 2019 report. The change is due to the reclassification of engineering service fees from Other Income to topline revenues.

3. Income tax payable increased by 162% to Php 42.0 mn, which was mainly attributed to the accrued income tax of the Company and two subsidiaries as of 1H 2020.

The rise in liabilities was offset by the following:

1. Trade and other payables were lower by 26% to Php 895.9 mn from Php 1.2 bn. This was attributed to the settlement of trade payables and accrued expenses (mostly in VEC and 1590 EC). The drop in deferred output VAT on the back of collections of trade receivables also contributed to the decrease in payables during the semester in review.
2. Current portion of lease liabilities decreased by 17% to Php 297.9 mn from Php 360.1 mn. The amortization of finance lease liability mainly accounted for the liability contraction.
3. Deferred income tax liabilities went down by 7% to Php 188.9 mn from Php 203.4 mn, which was an offshoot of the amortization of 1590 EC's finance lease liability under PFRS 16.

As a result of net income generated during the semester in review, total stockholders' equity slightly increased by 3%, from Php 14.8 bn as of year-end 2019 to Php 15.2 bn as of end-June 2020. Meanwhile, equity attributable to parent ended up marginally higher by 2% at Php 14.4 bn as of end-June 2020.

*Material Changes in the Consolidated Liquidity and Cash Reserves of Registrant
(End-June 2020 vs. End-June 2019)*

Cash and cash equivalents were lower by 5% YoY, from Php 4.8 bn as of end-June 2019 to Php 4.5 bn as of end-June 2020.

The Company ended the semester in review with a net increase in cash (before considering the effect of changes in the foreign exchange rates) in the amount of Php 98.0 mn, which was 90% lower than last year's net increase in cash in the amount of Php 973.6 mn.

Operating activities showed a net cash outflow of Php 337.9 mn during the semester in review, recording a reversal of the net cash inflow of Php 414.1 as of end-June 2019. This was mainly due to the payment of trade and other payables and accrued expenses (mostly in VEC and 1590 EC). The purchase of inventory by 1590 EC, payment of interest and income taxes during the semester in review also contributed to the use of cash. In the same period last year, the Company posted net cash inflows as a result of the increase in trade receivables on the back of improved energy sales, coupled with the rise in trade payables.

Investing activities generated cash in the amount of Php 625.2 mn, which was 43% lower than the net cash inflow of Php 1.1 bn as of end-June 2019. The advance payment made by INEC and 1590 EC to their suppliers, capital infusions in new and existing investments, and increased capital expenditures for the acquisition of property and equipment during the semester in review mainly accounted for the reduced cash inflows. This is tempered by the 12% YoY increase in total dividends received from investee companies (VECO, MPC, CPPC, DPI, Prism Energy and CIPC).

Financing activities for the semester recorded a cash usage of Php 189.3 mn, posting a 64% YoY drop vis-à-vis last year's Php 529.1 mn. The proceeds from the short-term notes payable of 1590 EC and INEC, infusions from a minority shareholder of INEC for a new power plant project in the Visayas, and proceeds of an interest-bearing cash advance from a minority shareholder of a subsidiary for its share

in a one-off expense mainly accounted for the significant decrease in net cash outflow against the end-June 2019 level. This is tempered by the Company's interest-bearing advances related to the wastewater treatment project of an associate and the Company's dividend declaration during the semester in review.

Financial Ratios

Debt-to-Equity ratio remained at 0.41x as of end-June 2020 vis-à-vis end-December 2019 level of 0.41x. Total equity increased by 3%, which was attributed to the earnings for the period, net of the Company's dividend declaration in 2020. Meanwhile, total liabilities rose by 2%, which mainly stemmed from the short-term loans of INEC and 1590 EC. Advances received by a subsidiary from a minority shareholder and accrued income tax of 1590 EC, net of the payment of trade payables (mostly by VEC and 1590 EC), also contributed to the increase in liabilities.

The Company's current ratio dropped to 1.36x as of end-June 2020 from year-end 2019 level of 3.42x. Current liabilities posted a significant increase of 182% from end-2019 level, while current assets only recorded a growth of 12%. The Company's outstanding FRCN in the amount of Php 2.8 bn, which is maturing in February 2021, has been recognized as a current liability. Moreover, the availment of short-term notes payable by 1590EC and INEC and the advances from a minority shareholder of a subsidiary for a new power plant project in the Visayas, and accrued income tax of 1590 EC also contributed to the rise in current liabilities for the first half of 2020.

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.

- Any material off-balance sheet transactions, arrangements, obligations (including contingent obligations), and other relationships of the company with unconsolidated entities or other persons created during the reporting period.

The Company does not have material off-balance sheet transactions, arrangements obligations (including contingent obligations), and other relationships with unconsolidated entities or other persons entities or other persons created during the period in review.

- Any material commitments for capital expenditures, the general purpose of such commitments, and the expected sources of funds for such expenditures.

The Company has projects in the pipeline, at varying degrees of development.

POWER GENERATION

These projects are being undertaken through wholly owned subsidiary, VEC.

- Vivant Malogo Hydropower Inc. (VMHI) is a joint venture that will serve as the project proponent for the development and implementation of a greenfield power plant project, which will involve the construction and operation of a series of run-of-river hydropower facilities in Barangay Kapitan Ramon in Silay City, Negros Occidental. VMHI will implement the project in phases, where Phase 1 will involve the construction and operation of a 6 MW power plant facility along the Malogo river. The company has finalized the detailed engineering plans of the facility. Vivant, however, has decided to put the project on hold given the prevailing transmission constraint in the Negros grid, which is expected to be resolved by 2020 upon the completion of the Cebu-Negros-Panay 230kV backbone project of NGCP. VEC holds an effective equity stake of 67% in VMHI.
- Culna Renewable Energy Corporation (CREC) is the project proponent for the construction and operation of hybrid facilities to supply Culion Island with a guaranteed dependable capacity of 1.96 MW and to supply Linapacan Island with guaranteed dependable capacity of 0.358 MW. The Culion Power Station will have a configuration of 2.42 MW Diesel Genset, 2.80 MWp Solar PV and a battery storage system while the Linapacan Power Station's installed capacity will be composed of 540 kW Diesel Gensets and 325 kWp Solar PV. A Joint Application for the approval of the PSA was filed by CREC and BISELCO with the ERC on July 17, 2017, which is pending resolution.
- Global Energy Development Corporation (GLEDC) is a special purpose vehicle that was set up to undertake the construction and operation of a 2x335 MW coal fired power plant in La Union. In December 2017, Vivant, through wholly owned subsidiary Vivant Integrated Generation Corporation (VIGC), and Global Business Power Corporation signed a Pre-Development Agreement to jointly participate in this project. Vivant has an effective ownership of 42.5% in GLEDC.
- In November 2019, the Bantayan Electric Cooperative (BANELCO) concluded a successful competitive selection process by awarding a 15-year contract to supply 15 MW of the island's energy requirements to Isla Norte Energy Corporation (INEC), the joint-venture of Vivant Integrated Diesel Corporation (VIDC), a wholly owned subsidiary of VEC, and Gigawatt Power Inc. In February 2020, INEC and BANELCO signed the PSA. Vivant owns 65% equity in INEC through wholly-owned subsidiaries, VIDC and Vivant Energy.
- The Company, through its Business Development Group, continuously looks for opportunities in the power generation business, whether it be via greenfield, brownfield or acquisition. The Company conducts an extensive evaluation process before any proposed project is undertaken. Several factors are assessed and considered, which include but not limited to, the project's land use requirements, access to the grid, fuel supply availability and arrangements, permits and licenses, competitiveness of the plant and presence of potential offtakers. The Company intends to bankroll these projects via a combination of equity (30%) and debt (70%), where debt will be booked at the project company.

WATER INFRASTRUCTURE

These projects are being undertaken through wholly owned subsidiary, Vivant Infracore Holdings Inc. (VIHI).

- Watermatic Philippines Corporation (WMP) was established in July 2019 as the joint venture company of Vivant, through VHHI, and its Israeli partner Watermatic International Ltd. (WMI). Vivant's 60%-owned subsidiary specializes in providing solutions for water treatment for a variety of needs including for industry, drinking water, and agriculture. WMP's services include the design, engineering, construction, installation and operations and maintenance of water and wastewater treatment systems. It also assists clients in the project pre-development stage by providing the necessary technical studies and assessment and designing systems that are tailor-fit to the client's specific needs.

Vivant is in the process of evaluating and developing projects for this business.

- Any known trends, events or uncertainties that have had or that are reasonably expected to have a material favorable or unfavorable impact on net sales or revenues or income from continuing operations should be described.

The overall economic performance of the Philippines is a key factor in the sale of electricity. Thus, the performance of the Company, including its subsidiaries and associates, is affected by the economic state of the country.

Given the uncontracted portion of the Company's attributable generation capacity, any movement in the spot market price of electricity could have a significant impact on the Company's overall financial performance. Spot price of electricity is mostly determined by the supply and demand situation prevailing in the market.

- Any significant elements of income or loss that did not arise from the registrant's continuing operations

None.

- Any material changes in estimates of amounts reported in prior interim period of the current financial year and interim period of the prior financial year, respectively.

None.

- Any seasonal aspects that had a material effect on the financial condition or results of operations

None.

- Any material events subsequent to the end of the interim period that have not been reflected in the financial statements of the interim period

In a move to contain the COVID-19 outbreak, on March 13, 2020, the Office of the President of the Philippines issued a Memorandum directive to impose stringent social distancing measures in the National Capital Region. On March 14, 2020, the Office of the Governor of the province of Cebu implemented similar response through issuance of Executive Order Nos. 5-F, 5-F and 5-G. On March 16, 2020, Presidential Proclamation No. 929 was issued, declaring a State of Calamity throughout