208132153568345

SECURITIES AND EXCHANGE COMMISSION

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VIVANT CORPORATION

(Company's Full Name)

9TH FLR. OAKRIDGE IT CENTER 3
OAKRIDGE BUSINESS PARK A.S.
FORTUNA ST MANDAUE CITY, CEBU

(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

2nd Quarterly Report 2021
SEC FORM 17-Q

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Dept. Requiring this Doc.	Amended Articles Number/Section

1,414	1,023,399,979	56,719
Total No. of Stockholders	Domestic	Foreign

To be accomplished by SEC Personnel concerned

File Number

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Securities and Exchange Commission Philippines SEC Cebu Extension Office
13 AUG 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: **June 30, 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 6,958,575,757**

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 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, 2021 compared with the interim period ended June 30, 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) June 30, 2021 versus YTD June 30, 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 June 2021	YTD June 2020	YE 2020 Audited
Equity in Net Earnings of Associates and Joint Ventures	852,387	905,462	
EBITDA	1,273,946	1,133,558[1]	
Net increase in cash and cash equivalents	585,846	98,013	
Net cash flows from (used in) operating activities	169,854	(337,862)	
Net cash flows from investing activities	458,737	625,210	
Net cash flows used in financing activities	(42,745)	(189,335)	
Debt-to-Equity Ratio (x)	0.41	0.41	0.38
Current Ratio (x)	4.42	1.36	1.33

The Company's share in net earnings of associates and joint ventures as of first half (1H) 2021 amounted to Php 852.4 mn, representing a 6% year-on-year (YoY) decrease from Php 905.5 mn. This was a result of the following:

1. Visayan Electric Company (VECO), the Company's distribution utility, recorded a 6% YoY drop in its bottomline contribution, from Php 394.6 mn to Php 372.8 mn. Higher operating expenses (up by 17% YoY) mainly accounted for VECO's contraction in net earnings during the semester in review.

2. 40%-owned Minergy Power Corporation (MPC) brought in contributions of Php 123.2 mn during the semester in review, a 54% YoY decline from Php 266.9 mn. This can be mainly attributed to the drop in the volume of energy sales (down by 12% YoY). The 20% YoY increase in MPC's operating expenses also contributed to the unfavorable YoY variance.

3. 50%-owned Delta P, Inc. (DPI) had an income contribution of Php 18.2 mn as of end-June 2021, which was a 46% YoY drop from Php 34.0 mn as of end-June 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 volume of energy sales to go down by 10% YoY. Rise in

[1] Reported as Php 1,092.4 mn in the SEC 17 2Q FY 2020 report. The restatement to Php 1,133.6 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.

operating expenses (up by 7% YoY) and debt service cost further contributed to the earnings contraction during the period in review.

4. 50%-owned Calamian Islands Power Corporation (CIPC) saw a 47% YoY reduction in its income contribution from Php 24.6 mn to Php 13.1 mn. This was brought about by the 22% 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 half of 2021.

5. The Company, through wholly owned subsidiary Vivant Renewable Energy Corporation (VREC), invested 34.85% in Buskowitz Finance, Inc. (BFI), a solar engineering, procurement and construction company. As of end June 30, 2021, BFI contributed a net loss of Php 7.9 mn.

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 85.6 mn as of end-June 2021. This was a reversal from the net loss contribution of Php 44.4 mn as of end-June 2020. The 30% YoY revenue expansion was mainly driven by sales at the Wholesale Electricity Spot Market (WESM) as a result of the favorable prices during the semester in review. Further to this, TVI saw a 17% YoY rise in volume of energy sales from contracts with Retail Electricity Supply (RES) customers. Lower operating expenses during the semester in review also contributed to the enhanced profitability.

2. 40%-owned Prism Energy, Inc. (Prism Energy), an RES, saw a 70% YoY expansion in its income contribution to Php 9.4 mn from Php 5.6 mn. The robust performance can be attributed to the 5% YoY rise in volume of energy sold, enhanced margin per kilowatt hour (kWh) and lower operating expenses during the semester in review.

3. 90%-owned[2] Bukidnon Power Corporation (BPC) and North Bukidnon Power Corporation (NBPC) shored in fresh income contributions of Php Php 11.5 mn and Php 6.2 mn, respectively, as of the first semester of 2021. The Company, through wholly owned subsidiaries, VEC and Amberdust Holdings Corporation (AHC), acquired 90% of the outstanding shares of BPC and NBPC. Both companies own bunker-diesel power plants that serve two separate franchise areas in Bukidnon.

EBITDA for the period rose by 12% YoY to Php 1.3 bn from Php 1.1 bn. This was mainly an outcome of the 17% YoY increase in operating income, which stemmed from:

1. Sale of power significantly grew by 101% YoY. This was mainly attributed to:

   - 94% YoY rise in the total energy sales of 55.2%-owned 1590 Energy Corporation (1590 EC), which was mainly attributed to the 109% YoY increased volume sold at the WESM.

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[2] Under PFRS 10, *Consolidated Financial Statements*, an investor controls an investee when it is exposed, or has rights, to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee (e.g., direct the revenue-generating activities, among others). The Company, through VEC and AHC, gained control over the investees upon the election of a new set of Board members on June 22, 2021. However, by virtue of the Share Sale and Purchase Agreement (SSPA), the Company, through VEC and AHC, were entitled to their equity share in the net earnings of BPC and NBPC after December 31, 2020, cut-off date.

- 100%-owned Corenergy, Inc. (Corenergy) showed higher RES revenues (up 166% YoY) as of end-June 2021. This strong showing was attributed to the rise in contracted capacity to 11.65MW as of end-June 2021 from 4.4MW as of end-June 2020, which was on the back of additional customers during the semester in review.

- 100%-owned ET Energy Island Corporation (ETEI) posted a 9% YoY expansion in its volume of energy sales.

- 65%-owned Isla Norte Energy Corporation (INEC) shored in a revenue contribution of Php 32.3 mn from its interim power supply agreement with Bantayan Electric Cooperative, Inc. (BANELCO).

However, this rise in EBITDA was tempered by the following:

1. 6% drop in equity earnings resulting from the decline in the income contributions of two associates and two joint ventures during the first half of 2021. These are VECO, MPC, DPI and CIPC. The net loss contribution of 34.85%-owned BFI also accounted for the earnings contraction.

2. There was no management fee income earned as of 1H 2021. This was due to the timing of finalizing the contracts with associates and joint ventures. The Company and VEC had a combined management fee income of Php 6.9 mn in the same period last year.

3. Engineering service income went down by 18% YoY. This mainly resulted from the timing of billings to customers by 60%-owned Watermatic Philippines, Inc. (WMP).

4. Interest income decreased by 72% YoY, which was driven by lower rates for short-term investments.

5. 79% YoY increase in total cost of services, which was mainly attributed to the 91% YoY rise in cost of generation. This was on the back of increased dispatch in 1590 EC, higher cost of purchased power in Corenergy and increased operating expenses to service additional customers of ETEI.

6. 29% YoY rise in operating expenses.

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 585.8 mn. This was significantly higher than the net increase in cash as of 1H 2020 in the amount of Php 98.0 mn. Operating activities posted a net cash inflow as of end-June 2021, which was a turnaround of the net cash outflow as of end-June 2020. Reduced spending for financing activities (dropped by 77% 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 27% YoY) during the semester in review.

Operating activities showed a net cash inflow of Php 169.9 mn during the semester in review, which stemmed from the timing of payment of trade and other payables and accrued expenses. In the same period last year, payments of trade and other payables and accrued expenses (mostly in VEC and 1590 EC) mainly accounted for the net cash outflow of Php 337.9 mn. Lower interest expense, tempered by disbursements for prepayments and income taxes, also contributed to the improvement in operating cash level as of end-June 2021.

Investing activities generated cash in the amount of Php 458.7 mn vis-à-vis Php 625.2 mn as of end-June 2020. The 27% YoY decline was mainly attributed to the following: (1) acquisition of 34.85% and 90% equity stakes in BFI, BPC and NBPC, respectively; (2) capital expenditure for the purchase of equipment and power plant construction in 65%-owned INEC; (3) pre-development costs for a desalination facility of 100%-owned Isla Mactan-Cordova Corporation (IMCC) and solar projects of 100%-owned ETEI; and (3) purchase of additional shares by wholly-owned VREC in a 35%-owned associate. This was offset by dividends received from investee companies [VECO, MPC, 40%-owned Cebu Private Power Corporation (CPPC) and 40%-owned Abovant Holdings, Inc. (AHI)] and proceeds from the disposal of an associate during the semester in review.

Financing activities as of 1H 2021 showed a net cash outflow of Php 42.7 mn, a 77% YoY reduction from the Php 189.3 mn net cash outflow in the same period last year. Dividends paid by the Company and finance lease payments by 1590 EC were offset by the proceeds of the Company's new Fixed Rate Corporate Note (FRCN) issued in January 2021, proceeds from a bridge financing facility of INEC and infusion from a minority shareholder of INEC during the period in review. Meanwhile, the Company's interest-bearing advances related to the waste-water treatment project of an associate mainly accounted for the net cash outflow as of 1H 2020.

Debt-to-Equity ratio went up to 0.41x as of end-June 2021 vis-à-vis end-December 2020 level of 0.38x. Total equity increased by 4%, which was attributed to the earnings, net of the dividends declared by the Company, as of the semester in review. Meanwhile, total liabilities rose by 11%, which mainly stemmed from the net proceeds from the issuance of the new FRCN and the bridge financing facility of INEC. The increase in payable for fuel and output VAT and accrued income tax of 1590 EC on the back of improved sales, and the accrued pension of the Company and VEC also contributed to the increase in total liabilities.

The Company's current ratio improved to 4.42x as of end-June 2021 from year-end 2020 level of 1.33x. Current assets posted a growth of 12% (attributed to the 12% rise in cash and cash equivalents, increased billings as a result of improved sales of 1590 EC, advances by three subsidiaries to a joint venture and two associates), while current liabilities showed a significant decrease of 66% from end-2020 level. As of December 2020, the Company booked a Php 2.8 bn current liability, which was the outstanding FRCN issued in 2014. The settlement of this outstanding FRCN in February 2021, the payment of 1590 EC and INEC short-term loans and the amortization of finance lease liability-current portion contributed to the decline in current liabilities as of end-June 2021.

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

As of end-June 2021, the Company's total revenues amounted to Php 2.5 bn, recording a 37% YoY increase from Php 1.8 bn in the same period last year.

1. Sale of power went up by 101% YoY, which is attributed to the following:

    - 94% YoY rise in the total energy sales of 55.2%-owned 1590 EC, which was mainly attributed to the 109% YoY increased volume sold at the WESM.

- 100%-owned Corenergy showed higher RES revenues (up 166% YoY) as of end-June 2021. This strong showing was attributed to the rise in contracted capacity to 11.65MW as of end-June 2021 from 4.4MW as of end-June 2020, which was on the back of additional customers during the semester in review.

- 100%-owned ETEI posted a 9% YoY expansion in its volume of energy sales.

- 65%-owned INEC shored in a revenue contribution of Php 32.3 mn from its interim power supply agreement with BANELCO.

2. The Company's share in net earnings of associates and joint ventures as of the first semester of 2021 amounted to Php 852.4 mn, representing a 6% YoY decrease from Php 905.5 mn. This was a result of the following:

    - VECO, the Company's distribution utility, recorded an 6% YoY drop in its bottomline contribution, from Php 394.6 mn to Php 372.8 mn. Higher operating expenses (up by 17% YoY) mainly accounted for VECO's contraction in net earnings during the semester in review.

    - 40%-owned MPC brought in contributions of Php 123.2 mn during the semester in review, a 54% YoY decline from Php 266.9 mn. This can be mainly attributed to the drop in the volume of energy sales (down by 12% YoY). The 20% YoY increase in MPC's operating expenses also contributed to the unfavorable YoY variance.

    - 50%-owned DPI had an income contribution of Php 18.2 mn as of end-June 2021, which was a 46% YoY drop from Php 34.0 mn as of end-June 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 volume of energy sales to go down by 10% YoY. Rise in operating expenses (up by 7% YoY) and debt service cost further contributed to the earnings contraction during the period in review.

    - 50%-owned CIPC saw a 47% YoY reduction in its income contribution from Php 24.6 mn to Php 13.1 mn. This was brought about by the 22% 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 half of 2021.

    - The Company, through wholly owned subsidiary VREC, invested 34.85% in BFI, a solar engineering, procurement and construction company. As of end June 30, 2021, BFI contributed a net loss of Php 7.9 mn.

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

- 20%-owned TVI recorded a positive income contribution of Php 85.6 mn as of end-June 2021. This was a reversal from the net loss contribution of Php 44.4 mn as of end-June 2020. The 30% YoY revenue expansion was mainly driven by sales at the WESM as a result of the price hike during the semester in review. Further to this, TVI saw a 17% YoY rise in volume of energy sales from contracts with RES customers. Lower operating expenses during the semester in review also contributed to the enhanced profitability.

- 40%-owned Prism Energy, an RES, saw a 70% YoY rise in its income contribution to Php 9.4 mn from Php 5.6 mn. The robust performance can be attributed to the 5% YoY rise in volume of energy sold, enhanced margin per kWh and lower operating expenses during the semester in review.

- 90%-owned[3] BPC and NBPC shored in fresh income contribution of Php Php 11.5 mn and Php 6.2 mn, respectively, as of 1H 2021. The Company, through wholly owned subsidiaries, VEC and AHC, acquired 90% of the outstanding shares of BPC and NBPC. Both companies own bunker-diesel power plants that serve two separate franchise areas in Bukidnon.

3. Management and service fees is nil as of 1H 2021. This was due to the timing of the finalization of the contracts with associates and joint ventures. The Company and VEC had a combined management fee income of Php 6.9 mn in the same period last year.

4. Engineering service income dropped to Php 68.9 mn from Php 83.8 mn. This was mainly attributed to the timing of billings for the engineering service projects of 60%-owned WMP.

5. Interest income dropped by 72% YoY to Php 11.4 mn, which mainly resulted from lower interest rates on short-term placements.

Total cost of services and operating expenses as of 1H 2021 expanded by 59% YoY, from Php 861.3 mn to Php 1.4 bn. Said movement can be accounted for by the following:

1. Total cost of services rose by 79% YoY to Php 916.0 mn from Php 512.2 mn. This can be attributed to the 91% YoY increase in generation cost to Php 861.4 mn from Php 450.7 mn, which was attributed to increased fuel consumption on the back of 1590 EC's rise in WESM sales during the semester in review. Higher cost of purchased power was incurred by Corenergy as its energy sales volume went up by 142% YoY. Moreover, the increase in ETEI's cost of services (up by 48% YoY), was attributed to technical consultancy contracts and higher depreciation cost on solar panels to service additional customers.

   Meanwhile, engineering service fees ended up lower by 11% YoY to Php 54.7 mn from Php 61.5 mn, which was mainly attributed to lower cost of materials, technical consultancy fees, and water studies of WMP. This was offset by higher cost of engineering services in Corenergy that resulted from improved operations.

2. Salaries and employee benefits went up by 13% YoY to Php 170.7 mn from Php 150.7 mn. Increase in headcount and salary rate mainly accounted for the cost expansion.

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[3] Under PFRS 10, *Consolidated Financial Statements*, an investor controls an investee when it is exposed, or has rights, to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee (e.g., direct the revenue-generating activities, among others). The Company, through VEC and AHC, gained control over the investees upon the election of a new set of Board members on June 22, 2021. However, by virtue of the Share Sale and Purchase Agreement (SSPA), the Company, through VEC and AHC, were entitled to their equity share in the net earnings of BPC and NBPC after December 31, 2020, cut-off date.

3. Professional fees surged by 157% YoY to Php 132.7 mn from Php 51.5 mn. This was mainly due to legal fees incurred by three wholly-owned subsidiaries relating to projects.

4. Taxes and licenses fell by 39% YoY to Php 27.5 mn from Php 44.8 mn. As of end-June 2020, the Company and its subsidiaries incurred additional business taxes due to the change of business address which resulted to higher taxes last year. There were no expenses of the same nature incurred as of 1H 2021.

5. Outside services went down by 15% YoY to Php 10.0 mn from Php 11.7 mn. The Company saw delays in supplier billings for its Enterprise Resource Planning (ERP) system during the semester in review. Further to this, costs as of end-June 2020 included delayed billings from suppliers for services covering 2019.

6. Communication and utilities went up by 65% YoY to Php 4.1 mn from Php 2.5 mn. This was mainly due to delayed billings from the Company's internet and communications service provider covering various months of 2020. Higher consumption for utilities as a result of the business continuity office set-up also contributed to the increase.

7. Travel expenses dropped by 39% YoY to Php 3.1 mn from Php 5.0 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.

8. Rent and association dues was higher by 44% YoY at Php 2.8 mn from Php 1.9 mn. This resulted from escalation of common use service area fees (CUSA) and delayed billings for association dues covering the fourth quarter of 2020.

9. Representation expenses went up by 208% YoY to Php 1.6 mn from Php 0.5 mn. This was mainly due to increased business meetings with partners and project stakeholders.

10. Other operating expenses rose by 46% YoY to Php 55.5 mn from Php 38.1 mn. This was mainly on account of higher donations to Vivant Foundation Inc (VFI). New memberships in business organizations and software subscriptions, and purchase of health and safety supplies also contributed to the increase in cost.

Vivant booked Php 81.4 mn in other charges as of end-June 2021, recording a 5% increase from the Php 77.5 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 19% YoY to Php 67.6 mn from Php 83.6 mn. This reduction is attributed to lower rates for the new FRCN issued in January 2021.

2. Finance costs on lease liabilities dropped by 23% YoY to Php 29.9 mn from Php 39.0 mn, which was a result of the amortization of the finance lease under PFRS 16.

3. Unrealized foreign exchange gain is at Php 2.9 mn as of end-June 2021. This pertains to the translation of US Dollar and Euro cash balances of the Company and five subsidiaries. Higher balances of foreign currency denominated monies and a depreciation of the Philippine Peso to Euro accounted for the 36% increase from Php 2.2 mn as of end-June 2020.

4. Other income of Php 13.2 mn was booked as of end-June 2021, which was 69% lower than the Php 43.0 mn booked in the same period last year. As of 1H 2021, VEC and VREC booked a net

gain on the sale of their equity stake in Sabang Renewable Energy Corporation (SREC) and another subsidiary booked charges for cost reimbursement to an associate. This was lower than the proceeds from an insurance claim by a subsidiary within the same semester last year.

As of 1H 2021, the Company booked an accrued consolidated provision for income tax of Php 90.7 mn, which was 104% higher than the Php 44.5 mn in accrued consolidated income tax provision as of the same period last year. This was mainly due to the higher earnings of 1590 EC, INEC, and CORE that was a result of improved performance.

Taking all of the above into account, the Company recorded a total net income of Php 926.8 mn for the period ending June 30, 2021, which is 14% higher than the Php 814.4 mn net income in the same period last year. Net income attributable to parent, net of the share of the minority shareholders of two subsidiaries, amounted to Php 708.7 mn, down by 5% YoY.

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

The Company's total assets grew by 6%, from end-2020's level of Php 22.6 bn to Php 23.9 bn. The following are the material movements in the consolidated assets of the Company as of 1H 2021.

1. Cash and cash equivalents expanded by 12% to Php 5.5 bn as of end-June 2021 from Php 4.9 mn as of end-2020. This was mainly attributed to the significant reduction in the net cash outflows for financing activities to Php 42.7mn as of end-June 2021 from Php 291.7mn as of end-2020. Higher net cash generated from operating activities of Php 169.9 mn as of end-June 2021 vis-à-vis end-2020 level of Php 103.3 mn also contributed to the cash expansion. Net cash inflows from investing activities amounted to Php 458.7 mn during the semester in review, albeit posting a decline from end-2020's Php 651.2 mn.

2. Trade and other receivables went up to Php 984.6 mn as of end-June 2021 from Php 814.1 mn as of end-2020. This was mainly attributed to increased trade receivables in 1590 EC as a result of improved profitability. The receipt of dividends from MPC that was declared in 2020 tempered the receivable growth.

3. Advances to associates, joint ventures, and stockholders rose by 27% to Php 320.4 mn. This was on account of the advances made by three subsidiaries to a joint venture and two associates.

4. Inventories were reduced by 50% to Php 111.3 mn as of end-June 2021 from Php 220.5 mn as of end-2020. Fuel consumption rose proportionately with the increased volume of energy sales by 1590 EC and INEC.

5. Prepayments and other current assets were higher by 23% at Php 347.7 mn as of end-June 2021. This was attributed to the bid security for a power project and the rise in input VAT (mostly coming from 1590 EC's higher purchased power). This was tempered by the transaction costs related to the Company's new FRCN which was reclassified as a contra-liability account in compliance with PFRS 9[4] upon drawing in January 2021 and recoupment of INEC's down payments to contractors for the on-going construction of an oil-fired power generation facility.

6. Property, plant, and equipment rose by 12% to Php 2.5 bn, which was mainly attributed to the costs incurred for the construction of an oil-fired power plant by INEC. Project costs for the water desalination plant of wholly-owned IMCC and solar projects of ETEI, and the Company's purchase of service vehicles and other assets also contributed to the increase.

7. Right-of-use assets was lower by 17% at Php 556.0 mn, which was due to the amortization as of end-June 2021.

8. Deferred income tax assets grew by 16% YoY to Php 39.6 mn, as a result of the amortization of 1590 EC's finance lease liability under PFRS 16.

Total consolidated liabilities grew by 11% to Php 7.0 bn as of 1H 2021 from end-2020's Php 6.3 bn. This is mainly attributable to the proceeds from the issuance of the new FRCN, net of the full settlement of the old FRCN, and the long-term loan of INEC to fund the construction of a power plant. Other factors include:

1. Trade and other payables were higher by 37% at Php 1.2 bn as of end-June 2021. This was mainly attributed to the fuel billings and output VAT that arose from the improved operations of 1590 EC, dividends declared by the Company, and the balance of the consideration for the purchase of shares related to the acquisition of equity in BPC and NBPC.

2. Income tax payable significantly increased by 100% to Php 74.1 mn, which was attributed to the earnings of 1590 EC and INEC during 1H 2021.

3. Pension liability rose by 8% to Php 94.4 mn as accruals for pension expense were booked by the Company and VEC during the semester in review.

The growth in liabilities were offset by the following:

1. Short-term note payable decreased by 94% to Php 46.5 mn. This was due to the loan payments made by INEC and 1590 EC during the period in review.

2. Current portion of lease liabilities decreased by 26% to Php 266.5 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 semester in review, total stockholders' equity increased by 4%, from Php 16.3 bn as of year-end 2020 to Php 16.9 bn as of end-June 2021. Meanwhile, equity attributable to parent ended marginally higher by 2% at Php 15.8 bn as of end-June 2021.

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[4] 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.

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

Cash and cash equivalents were higher by 21% YoY, from Php 4.5 bn as of end-June 2020 to Php 5.5 bn as of end-June 2021.

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 585.8 mn. This was significantly higher than the net increase in cash as of 1H 2020 in the amount of Php 98.0 mn. Operating activities posted a net cash inflow as of end-June 2021, which was a turnaround of the net cash outflow as of end-June 2020. Reduced spending for financing activities (dropped by 77% 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 27% YoY) during the semester in review.

Operating activities showed a net cash inflow of Php 169.9 mn during the semester in review, which stemmed from the timing of payment of trade and other payables and accrued expenses. In the same period last year, payments of trade and other payables and accrued expenses (mostly in VEC and 1590 EC) mainly attributed for the net cash outflow of Php 337.9 mn. Lower interest expense, tempered by disbursements for prepayments and income taxes, also contributed to the improvement in operating cash level as of 1H 2021.

Investing activities generated cash in the amount of Php 458.7 mn vis-à-vis Php 625.2 mn as of end-June 2020. The 27% YoY decline was mainly attributed to the (1) acquisition of 34.85% and 90% equity stakes in BFI, BPC and NBPC, respectively, (2) capital expenditure for the purchase of equipment and power plant construction in 65%-owned INEC, (3) pre-development costs for a desalination facility of 100%-owned IMCC and solar projects of 100%-owned ETEI, and (3) purchase of additional shares by wholly-owned VREC in a 35%-owned associate. This was offset by dividends received from investee companies (VECO, MPC, CPPC and AHI) and proceeds from the disposal of an associate during the semester in review.

Financing activities as of 1H 2021 showed net cash outflow of Php 42.7 mn, a 77% YoY reduction from the Php 189.3 mn net cash outflow in the same period last year. Dividends paid by the Company and finance lease payments by 1590 EC were offset by the proceeds of the Company's new FRCN issued in January 2021, proceeds from a bridge financing facility of INEC and infusion from a minority shareholder of INEC during the period in review. Meanwhile, the Company's interest-bearing advances related to the waste-water treatment project of an associate mainly accounted for the net cash outflow as of 1H 2020.

Financial Ratios

Debt-to-Equity ratio went up to 0.41x as of end-June 2021 vis-à-vis end-December 2020 level of 0.38x. Total equity increased by 4%, which was attributed to the earnings, net of the dividends declared by the Company, as of the semester in review. Meanwhile, total liabilities rose by 11%, which mainly stemmed from the net proceeds from the issuance of the new FRCN and the bridge financing facility of INEC. The increase in payable for fuel and output VAT and accrued income tax of 1590 EC on the back of improved sales, and the accrued pension of the Company and VEC also contributed to the increase in total liabilities.