

# COVER SHEET

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(Company's Full Name)

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[illegible]

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

ATTY. JOAN A. GIDUQUIO-BARON

(032) 243-2256

### Contact Person

Company Telephone Number

1	2
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Month

3	1
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Day

2	0	-	I	S
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FORM TYPE			

0	6
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Month

2	0
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		Day

Fiscal Year

## Annual Meeting

\_\_\_\_\_

Secondary License Type, If Applicable

\_\_\_\_\_

Dept. Requiring this Doc.

\_\_\_\_\_

Amended Articles Number/Section

\_\_\_\_\_

Total No. of Stockholders

	Total Amount

Domestic

Borrowings	
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Foreign

### Total Amount of Borrowings

Top be accomplished by SEC Personnel concerned

\_\_\_\_\_

\_\_\_\_\_

LCU

CASHIER

**NOTICE AND AGENDA  
OF ANNUAL MEETING OF STOCKHOLDERS**

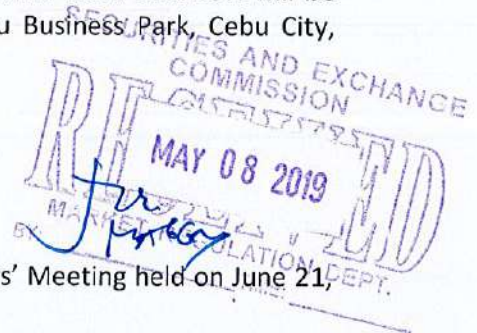


**VIVANT CORPORATION**  
Units 907-908 Ayala Life-FGU Center  
Mindanao Avenue corner Biliran Road  
Cebu Business Park, Barangay Luz, Cebu City

NOTICE IS HEREBY GIVEN that the Annual Stockholders' Meeting of VIVANT CORPORATION will be held at Ballroom 1 and 2, Seda Hotel, Cardinal Rosales Avenue, Cebu Business Park, Cebu City, Philippines on June 20, 2019 (Thursday) at 10:00 in the morning.

The Annual Stockholders' Meeting shall have the following Agenda:

1. Call to Order
2. Proof of Notice and Determination of Quorum
3. Reading and Approval of Minutes of the Annual Stockholders' Meeting held on June 21, 2018
4. Annual Report of Officers
5. Approval of the 2018 Annual Report and Financial Statements
6. Appointment of External Auditors for 2019
7. Ratification of all Acts and Resolutions of the Board of Directors and Management Adopted for Fiscal Year 2018
8. Election of Directors (including Independent Directors)
9. Other Matters that may properly be brought before the meeting
10. Adjournment




Only stockholders of record at the close of business as of May 15, 2019 are entitled to notice and to vote at this meeting. Registration will start at 8:30 A.M. and will end at 9:30 A.M. Upon registration, presentation of any proof of identification, such as driver's license, passport, company I.D. or SSS/GSIS I.D. will be required. Aside from personal identification, representatives of corporate stockholders and other entities should also present a duly sworn Secretary's Certificate or a similar document showing his or her authority to represent the corporation or entity.

Should you be unable to attend the meeting, we encourage you to vote by executing a proxy form in favor of a representative and by following the instructions on the voting instruction form, both of which are enclosed with this document. In accordance with the Amended By-Laws of the Company, proxies must be submitted for inspection, validation and record at least seven (7) days prior to the opening of the Stockholders' Meeting, or on or before **June 14, 2019** to the Office of the Corporate Secretary at Units 907-908, 9<sup>th</sup> Floor, Ayala Life-FGU Center, Mindanao Avenue corner Biliran Road, Cebu Business Park, Barangay Luz, Cebu City.

Cebu City, May 08, 2019.

FOR THE BOARD OF DIRECTORS:

  
**JESS ANTHONY N. GARCIA**  
Corporate Secretary

**Headquarters Cebu office**  
9th floor | Ayala Life-FGU Center | Mindanao Avenue corner Biliran Road  
Cebu Business Park | Cebu City | Philippines 6000 | T: +63 (32) 2342256



## Annex “A”

**AGENDA  
DETAILS AND RATIONALE**

1. **Call to Order.** The Chairman of the Board of Directors, Mr. Dennis N. A. Garcia, will call the meeting to order and preside over the same.
2. **Proof of Notice and Determination of Quorum.** The Corporate Secretary, Atty. Jess Anthony N. Garcia, will certify that copies of the Notice and Agenda of the meeting together with the Definitive Information Statement, 2018 Annual Report, and Proxy Form were delivered to Stockholders as of Record Date May 15, 2019. The Corporate Secretary will also certify, based on the number of shares owned by Stockholders present or represented by proxy at the meeting, whether quorum exists for the valid transaction of business at the meeting. Finally, the Corporate Secretary will explain the rules for the orderly conduct of the meeting.
3. **Reading and Approval of Minutes of the Annual Stockholders’ Meeting held on June 21, 2018.** Copies of the draft Minutes are available for examination during office hours at the Office of the Corporate Secretary and the website of Vivant Corporation at [www.vivant.com.ph](http://www.vivant.com.ph). Stockholders will be asked to approve the draft Minutes and acknowledge the completeness and accuracy thereof. The text of the proposed resolution is as follows:

**“WHEREAS**, that the Stockholders of Vivant Corporation (the “Corporation”) have reviewed the Minutes of the previous Annual Stockholders’ Meeting;

**RESOLVED**, as it is hereby resolved, that Stockholders of the Corporation approve the Minutes of the Annual Stockholders’ meeting held on June 21, 2018.”

4. **Annual Report of Officers.** The Chief Operating Officer will present the overview of Vivant Corporation’s financial performance in 2018 and the highlights of the Corporation’s performance in the first quarter of 2019. He will also present the challenges and highlights of 2018, and the outlook for 2019. Finally, he will provide an update on new policies of the Corporation and regulatory matters.
5. **Approval of the 2018 Annual Report and Financial Statements.** The Audited Financial Statement (the “AFS”) of Vivant Corporation for the fiscal year ended December 31, 2018 contained in the Corporation’s 2018 Annual Report and Information Statement, will be presented to the Stockholders for approval. The Chairman, Chief Operating Officer, any member of the Audit Committee, or any representative of the Company’s external auditors, Sycip Gorres Velayo & Co. will respond to questions which may be raised by any stockholder regarding the Corporation’s AFS for the fiscal year December 31, 2018.

6. **Appointment of External Auditors for 2019.** Stockholders will be asked to approve the appointment of Sycip Gorres Velayo & Co. as Vivant Corporation's external auditors for 2019-2020. The external auditors will be tasked with the preparation of the annual audited statements. The text of the proposed resolution is as follows:

***"WHEREAS,** the Stockholders of the Corporation have the right to participate in key corporate governance decisions, such as the right to appoint the External Auditors;*

***RESOLVED,** as it is hereby resolved, that the Stockholders of the Corporation appoint SyCip Gorres Velayo & Co. as the External Auditors for 2019."*

7. **Ratification of all Acts and Resolutions of the Board of Directors and Management Adopted for Fiscal Year 2018.** The Stockholders will be asked to ratify and confirm all acts, transactions and resolutions of the Board of Directors and Management in connection with the performance and operations of the Corporation.
8. **Election of Directors (including Independent Directors).** For 2019, the candidates for the Board of Directors are the following:

MR. DENNIS A. GARCIA  
 MR. EMIL ANDRE M. GARCIA  
 MR. GIL A. GARCIA II  
 MR. CHARLES SYLVESTRE A. GARCIA  
 MR. RAMONTITO E. GARCIA  
 MR. ARLO A. G. SARMIENTO  
 MR. JOSE MARKO G. SARMIENTO  
 MR. CARMELO MARIA LUZA BAUTISTA (Independent Director)  
 MR. ROGELIO Q. LIM (Independent Director)  
 AMB. RAUL CH. RABE (Independent Director)  
 ATTY. JESUS B. GARCIA, JR. (Independent Director)

The profiles of the candidates to the Board are found on pages 11 to 15 of this Information Statement. For further reference and examination of the Stockholders, a summary of the business, professional experience for the past five (5) years are also provided in the Information Statement.

Stockholders will be given the opportunity to elect directors for 2019 individually through the cumulative voting process. Stockholders will be asked to cast their votes.

9. **Other Matters that may properly be brought before the meeting.** Stockholders may raise other relevant matters not included as an item in the Agenda. If such matters may be properly taken up in the meeting, Stockholders may be requested to consider the same.
10. **Adjournment.** After all business to be conducted at the Meeting has been considered, the Chairman will declare the Meeting concluded.



## PROXY FORM

## KNOW ALL MEN BY THESE PRESENTS:

I, the undersigned, a stockholder of VIVANT CORPORATION ("Vivant"), a corporation duly organized and existing under and by virtue of the laws of the Republic of the Philippines, do hereby name, constitute and appoint \_\_\_\_\_ or, in his absence, the Chairman of the meeting, as *attorney-in-fact* and *proxy*, with power of substitution, to represent and vote all shares registered in the name of the undersigned stockholder, at Vivant's **Annual Stockholders' Meeting on June 20, 2019** at Ballroom 1 and 2, Seda Hotel, Cardinal Rosales Avenue, Cebu Business Park, Cebu City, Philippines at **10:00 A.M.** and any adjournment/s thereof.

The above-named proxy is to vote as follows:

1. Approval of the Minutes of the 2018 Annual Stockholders' Meeting held last June 21, 2018  
☐ Yes ☐ No ☐ Abstain
2. Approval of the 2018 Annual Report and Financial Statements  
☐ Yes ☐ No ☐ Abstain
3. Appointment of the External Auditors for 2019  
☐ Yes ☐ No ☐ Abstain
4. Ratification of the acts, resolutions, and proceedings of the Board of Directors, Corporate Officers and Management  
☐ Yes ☐ No ☐ Abstain
5. Election of the Members of the Board of Directors for the year 2019-2020
 

<i>Dennis N. A. Garcia</i>	<input type="radio"/> Yes	<input type="radio"/> Abstain
<i>Emil Andre M. Garcia</i>	<input type="radio"/> Yes	<input type="radio"/> Abstain
<i>Gil A. Garcia II</i>	<input type="radio"/> Yes	<input type="radio"/> Abstain
<i>Charles Sylvestre A. Garcia</i>	<input type="radio"/> Yes	<input type="radio"/> Abstain
<i>Arlo A. G. Sarmiento</i>	<input type="radio"/> Yes	<input type="radio"/> Abstain
<i>Ramontito E. Garcia</i>	<input type="radio"/> Yes	<input type="radio"/> Abstain
<i>Jose Marko Anton G. Sarmiento</i>	<input type="radio"/> Yes	<input type="radio"/> Abstain
<i>Carmelo Maria Luza Bautista</i>	<input type="radio"/> Yes	<input type="radio"/> Abstain
<i>Rogelio Q. Lim</i>	<input type="radio"/> Yes	<input type="radio"/> Abstain
<i>Raul Ch. Rabe</i>	<input type="radio"/> Yes	<input type="radio"/> Abstain
<i>Jesus B. Garcia, Jr.</i>	<input type="radio"/> Yes	<input type="radio"/> Abstain
6. Any issue/question that may arise related to any item in the Agenda of the meeting  
☐ Yes ☐ No ☐ Abstain

This proxy should be received by the Corporate or Assistant Corporate Secretary on or before June 7, 2019. This proxy, when properly executed, will be voted in the manner as directed herein by the stockholder(s). If no direction is made, this proxy will be voted for the election of all nominees and for the approval of the matters stated above and for such other matters as may properly come before the meeting in the manner described in the information statement and/or as recommended by management or the Board of Directors.

A stockholder giving a proxy has the power to revoke it at any time before the right granted is exercised. A proxy is also considered revoked if the stockholder attends the meeting in person and expressed his intention to vote in person.

\_\_\_\_\_  
Printed Name and Signature of Stockholder

\_\_\_\_\_  
No. of Shares Held

\_\_\_\_\_  
Printed Name and Signature of Authorized Representative of Stockholder

\_\_\_\_\_  
Date

**11. Securities & Exchange Commission  
SEC Form 20-IS**

Information Statement Pursuant to Section 20  
of the Securities Regulation Code



**1. Check the appropriate box:**

Preliminary Information Statement: ( ☒ )

Definitive Information Statement: ( ☐ )

- 2. Name of Registrant as specified in its charter:** **VIVANT CORPORATION**
- 3. Province, country or other jurisdiction of Incorporation or organization:** **Cebu, Philippines**
- 4. SEC Registration Number:** **17522**
- 5. BIR Tax Identification Code:** **242-603-734-000**
- 6. Address of Principal Office:** **Units 907-908, 9<sup>th</sup> Floor Ayala Life-FGU Center, Mindanao Avenue corner Biliran Road, Cebu Business Park, Barangay Luz, Cebu City, Philippines 6000**
- 7. Registrant's Telephone Number, including area code:** **+63 32 234-2256**  
**+63 32 234-2285**
- 8. Date, Time and Place of meeting of the security holders**
- |       |   |
|-------|---|
| Date: | <b>June 20, 2019 (Thursday)</b>   |
| Time: | <b>10:00 A.M.</b>   |
| Place | <b>Ballroom 1 and 2, Seda Hotel<br/>Cardinal Rosales Avenue<br/>Cebu Business Park, Cebu City<br/>Philippines</b> |
- 9. Approximate date on which the Information Statement is first to be sent or given to security holders:** **May 23, 2019**

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

Authorized Capital Stock: **Php 2,000,000,000.00**

Title of Each Class	Par Value	No. of Shares	Authorized Capital Stock
Common	Php 1.00	2,000,000,000	Php 2,000,000,000.00

No. of Shares Outstanding as of December 31, 2018 **1,023,456,698**

**11. Are any or all of the Registrant's securities listed in a Stock Exchange? Yes ( ☒ ) No ( ☐ )**

**The common stock of Vivant is listed at the Philippine Stock Exchange.**



## INFORMATION REQUIRED IN INFORMATION STATEMENT

### A. GENERAL INFORMATION

#### Item 1. Date, time and place of meeting of security holders.

Date	:	<b>June 20, 2019 (Thursday)</b>
Time	:	<b>10:00 A.M.</b>
Place	:	<b>Ballroom 1 and 2, Seda Hotel Cardinal Rosales Avenue Cebu Business Park, Cebu City Philippines</b>

Name, Complete Address and Contact Numbers of Registrant:	<b>VIVANT CORPORATION</b> Suites 907-908, 9 <sup>th</sup> Floor, Ayala Life-FGU Center, Mindanao Ave. corner Biliran Road, Cebu Business Park, Barangay Luz, Cebu City 6000  <b>+63 32 234-2256</b> <b>+63 32 234-2285</b>
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Approximate date when the Information Statement is first to be sent or given to security holders:	<b>May 23, 2019</b>
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#### Item 2. Dissenters' Right of Appraisal.

There are no matters or proposed actions included in the Agenda of the Meeting that may give rise to a possible exercise by stockholders of their appraisal rights. Generally, however, the stockholders of Vivant Corporation (hereinafter referred to as "Vivant" or the "Company" or the "Registrant") have the right of appraisal in the following instances: (a) in case any amendment to the articles of incorporation has the effect of changing or restricting the rights of any stockholder or class of shares, or of authorizing preferences in any respect superior to those of outstanding shares of any class, or of extending or shortening the term of corporate existence; (b) in case of sale, lease, exchange, transfer, mortgage, pledge or other disposition of all or substantially all of the corporate property and assets as provided in the Revised Corporation Code; (c) in case of merger or consolidation; and (d) investment of corporate funds in another corporation or business or for any purpose other than the primary purpose for which it was organized (Sections 41 and 80 of the Revised Corporation Code).

With respect to any matter to be acted upon at meetings of stockholders of Vivant which may give rise to the right of appraisal, in order that a dissenting stockholder may exercise his appraisal right, such dissenting stockholder shall, within thirty (30) days after the date of the stockholders' meeting at which such stockholder voted against a corporate action, make a written demand on Vivant for the value of his shares. The procedure to be followed in exercising the appraisal right shall be in accordance with Sections 80 to 85 of the Revised Corporation Code.

The appraisal right may be exercised by any stockholder who shall have voted against the proposed corporate action, where appraisal rights are applicable, by making a written demand on Vivant within thirty (30) days after the date on which the vote was taken, for payment of the fair value of his shares; provided, that failure to make the demand within such period shall be deemed a waiver of the appraisal right. If the proposed corporate action is implemented or effected, Vivant shall pay to such stockholder, upon surrender of the certificate(s) of stock representing his shares, the fair value thereof as of the day prior to the date on which the vote was taken, excluding any appreciation or depreciation in anticipation of such corporate action.

If within a period of sixty (60) days from the date the corporate action was approved by the stockholders, the withdrawing stockholder and Vivant cannot agree on the fair value of the shares, it shall be determined and appraised by three (3) disinterested persons, one of whom shall be named by the stockholder, another by Vivant and the third by the two (2) thus chosen. The findings of the majority of the appraisers shall be final, and their award shall be paid by Vivant within thirty (30) days after such award is made; *provided*, that no payment shall be made to any dissenting stockholder unless Vivant has unrestricted retained earnings in its books to cover such payment; *provided*, further, that upon payment by Vivant of the agreed or awarded price, the stockholder shall forthwith transfer his shares to Vivant.

### Item 3. Interest of Certain Persons in or Opposition to Matters to be Acted Upon

- (a) No current director or officer of, or nominee for election as director of Vivant, or any associate of any of the foregoing persons, has any substantial interest, direct or indirect, by security holdings or otherwise, in any matter to be acted upon in the stockholders' meeting, other than the election of the members of the Board of Directors.
- (b) No director has informed Vivant in writing that he intends to oppose any action to be taken by Vivant at the meeting.

## B. CONTROL AND COMPENSATION INFORMATION

### Item 4. Voting Securities and Principal Holders Thereof

#### (a) Class of Voting Shares as of March 31, 2019:

Class of Voting Shares	No. of Shares Entitled to Vote	
	Filipino	Foreign
Common	1,023,113,904	342,794
TOTAL	1,023,456,698	

Every stockholder shall be entitled to one vote for each share of stock held as of the established record date.

#### (b) Record Date

All stockholders of record as of May 15, 2019 are entitled to receive notice of and to vote at Vivant's Annual Stockholders' Meeting.



**(c) Election of Directors and Cumulative Voting Rights**

With respect to the election of directors, a stockholder may vote such number of shares for as many persons as there are directors to be elected. He may also cumulate said shares and give one candidate as many votes as the number of directors to be elected, or distribute the shares on the same principle among as many candidates as he shall see fit, provided, that the total number of votes cast by the stockholder shall not exceed the total number of shares owned by him as shown in the books of Vivant, multiplied by the number of directors to be elected.

Section 7, Article II of the Amended By-Laws of Vivant provides that voting upon all questions at all meetings of the stockholders shall be by shares of stock and not per capita. Likewise, Section 7 of the same Article states that stockholders may vote at all meetings either in person or by proxy duly given in writing and presented to the Secretary for inspection, validation and record at least seven days prior to the opening of said meeting.

As condition precedent to the exercise of the cumulative voting rights, no delinquent stock shall be allowed to vote. No discretionary authority to cumulate votes is solicited.

**(d) No proxy solicitation is being made.**

## Security Ownership of Certain Record and Beneficial Owners and Management

### (1) Security Ownership of Certain Record and Beneficial Owners (more than 5%) as of March 31, 2019

Title of class	Name and address of record owner and relationship with issuer	Name of Beneficial Ownership and Relationship with Record Owner	Citizenship	No. of Shares Held	Percentage
Common Shares	MAI-I Resources <sup>1</sup> Corporation  375-G Acacia St., Lahug, Cebu City  Stockholder	MAI-I Resources Corporation	Filipino	464,831,568	45.42%
Common Shares	JEG Development Corporation <sup>2</sup>  Blue Garden Commercial Complex, Wilson St., Lahug, Cebu City  Stockholder	JEG Development Corporation	Filipino	311,524,642	30.44%
Common Shares	Global Business Power Corporation <sup>3</sup>  22nd Floor, GT Tower International 6813 Ayala Avenue corner H.V. dela Costa Street 1227 Makati City, Philippines  Stockholder	Global Business Power Corporation	Filipino	116,555,553	11.39%
Common Shares	PCD Nominee (Filipino) Participants are stockholders of the Company <sup>4</sup>	Various PCD participants	Filipino	68,456,249	6.70%

<sup>1</sup> Either Mr. Dennis N. A. Garcia or Mr. Gil A. Garcia, II or Mr. Charles Sylvestre A. Garcia, Directors of MAI-I Resources Corporation (MRC) will vote for the shares of MRC in Vivant in accordance with the directive of the MRC Board of Directors.

<sup>2</sup> Either Mr. Ramontito E. Garcia or Mr. Jose Marko Anton G. Sarmiento, Chairman and Chief Operating Officer of JEG Development Corporation (JDC), respectively, will vote for the shares of JDC in Vivant in accordance with the directive of the JDC Board of Directors.

<sup>3</sup> Atty. Amanda Roselle A. Bengson, First Vice-President – Corporate Planning, External Affairs and Risk Management Head/OIC-Corporate Admin Services Head of Global Business Power Corporation (GBPC) will vote for the shares of GBPC in Vivant in accordance with the directive of the GBPC Board of Directors.

<sup>4</sup> Each beneficial owner of shares, through a PCD participant, is the beneficial owner of such number of shares he owns in his account with the PCD participant. Vivant has no record relating to the power to decide how the shares held by PCD are to be voted. As advised to the Company, none of the beneficial owners under a PCD participant owns more than 5% of Vivant's common shares.



**(2) Security Ownership of Management as of March 31, 2019 (Record and Beneficial)**

Title of Class	Name of Beneficial Owners and Position	# of Shares and Nature of Ownership		Citizenship	% Own
Common Shares	Dennis N.A. Garcia Chairman of the Board	Direct	1	Filipino	0.0%
		Indirect	1,121,514		0.1%
Common Shares	Emil Andre M. Garcia Director	Direct	1	Filipino	0.0%
		Indirect	0		0.0%
Common Shares	Gil A. Garcia II Director	Direct	1	Filipino	0.0%
		Indirect	0		0.0%
Common Shares	Charles Sylvestre A. Garcia Director	Direct	1	Filipino	0.0%
		Indirect	0		0.0%
Common Shares	Arlo A.G. Sarmiento Director; EVP	Direct	86,800	Filipino	0.0%
		Indirect	0		0.0%
Common Shares	Ramontito E. Garcia Director/President	Direct	1	Filipino	0.0%
		Indirect	0		0.0%
Common Shares	Jose Marko Anton G. Sarmiento Director	Direct	28,501	Filipino	0.0%
		Indirect	0		0.0%
Common Shares	Carmelo Maria Luza Bautista Independent Director	Direct	100	Filipino	0.0%
		Indirect	0		0.0%
Common Shares	Rogelio Q. Lim Independent Director	Direct	1	Filipino	0.0%
		Indirect	0		0.0%
Common Shares	Raul Ch. Rabe Independent Director	Direct	1	Filipino	0.0%
		Indirect	0		0.0%
Common Shares	Jesus B. Garcia, Jr. Independent Director	Direct	1	Filipino	0.0%
		Indirect	0		0.0%
Common Shares	Minuel Carmela N. Franco Treasurer, SVP-Corporate and Shared Services, CFO, and Compliance Officer	Direct	0	Filipino	0.0%
		Indirect	0		0.0%
Common Shares	Jess Anthony N. Garcia General Counsel, SVP-Business Development and Innovation, Corporate Secretary, and Chief Information Officer	Direct	12,200	Filipino	0.0%
		Indirect	0		0.0%
Common Shares	Joan A. Giduquio-Baron Assistant Corporate Secretary	Direct	0	Filipino	0.0%
		Indirect	0		0.0%
Common Shares	Maria Victoria E. Sembrano Senior AVP - Controllershship	Direct	0	Filipino	0.0%
		Indirect	0		0.0%
Common Shares	Grant Clark AVP-Information Technology, Administration and Business Development - Innovation	Direct	0	Australian	0.0%
		Indirect	0		0.0%
Common Shares	Catherine S. Bringas AVP – Legal	Direct	0	Filipino	0.0%
		Indirect	0		0.0%
Common Shares	Shem Jose W. Garcia AVP- Corporate Communications and Business Development - Innovation	Direct	0	Filipino	0.0%
		Indirect	0		0.0%
Common Shares	Brigette Cecile N. Garcia AVP- Corporate Planning	Direct	0	Filipino	0.0%
		Indirect	0		0.0%
TOTAL		Direct	139,309		0.0%
		Indirect	1,121,814		0.1%

**(3) Voting Trust Holders of 5% or more of Equity**

No person holds more than 5% of Vivant's common equity under a voting trust or similar agreement.

**(4) Changes in Control**

There are no arrangements that had resulted in a change in control of Vivant during the period covered by this report.

**Item 5. Directors and Executive Officers****(1) (a) Directors for 2019 - 2020**

Below is a list of Vivant's nominee-directors for 2019 - 2020 with their corresponding ages, citizenship, positions, periods of service and offices held for the past five years. The directors will assume their directorship during Vivant's Annual Stockholders' Meeting in 2019, for a term of one year.

<b>DENNIS N. A. GARCIA</b> Chairman – Board of Directors Chairman – Finance Committee Member – Executive Committee Member – Audit Committee Member – Board Risk Oversight Committee	69 years old, Filipino, has been the Chairman and a member of the Executive Committee of the Company since December 20, 2002. Mr. Garcia is also the Chairman of the Finance Committee and a member of the Audit Committee and the Board Risk Oversight Committee of the Company. Other positions currently held are as follows: CEO – Vivant Corporation; Chairman - Vivant Energy Corporation, Vivant Geo Power Corporation, Vivant Integrated Diesel Corp., Vivant Integrated Generation Corporation, Corenergy, Inc., Vivant Integrated Diesel Corporation, 1590 Energy Corp., Vivant Enercore Integrated, Inc., Vivant Powercore Active, Inc., Southern Powercore Holding Corp., Vivant Realty Ventures Corporation, Vivant Corporate Center, Inc., and Amberdust Holding Corporation; Chairman and President - Hijos de F. Escaño, Inc., Vivant Foundation, Inc., MAI-I Resources Corporation, and EMAG Resources and Development Corporation; Director and Vice President - Abovant Holdings, Inc.; Director – Vivant Isla Inc., Vivant-Malogo Hydropower Inc., Vivant Renewable Energy Corporation, and Minergy Power Corporation; Chairman, CEO and President – JEGVEG Realty, Inc.
<b>RAMONTITO E. GARCIA</b> Director President Member – Executive Committee Member – Audit Committee Member – Finance Committee	61 years old, Filipino, has been the President of the Company since December 20, 2002. Mr. Garcia is a Director and Member of the Executive Committee of the Company since 2003. He is also a member of the Finance Committee and the Audit Committee of the Company. Other positions currently held are as follows: Chairman – Visayan Electric Company, Inc., Vivant – Malogo Hydropower Inc., Vivant Isla Inc., Vivant Renewable Energy Corporation, and Minergy Power Corporation; Vice Chairman – Cebu Private Power Corporation,; Chairman and President - JEG Development Corporation; Vice-President and Director - Hijos de F. Escaño, Inc.; and Director – Vivant Integrated Generation Corporation, Vivant Energy Corporation, Vivant Isla Inc., Vivant Geo Power Corporation, Vivant Foundation, Inc., Abovant Holdings, Inc., 1590 Energy Corporation and JEGVEG Realty, Inc.



<b>ARLO A. G. SARMIENTO</b> Director Executive Vice President Member – Audit Committee	42 years old, Filipino, has been the Executive Vice President and Chief Operating Officer of the Company since 2003, until taking up the position of Executive Vice President in February 8, 2019. He is also a member of the Audit Committee and Executive Committee of the Company. Mr. Sarmiento concurrently holds the following positions: Chairman - Delta P, Inc.; Vice-Chairman – Lunar Powercore Inc. and Global Luzon Energy Development Corporation; Director and President & CEO - Vivant Energy Corporation, 1590 Energy Corp.; Vivant Integrated Generation Corporation, Vivant Integrated Diesel Corporation, Vivant Geo Power Corporation, Vivant Renewable Energy Corporation, Vivant Enercore Integrated, Inc., Vivant Powercore Active Inc., Southern Powercore Holding Corp., Vivant Realty Ventures Corporation, Vivant Corporate Center, Inc., and Amberdust Holding Corporation; Director and Executive Vice President for External Relation and Monitoring of Visayan Electric Company, Inc.; Director and Treasurer - Abovant Holdings, Inc. and JEGVEG Realty, Inc.; Director and Vice-President - Cebu Private Power Corporation and Vivant Foundation, Inc.; Director and Chief Executive Officer - JEG Development Corporation; Director - ET-Vivant Solar Corp., Vics-Amlan Holdings Corp., Amlan Hydroelectric Power Corporation, Vivant-Malogo Hydropower Inc., Vivant Isla Inc., Therma Visayas, Inc., Hijos De F. Escaño, Inc., Cebu Energy Development Corporation, Minergy Power Corporation and Calamian Islands Power Corporation. Mr. Sarmiento holds a degree in Bachelor of Arts in Social Sciences from the Ateneo de Manila University.
<b>JOSE MARKO ANTON G. SARMIENTO</b> Director Member – Executive Committee Member – Board Risk Oversight Committee Member – Finance Committee	40 years old, Filipino, has been a Director and Member of the Executive Committee of the Company since 2008. Mr. Sarmiento is also a member of the Board Risk Oversight Committee and Finance Committee of the Company. Other positions currently held are as follows: Vice-President - Vivant-Malogo Hydropower, Inc. Mr. Sarmiento is also a Director (since 2005) and is the Chief Operating Officer of JEG Development Corporation (since 2009) and of JEGVEG Realty, Inc. (since 2009). Prior to this, he was the Treasury Manager of JEG Development Corporation and was the Vice President for Manufacturing at Detalia Aurora, Inc. Mr. Sarmiento holds a degree in Bachelor of Science in Business Administration from Methodist University in North Carolina, USA. He obtained his Advanced Professional Training in Innovation Management in Product Development from Inwent in Bonn, Germany in 2004.
<b>GIL A. GARCIA II</b> Director Member – Executive Committee Member – Finance Committee	65 years old, Filipino; Director of the Company and a member of the Executive Committee since September 30, 2004. He is also a member of the Finance Committee. Mr. Garcia was the Treasurer of the Company from 2004 to 2014. Other positions presently held include: Director - Visayan Electric Company, Inc. and Director, Chief Finance Officer and Treasurer of MAI-I Resources Corporation.



<b>EMIL ANDRE M. GARCIA</b> Director Member – Executive Committee	41 years old, Filipino, has been a Director of the Company since 2009. Mr. Garcia is also the Vice President for Operations of the Company from January 2012 to February 2019. Prior to this, he held the Assistant Vice President position for Corporate Planning and Development of the Company from February 2011 to December 2011. Other positions currently held are as follows: Vice President, Treasurer and Director of Visayan Electric Company, Inc. since 2010; Chairman - Calamian Islands Power Corporation, ET-Vivant Solar Corp., Culna Renewable Energy Corp. and Sabang Renewable Energy Corp.; Director and EVP-COO - Vivant Energy Corporation; Director - Delta P, Inc., Vivant Geo Power Corporation, Amlan Hydroelectric Power Corporation, Hijos de F. Escaño Inc., 1590 Energy Corp., Vivant Enercore Integrated, Inc., Vivant Powercore Active, Inc., Southern Powercore Holding Corp., Vivant Integrated Diesel Corporation, Minergy Power Corporation, Vivant Realty Ventures Corporation, , Vivant Corporate Center, Inc., and Amberdust Holding Corporation; Director and President - Vivant-Malogo Hydropower Inc., VICS-Amlan Holdings Corporation, and Vivant Isla Inc.; Director and Vice President - Vivant Integrated Generation Corp., Vivant Renewables Energy Corporation, Global Luzon Energy Development Corporation and Lunar Powercore Inc.; Director and Treasurer – Cebu Private Power Corporation; Director and Chief Finance Officer of EMAG Resources and Development Corporation. He was also the President of Christ Company in 2009 to 2011. Mr. Garcia graduated from Velez College in 1998 with the degree in Bachelor of Science in Medical Technology.
<b>CHARLES SYLVESTRE A. GARCIA</b> Director Member – Executive Committee Member- Related Party Transaction Committee	57 years old, Filipino; Director of the Company and Member of the Company's Executive Committee since September 30, 2004. Mr. Garcia also sits in the board of Visayan Electric Company, Inc. since 2007.
<b>JESUS B. GARCIA, JR.</b> Independent Director Chairman – Audit Committee Member – Corporate Governance Committee Member – Finance Committee Member – Board Risk Oversight Committee Member- Related Party Transaction Committee	40 years old, Filipino, has been a Director and Member of the Executive Committee of the Company since 2008. Mr. Sarmiento is also a member of the Board Risk Oversight Committee and Finance Committee of the Company. Other positions currently held are as follows: Vice-President - Vivant-Malogo Hydropower, Inc. Mr. Sarmiento is also a Director (since 2005) and is the Chief Operating Officer of JEG Development Corporation (since 2009) and of JEGVEG Realty, Inc. (since 2009). Prior to this, he was the Treasury Manager of JEG Development Corporation and was the Vice President for Manufacturing at Detalia Aurora, Inc. Mr. Sarmiento holds a degree in Bachelor of Science in Business Administration from Methodist University in North Carolina, USA. He obtained his Advanced Professional Training in Innovation Management in Product Development from Inwent in Bonn, Germany in 2004.



<p><b>RAUL Ch. RABE</b> Independent Director Chairman – Board Risk Oversight Committee Member – Corporate Governance Committee Member – Audit Committee</p>	<p>78 years old, Filipino, has been the Independent Director of the Company since 2003. He is the Chairman of the Board Risk Oversight Committee and a member of the Audit Committee and the Corporate Governance Committee. Other positions currently held or held in the past are the following: Director, CEPALCO (Cagayan de Oro), up to present; Director, MINERGY (Cagayan de Oro), up to present; Counsel of the Law Firm of Rodrigo, Berenguer &amp; Guno (Makati City); Corporate Secretary - Manila Economic &amp; Cultural Office (MECO) since 2001; Director - the Bank of Commerce, KGL-Negros Navigation, Pet Plans, Inc. (Makati City); Foreign Service Officer of the Department of Foreign Affairs (1968 to 1999); Third to Second Secretary in London (1972 to 1975); First Secretary in Bucharest (1975 to 1979); Chief Deputy of Protocol of the Department of Foreign Affairs (1979 to 1981); Minister Counselor in Jeddah (1981 to 1982); Minister and later Deputy Chief of Mission in Washington D.C., (1982 to 1984 and 1986 to 1989, respectively); Consul General in Honolulu (1984 to 1986); Assistant Secretary of the American Affairs (1989 to 1992); Ambassador to Seoul (1992 to 1993); Ambassador to the United States (1993 to 1999); Special Envoy of the President of the Philippines for the Americas and OIC Countries in 2001.</p>
<p><b>ROGELIO Q.LIM</b> Independent Director Chairman – Corporate Governance Committee; Chairman – Related Party Transaction Committee</p>	<p>77 years old, Filipino, has been the Independent Director of the Company since June 2017. He is also the Chairman of the Corporate Governance Committee and the Related Party Transaction Committee, and a member of the Board Risk Oversight Committee and Audit Committee of the Company. Other positions held in the past are the following: Director, President and CEO – East Asia Utilities Corp.; Senior Vice President and General Manager – Cebu Private Power Corp.; Senior Vice President - Aboitiz Power Corp. (Oil Group); Director and Vice Chairman – Metro Cebu Water District; Director – Mactan Cebu International Airport Authority, American Chamber of Commerce Cebu Chapter; President and Director - Cebu Business Club; Manufacturing and Operations Consultant - Hercules and Ultramarine; Director Digital Products Engineering – Timex Corp.; Far East Manufacturing Manager – Timex F E; President and General Manager - TMX Philippines, Inc.; Vice President for Manufacturing – Comptronics Philippines, Inc.; Vice President and General Manager – Intron Industries Sinderian Berhad; Asst. Corp Q/A Manager and head of Applications Engineer – Union Carbide Philippines, Inc.; Project Engineer – US Army Topographic Command Department of Geodesy ; Airways Engineer – Civil Aeronautics Administration; Director and Private Sector Representative - Regional Tripartite Wage and Productivity Board; Private Sector and Committee Chair – Regional Development Council, Region VII.</p>

<b>CARMELO MARIA LUZA BAUTISTA</b> Independent Director	60 years old, Filipino, has been the Independent Director of the Company since 2017. He assumed the role of Director and President of GT Capital Holdings Incorporated (GT Capital) in 2011. Prior to his election, Mr. Bautista joined FMIC in April of 2008 as Executive Director and was appointed as Chairman of the Risk Management Committee. He later assumed the position of Head of its Investment Banking Group in 2009. Mr. Bautista has been in the Banking and Financial Services sector for 39 years. Some highlights of his previous scope of responsibilities over this period include: Program Director at Citibank Asia Pacific Banking Institute; Vice President and Head of the Local Corporate and Public Sector Groups Citibank-Manila; Vice President-Real Estate Finance Group, Citibank N.A.-Singapore branch; Vice President-Structured Finance, Citibank N.A.-Singapore Regional Office; Country Manager, ABN AMRO Bank-Philippines; and President and CEO, Philippine Bank of Communications. Mr. Bautista has a Masters Degree in Business Management from the Asian Institute of Management where he graduated in the Dean's Citation List. He also has a Bachelor's degree, Major in Economics, from the Ateneo de Manila University. Mr. Bautista has no directorships in other listed companies aside from GT Capital, however, he is currently serving as Director of Federal Land, TMP, PCFI, GT Capital Auto Dealership Holdings, Inc. and Toyota Subic, Inc.. He is also an Adviser to the Board of Trustees of GT Foundation, Inc.
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#### Nominees for Election as Directors

The following are nominees for election as Directors for 2019-2020:

1. Dennis N. A. Garcia
2. Emil Andre M. Garcia
3. Gil A. Garcia II
4. Charles Sylvestre A. Garcia
5. Ramontito E. Garcia
6. Arlo A. G. Sarmiento
7. Jose Marko Anton G. Sarmiento
8. Atty. Jesus B. Garcia, Jr. (Independent Director)
9. Amb. Raul Ch. Rabe (Independent Director)
10. Rogelio Q. Lim (Independent Director)
11. Carmelo Maria Luza Bautista (Independent Director)

Mr. Rogelio Q. Lim is the Chairman of the Corporate Governance Committee, and Messrs. Raul Ch. Rabe and Atty. Jesus B. Garcia, Jr. are its members.



## Nominations for Independent Directors and Procedure for Nomination

### Compliance with SRC Rule 38 (Guidelines on the Nomination and Election of Independent Directors)

The procedure for the nomination and election of the independent directors is in accordance with Rule 38 of the Securities Regulation Code (SRC Rule 38). The By-Laws of Vivant have not been amended to incorporate the requirements of SRC Rule 38. The Corporate Governance Committee conducted a nomination of independent directors. It has pre-screened the qualifications of all nominated candidates, resulting in the following final list of candidates with their respective nominating stockholders and all pertinent information, who have been nominated by Messrs. Dennis N.A. Garcia and Ramontito E. Garcia. Messrs. Dennis N.A. Garcia and Ramontito E. Garcia have no relationship to their nominees.

No nominations for independent director shall be accepted at the floor during the stockholders' meeting at which such nominee is to be elected. However, independent directors shall be elected in the stockholders' meeting during which other members of the Board are to be elected. Ambassador Raul Ch. Rabe, Atty. Jesus B. Garcia, Jr. Mr. Rogelio Q. Lim and Mr. Carmela Maria Luza Bautista are the nominees for Independent Directors of Vivant. They are neither officers nor employees of the Company or any of its affiliates, and do not have any relationship with the Company which would interfere with the exercise of independent judgment in carrying out the responsibilities of an independent director. Attached as Exhibits "A-1", "A-2", "A-3", and "A-4" are the sworn Certifications of Qualifications of Atty. Jesus B. Garcia, Jr., Amb. Raul Ch. Rabe, Mr. Rogelio Q. Lim, and Mr. Carmelo Maria Luza Bautista.

To the knowledge and/or information of Vivant the above-named nominees have not been involved in criminal, bankruptcy or insolvency investigations or proceedings for the past five (5) years up to the latest date that are material to evaluation.

To the knowledge and/or information of Vivant the said persons have not been convicted by final judgment or any offense punishable by the laws of the Republic of the Philippines or of the laws of any other nation/country, including being subject to any order, judgment or decree, not subsequently reversed, suspended or vacated, of any court of competent jurisdiction, domestic or foreign, permanently or temporarily enjoining, barring, suspending or otherwise limiting his involvement in any type of business, securities, commodities or banking activities for the past five (5) years up to the latest date.

To the knowledge and/or information of Vivant said persons have not been found by a domestic or foreign court of competent jurisdiction (in a civil action), the Commission or comparable foreign body, or a domestic or foreign Exchange or other organized trading market or self-regulatory organization, to have violated a securities or commodities law or regulation for the past five (5) years up to the latest date.

The shareholdings of the above-nominees for independent directors of Vivant are merely qualifying shares and, individually or added together, does not exceed five percent (5%) of Vivant's outstanding shares. Vivant does not have any commitment to the nominees with respect to the issuance of the new common shares of Vivant.

**Attendance of Directors in Board Meetings in 2018**

For the year 2018, Vivant held five (5) regular meetings of the Board, specifically, on January 26, 2018, March 27, 2018, May 11, 2018, August 31, 2018, and November 14, 2018. There were seven (7) special meetings of the Board. The following summarizes the attendance of the Board of Directors:

<b>Director</b>	<b>Designation</b>	<b>Board Meetings</b>	<b>Annual Stockholders' Meeting</b>
<b>DENNIS N. A. GARCIA</b>	Chairman – Board of Directors Chairman – Finance Committee Member – Executive Committee Member – Audit Committee Member – Board Risk Oversight Committee	5 out of 5 regular board meetings; 7 out of 7 special meetings	Present
<b>RAMONTITO E. GARCIA</b>	Director President Member – Executive Committee Member – Audit Committee Member – Finance Committee	5 out of 5 regular board meetings; 6 out of 7 special meetings	Present
<b>GIL A. GARCIA II</b>	Director Member – Executive Committee Member – Finance Committee	5 out of 5 regular board meetings; 7 out of 7 special meetings	Present
<b>CHARLES SYLVESTRE A. GARCIA</b>	Director Member – Executive Committee Member- Related Party Transaction Committee	4 out of 5 regular board meetings; 7 out of 7 special meetings	Present
<b>ARLO A. G. SARMIENTO</b>	Director Executive Vice President Member – Audit Committee	5 out of 5 regular board meetings; 7 out of 7 special meetings	Present
<b>JOSE MARKO ANTON G. SARMIENTO</b>	Director Member – Executive Committee Member – Board Risk Oversight Committee Member – Finance Committee	5 out of 5 regular board meetings; 6 out of 7 special meetings	Not Present
<b>EMIL ANDRE M. GARCIA</b>	Director Member – Executive Committee	5 out of 5 regular board meetings; 7 out of 7 special meetings	Present
<b>JESUS B. GARCIA, JR.</b>	Independent Director Chairman – Audit Committee Member – Corporate Governance Committee Member – Finance Committee Member – Board Risk Oversight Committee Member- Related Party Transaction Committee	3 out of 5 regular board meetings; 7 out of 7 special meetings	Present
<b>RAUL CH. RABE</b>	Independent Director Chairman – Board Risk Oversight Committee Member – Corporate Governance Committee Member – Audit Committee	4 out of 5 regular board meetings; 7 out of 7 special meetings	Present



<b>ROGELIO Q. LIM</b>	Independent Director Chairman – Corporate Governance Committee; Chairman – Related Party Transaction Committee	5 out of 5 regular board meetings; 7 out of 7 special meetings	Present
<b>CARMELO MARIA LUZA BAUTISTA</b>	Independent Director	4 out of 5 regular board meetings; 7 out of 7 special meetings	Present

**(1) (b) Officers for 2019-2020**

Below is a list of Vivant officers for 2019-2020 with their corresponding positions and offices held for the past five (5) years. Unless otherwise indicated hereunder, the officers will assume their positions during Vivant's annual organizational meeting in 2019 for a term of one year.

<b>DENNIS N. A. GARCIA</b> Chairman – Board of Directors Member – Executive Committee	69 years old, Filipino, has been the Chairman and a member of the Executive Committee of the Company since December 20, 2002. Mr. Garcia is also the Chairman of the Finance Committee and a member of the Audit Committee and the Board Risk Oversight Committee of the Company. Other positions currently held are as follows: CEO – Vivant Corporation; Chairman - Vivant Energy Corporation, Vivant Geo Power Corporation, Vivant Integrated Diesel Corp., Vivant Integrated Generation Corporation, Corenergy, Inc. , Vivant Integrated Diesel Corporation, 1590 Energy Corp., Vivant Enercore Integrated, Inc., Vivant Powercore Active, Inc., Southern Powercore Holding Corp., Vivant Realty Ventures Corporation, Vivant Corporate Center, Inc., and Amberdust Holding Corporation; Chairman and President - Hijos de F. Escaño, Inc., Vivant Foundation, Inc., MAI-I Resources Corporation, and EMAG Resources and Development Corporation; Director and Vice President - Abovant Holdings, Inc.; Director – Vivant Isla Inc., Vivant-Malogo Hydropower Inc., Vivant Renewable Energy Corporation, and Minergy Power Corporation; Chairman, CEO and President – JEGVEG Realty, Inc;
<b>RAMONTITO E. GARCIA</b> Director President Member – Executive Committee	61 years old, Filipino, has been the President of the Company since December 20, 2002. Mr. Garcia is a Director and Member of the Executive Committee of the Company since 2003. He is also a member of the Finance Committee and the Audit Committee of the Company. Other positions currently held are as follows: Chairman – Visayan Electric Company, Inc., Vivant – Malogo Hydropower Inc., Vivant Isla Inc., Vivant Renewable Energy Corporation, and Minergy Power Corporation; Vice Chairman – Cebu Private Power Corporation;; Chairman and President - JEG Development Corporation; Vice-President and Director - Hijos de F. Escaño, Inc.; and Director – Vivant Integrated Generation Corporation, Vivant Energy Corporation, Vivant Isla Inc., Vivant Geo Power Corporation, Vivant Foundation, Inc., Abovant Holdings, Inc., 1590 Energy Corporation and JEGVEG Realty, Inc.

<p><b>ARLO A. G. SARMIENTO</b> Executive Vice President<sup>5</sup></p>	<p>42 years old, Filipino, has been the Executive Vice President and Chief Operating Officer of the Company since 2003, until taking up the position of Executive Vice President in February 8, 2019. He is also a member of the Audit Committee and Executive Committee of the Company. Mr. Sarmiento concurrently holds the following positions: Chairman - Delta P, Inc.; Vice-Chairman – Lunar Powercore Inc. and Global Luzon Energy Development Corporation; Director and President &amp; CEO - Vivant Energy Corporation, 1590 Energy Corp.,; Vivant Integrated Generation Corporation, Vivant Integrated Diesel Corporation, Vivant Geo Power Corporation, Vivant Renewable Energy Corporation, Vivant Enercore Integrated, Inc., Vivant Powercore Active Inc., Southern Powercore Holding Corp., Vivant Realty Ventures Corporation, Vivant Corporate Center, Inc., and Amberdust Holding Corporation; Director and Executive Vice President for External Relation and Monitoring of Visayan Electric Company, Inc.; Director and Treasurer - Abovant Holdings, Inc. and JEGVEG Realty, Inc.; Director and Vice-President - Cebu Private Power Corporation and Vivant Foundation, Inc.; Director and Chief Executive Officer - JEG Development Corporation; Director - ET-Vivant Solar Corp., Vics-Amlan Holdings Corp., Amlan Hydroelectric Power Corporation, Vivant-Malogo Hydropower Inc., Vivant Isla Inc., Therma Visayas, Inc., Hijos De F. Escaño, Inc., Cebu Energy Development Corporation, Minergy Power Corporation and Calamian Islands Power Corporation. Mr. Sarmiento holds a degree in Bachelor of Arts in Social Sciences from the Ateneo de Manila University.</p>
<p><b>JESS ANTHONY N. GARCIA</b> General Counsel Corporate Secretary Chief Information Officer Senior VP – Business Development for Infrastructure and Innovation</p>	<p>47 years old, Filipino; Corporate Secretary and Corporate Information Officer of the Company since 2003. He is the General Counsel and concurrently holds the position of Senior VP-Business Development for Infrastructure and Innovation since March 2019. Atty. Garcia is the Corporate Secretary of Visayan Electric Company, Inc., Delta P, Inc., VICS – Amlan Holdings Corporation, Vivant Geo Power Corporation, Vivant Integrated Generation Corp., 1590 Energy Corp., Vivant-Malogo Hydropower Inc., Vivant Renewable Energy Corporation, Calamian Islands Power Corporation, Vivant Energy Corporation, Vivant Isla, Inc., Vivant Foundation, Inc., and SunStar Publishing, Inc.; Director and Corporate Secretary of Amlan Hydroelectric Power Corporation, Vivant Integrated Diesel Corporation, Southern Powercore Holding Corp., Vivant Realty Ventures Corporation, Vivant Enercore Integrated, Inc., Vivant Powercore Active Inc., Amberdust Holding Corporation and Vivant Corporate Center, Inc. He is the Assistant Corporate Secretary of Abovant Holdings, Inc. and Hijos De F. Escaño. He obtained his <i>Juris Doctor</i> degree from the Ateneo de Manila University School of Law and has been a member of the California Bar since 2002 and of the Philippine Bar since 1998.</p>

<sup>5</sup> Effective March 2019.



<b>MINUEL CARMELA N. FRANCO</b> Senior VP – Corporate and Shared Services Chief Financial Officer Treasurer Compliance Officer	47 years old, Filipino; Vice President for Finance since May 2013, until taking up the position of Senior VP - Corporate and Shared Services in March 2019, and concurrently, Treasurer, Chief Financial Officer and Compliance Officer. Ms. Franco also currently holds the following positions: Chairman – Southern Grove Properties and Development Corp.; Director and Treasurer & CFO – Vivant Energy Corporation, Vics-Amlan Holdings Corporation, Vivant Renewables Energy Corporation, Vivant Integrated Generation Corporation, Vivant Integrated Diesel Corporation, Vivant Isla Inc., Vivant Geo Power Corporation, Vivant Enercore Integrated, Inc., Vivant Powercore Active Inc., Southern Powercore Holding Corp., Vivant Realty Ventures Corporation, Vivant Corporate Center, Inc. and Amberdust Holding Corporation; Director and CFO – ET-Vivant Solar Corp.; Director and Treasurer – Prism Energy, Inc., Calamian Islands Power Corporation, and Delta P, Inc.; Treasurer and CFO – Vivant Malogo Hydropower Inc., 1590 Energy Corp., Global Luzon Energy Development Corporation; Treasurer – Culna Renewable Energy Corp.; Member of the Board of Advisors - VECO Past positions held are as follows: Trader, Associate and Credit Analyst at Multinational Investment Bancorporation and Capital One Equities Corporation from 1992 to 1994; Investment Analyst at Kim Eng Securities Inc. and ING Barings (Phils.), Inc. from 1994 to 1997; Investment Officer at Standard Chartered Bank's Investment Services Group from 1998 to 2000; Project Analyst at Newgate Management, Inc. from 2000 to August 2002, Investor Relations Officer and Senior Project Analyst (Corporate Planning Group) at San Miguel Corporation from September 2002 to June 2007; Head of Investor Relations at Aboitiz Equity Ventures, Inc. and Aboitiz Power Corporation from July 2007 to December 2012. Ms. Franco holds a degree in Bachelor of Science in Business Economics (Cum Laude) from the University of the Philippines.
<b>JOAN A. GIDUQUIO-BARON</b> Assistant Corporate Secretary	48 years old, Filipino; Assistant Corporate Secretary of the Company since 2003, and Compliance Officer from 2003 until 2017. Ms. Baron also holds other positions: Acting Corporate Secretary of VECO; Assistant Corporate Secretary of Vivant Energy Corporation, Vivant Renewable Energy Corporation, VICS – Amlan Holdings Corporation, Vivant Isla Inc., Vivant Integrated Generation Corporation, Vivant-Malogo Hydropower, Inc., and Sun Star Publishing, Inc.; Corporate Secretary - JEGVEG Realty, Inc., and JEG Development Corporation, JDC Tomodachi, Inc. She obtained her <i>Juris Doctor</i> from the Ateneo de Manila University School of Law in 1996 and her Master in Management degree from the Asian Institute of Management (AIM) in 2001. Ms. Baron has been a member of the Philippine Bar since 1997 and a Director of the Alumni Association of the Asian Institute of Management-Cebu Chapter. She is a Partner at J.P. Garcia and Associates. Prior to this, she was an Associate Attorney at Puno and Puno Law Offices from 1997 until 2001.



<b>MARIA VICTORIA E. SEMBRANO</b> Senior AVP – Controllershship	56 years old, Filipino; Senior Assistant Vice President for Controllershship of the Company since February 7, 2018. Prior to this, she was the Assistant Vice President for Controllershship since 2012. Concurrently, Ms. Sembrano also holds the following positions: Director and Treasurer & CFO - Southern Grove Properties and Development Corp. and Corenergy Inc. Before joining the Company, Ms. Sembrano was the Corporate Services Director of the Marsman Drysdale Agribusiness Group. Prior to this, other positions held in the Marsman Drysdale Agribusiness Group starting 1992 include positions in Finance, Logistics and Administration. Ms. Sembrano holds a degree in Bachelor of Science in Commerce, Major in Accounting (Magna Cum Laude) from the University of San Carlos.
<b>GRANT CLARK</b> AVP – Corporate Services Group	40 years old, Australian; the Assistant Vice President for Business Development of the Company since October 2015 until taking up the position as AVP for the new Corporate Services Group in January 2017, and AVP - Administration and Business Development Innovation in February 8, 2019. He has been the Data Privacy Officer of the Company since 2018. Mr. Clark currently holds the following positions: Director – Southern Grove Properties and Development Corp., Vivant Foundation, Inc. and Corenergy Inc. Prior to joining the Company, Mr. Clark worked for 12 years in the Government in Australia (Victoria), his last position being the Director of Economics at the Department of Sustainability and Environment (2010-2013). He moved to the Philippines in 2013 and worked briefly as a Director in KPMG Philippines (2013-2014). He has a Bachelor of Commerce degree with First Class Honors in Economics from Deakin University in Melbourne, Australia.
<b>CATHERINE S. BRINGAS</b> AVP-Legal	35 years old, Filipino, has been the Assistant Vice President for Legal since January 2017. Prior to this, she was the Legal Senior Manager of the Company from 2013 to 2016. Concurrently, Ms. Bringas holds the following positions: Corporate Secretary – Corenergy Inc., ET-Vivant Solar Corp., and Southern Grove Properties and Development Corp.; Assistant Corporate Secretary – 1590 Energy Corp., Amlan Hydroelectric Power Corporation, Vivant Enercore Integrated Inc., Vivant Powercore Active Inc., Vivant Isla Inc., Vivant Geo Power Corp., Souther Powercore Holding Corp., Vivant Realty Ventures Corporation, Vivant Corporate Center, Inc., and Amberdust Holding Corporation. She holds a degree in Legal Management from De La Salle University and obtained her Juris Doctor from the Ateneo de Manila University School of Law in 2008. She has been a member of the Philippine Bar since 2009. Prior to Vivant, Ms. Bringas worked at the Power Sector Assets and Liabilities Management Corporation as a Corporate Attorney under the Office of the President and CEO.



<b>SHEM JOSE W. GARCIA</b> AVP-Corporate Communications and Business Development Innovation	39 years old, Filipino; Assistant Vice President for Corporate Communications since February 7, 2018 until taking up the position of AVP - Corporate Communications and Business Development Innovation in February 2019. He also serves as the Executive Director of the Vivant Foundation. He previously served as a Director of Vivant Corporation from 2005-2008. He joined as a full-time employee of Vivant as the Senior Manager for Corporate Social Responsibility in 2014. He has a Bachelor Degree with Honors from the London College of Communications, University of the Arts London. He previously served as the Business Development Officer for JEG Development Corporation, where he currently serves in the Board of Advisors. He also serves as the President of the Board of Trustees for the Dominus Pascit Me Foundation and Corporate Secretary for Mon Y Liza Holdings.
<b>BRIGETTE CECILE N. GARCIA</b> AVP-Corporate Planning	32 years old, Filipino, has been the Assistant Vice President for Corporate Planning since February 7, 2018. Prior to this, she was the Corporate Planning Senior Manager of the Company from 2016 to 2017. Before joining Vivant, she worked for a year as a Management Trainee for Utility Economics at Visayan Electric Company Inc. and for 3 years as an Investment Consultant for Family Offices Private Banking at Credit Suisse AG in Singapore. Ms. Garcia graduated from Singapore Management University (SMU) with a double degree (Summa Cum Laude) in Bachelor of Science in Economics and Bachelor of Business Management in 2009. She was also the school Salutatorian and recipient of the Top Student of the School of Economics Award and the Monetary Authority of Singapore Academic Excellence Award. She obtained a Master's of Science degree in Accounting and Finance from London School of Economics (LSE) in 2013.

Attached as Exhibit "B" is a Certification that none of the above-named directors and officers work in the government.

#### Period in which the Directors and Executive Officers Should Serve

The directors and executive officers should serve for a period of one (1) year.

#### Term of Office of a Director

Pursuant to Vivant's Amended By-laws, the directors are elected at each annual stockholder's meeting by stockholders entitled to vote. Each director holds office until the next annual election for a term of one year and until his successor is duly elected unless he resigns, dies or is removed prior to such election.

Any vacancy in the Board of Directors other than by removal or expiration of term may be filled by a majority vote of the remaining members thereof at a meeting called for that purpose, if they still constitute a quorum. The director so chosen shall serve for the unexpired term of his predecessor in office.

**(2) Significant Employees**

The Company considers its entire work force as significant employees. Everyone is expected to work together as a team to achieve the Company's goals and objectives.

**(3) Family Relationships**

Messrs. Dennis N. A. Garcia, Charles Sylvestre A. Garcia, and Gil A. Garcia II are brothers, or related within the second civil degree of consanguinity.

Mr. Ramontito E. Garcia is related within the fourth civil degree of consanguinity (cousin) to Messrs. Dennis N. A. Garcia, Charles Sylvestre A. Garcia, and Gil A. Garcia II.

Mr. Emil Andre M. Garcia is the son of Mr. Dennis N. A. Garcia, and is related within the third civil degree of consanguinity to Messrs. Charles Sylvestre A. Garcia and Gil A. Garcia II.

Mr. Arlo A. G. Sarmiento is related within the third civil degree of consanguinity (nephew) to Mr. Ramontito E. Garcia. He is also related within the fifth civil degree of consanguinity to Messrs. Dennis N. A. Garcia, Charles Sylvestre A. Garcia, and Gil A. Garcia II. He is also related within the sixth civil degree of consanguinity to Mr. Emil Andre M. Garcia.

Mr. Jose Marko Anton G. Sarmiento is the brother of Mr. Arlo A. G. Sarmiento; thus, they are related within the second civil degree of consanguinity. He is also related within the fifth civil degree of consanguinity to Messrs. Dennis N. A. Garcia, Charles Sylvestre A. Garcia, and Gil A. Garcia II.

Mr. Shem Jose W. Garcia is the son of Mr. Ramontito E. Garcia and is related within the fourth civil degree of consanguinity (cousin) to Messrs. Arlo A. G. Sarmiento and Jose Marko Anton G. Sarmiento.

Ms. Brigitte Cecile N. Garcia is related within the third civil degree of consanguinity (niece) to Messrs. Dennis N. A. Garcia, Charles Sylvestre A. Garcia, and Gil A. Garcia II; related within the fourth civil degree of consanguinity (cousin) to Mr. Emil Andre M. Garcia.

Atty. Jess Anthony N. Garcia is related within the third civil degree of consanguinity (nephew) to Atty. Jesus B. Garcia, Jr.

Other than the foregoing, there are no other family relationships (of consanguinity or affinity) known to Vivant.

**(4) Involvement in Certain Legal Proceedings**

To the knowledge and/or information of Vivant, none of its nominees for election as directors, its present members of the Board of Directors or its executive officers, is presently or during the last five years, been involved in any legal proceeding or bankruptcy petition or has been convicted by final judgment, or being subject to any order, judgment or decree or violated the securities or commodities law in any court or government agency in the Philippines or elsewhere for the past five years and the preceding years until March 31, 2019 which would put to question their ability and integrity to serve Vivant and its stockholders.

To the knowledge and/or information of Vivant, the above-said persons have not been convicted by final judgment of any offense punishable by the laws of the Republic of the Philippines or by the laws of any other nation or country.



To the knowledge and/or information of Vivant, the said persons have not been found by a domestic or foreign court of competent jurisdiction (in a civil action), the Securities and Exchange Commission or comparable foreign body, or a domestic or foreign Exchange or other organized trading market or self-regulatory organization, to have violated a securities or commodities law or regulation for the preceding years until March 31, 2019.

#### **(5) Certain Relationships and Related Transactions**

During the last two (2) years there was no transaction with or involving the Company or any of its subsidiaries in which a director, executive officer, or stockholder owns ten percent (10%) or more of total outstanding shares and members of their immediate family had or is to have a direct or indirect material interest.

In the normal course of business, Vivant transacts with companies who are considered related parties under PAS 24, *Related Party Disclosures*. As parent company, Vivant provides two types of professional services: (1) strategic and technical and (2) corporate center services. These transactions were made on an arm's length basis. Third party rates are used as reference and benchmark to ensure competitive pricing and consistency to current industry standards.

Functions covered would include regulatory, sales and marketing, technical operations, business development, corporate finance, corporate management systems, legal and human resources among others. These services are rendered by Vivant to allow efficient transfer of business and technical expertise, thus improving cost efficiencies and synergies. Vivant houses a pool of highly qualified professionals with business expertise relating to the business of the Vivant Group. Service Level Agreements are in place to ensure the quality of service and competitive pricing.

Aside from the abovementioned, below are other services provided to and/or transactions entered into by Vivant with related parties in 2018:

- Vivant issued corporate guarantees for the following transactions:
  - Application for and the issuance of a domestic Standby Letter of Credit (SBLC) in behalf of an investee company relating to its debt service for its long-term project loan;
  - Application for and the issuance of a domestic SBLC by a subsidiary to serve as guarantee for its equity infusion into an investee company that is constructing a 300 MW coal fired power generation plant in Toledo City, Cebu; and
  - Foreign exchange hedging transaction entered into by an investee company that is constructing a 300 MW coal fired power generation plant in Toledo City, Cebu.
- Vivant applied for the issuance of a domestic SBLC to serve as guarantee for the equity infusion by one of its subsidiaries into an investee company that is constructing a 300 MW coal fired power plant in Toledo City, Cebu.
- Vivant applied for the issuance of a domestic SBLC to guarantee the funding of an associate's Debt Service Reserve Account relating to its debt service for its long-term project loan.
- Vivant entered into agreements with Mai-I Resources Corporation (MRC) and JEG Development Corporation (JDC), its stockholders, to perform consultancy services for the company.
- Vivant has an outstanding lease agreement with a certain subsidiary involving rental of its commercial office space.

**(6) Resignation or Refusal to Stand for Re-election by Members of the Board of Directors**

No director has resigned or declined to stand for re-election to the board of directors because of a disagreement with Vivant on any matter relating to the Registrant's operations, policies or practices.

**Item 6. Compensation of Directors and Executive Officers****(1) Summary of Compensation of Executive Officers**

Information as to the aggregate compensation paid or accrued to Vivant's Chief Executive Officer and other highly compensated executive officers, as well as other officers and directors during the last two completed fiscal years and the ensuing fiscal year, is as follows:

Name and Principal Position	Year	Salary	Bonus	Other Compensation
Top Five Highly Compensated Executives				
1. Ramontito E. Garcia - President				
2. Arlo A.G. Sarmiento – Executive Vice President				
3. Emil Andre M. Garcia - VP for Operations & Business Development*				
4. Minuel Carmela N. Franco - SVP Corporate and Shared Services				
5. Jess Anthony N. Garcia - SVP Business Development for Infrastructure and Innovation				
** Maria Victoria E. Sembrano – SAVP Controllership				
All above-named officers as a group	2019 (est.)	Php 26.9 mn	Php 17.1 mn	
	2018	Php 26.1 mn	Php 13.3 mn	
	2017	Php 24.9 mn	Php 13.5 mn	
	2016	Php 23.1 mn	Php 12.4 mn	
All other directors and officers as a group unnamed	2019 (est.)	Php 10.0 mn	Php 3.8 mn	Php 11.3 mn
	2018	Php 27.0 mn	Php 7.0 mn	Php 10.8 mn
	2017	Php 21.4 mn	Php 6.1 mn	Php 11.3 mn
	2016	Php 14.5 mn	Php 5.8 mn	Php 9.7 mn

\* Included in the top 5 highly compensated executive officers up to 2018.

\*\* Included in the top 5 highly compensated executive officers in 2019.



**(2) Compensation of Directors****(i) Standard Arrangements**

In 2018, each non-executive Director of the Board and members of the Board Committees received a per diem for every Board or Committee meeting attended as follows:

Type of Meeting	Directors	Chairman of the Board or Committee
Board Meeting	Php 50,000.00	Php 50,000.00
Committee Meeting	Php 40,000.00	Php 40,000.00

**(ii) Other Arrangements**

Other than honoraria for meetings attended, there are no standard arrangements pursuant to which directors of the Issuer are compensated, or are to be compensated, directly or indirectly, for any services provided as a director, including any additional amounts payable for committee participation or special assignments for the last completed fiscal year and the ensuing year.

Other than the indirect compensation of two directors via consultancy contracts that were in place during the Company's last fiscal year, there are no arrangements, including consulting contracts, pursuant to which any director of the registrant was compensated, or is to be compensated, directly or indirectly, during the Company's last completed fiscal year, and the ensuing year, for any service provided by such director. Aforementioned consultancy contracts involving indirect compensation of the registrant's two directors will be in place in the ensuing year.

**(3) Employment Contracts and Termination of Employment and Change-in-Control Arrangements**

Vivant has no existing compensation plan or arrangement with any of its executives in case of resignation or any other termination of employment or from a change in the management control of the Company.

**(4) Warrants and Options Outstanding**

There are no outstanding warrants or options held by the named executive officers, and all officers and directors as a group, as identified in Item 6 (1). Moreover, at no time during the last completed fiscal year did Vivant adjust or amend the exercise price of stock warrants or options previously awarded to the aforementioned officers and directors.

**Item 7. Independent Public Accountants**

For the fiscal year 2018, the accounting firm of Sycip Gorres Velayo & Co. (SGV) was the Independent Public Accountant of Vivant. Ma. Genalin Q. Arevalo is the audit partner of Vivant for 2018 and the recommended partner-in-charge.

Representatives of SGV will be present during the Annual Stockholders' Meeting and will be given the opportunity to make a statement if they so desire. They are also expected to respond to appropriate questions if needed.

There was no event in the past three (3) fiscal years where Vivant and SGV, or the handling partner, had any disagreement with regard to any matter relating to accounting principles or practices, financial statement disclosure or auditing scope or procedure.

In its regular meeting last June 21, 2018, the Board of Directors of Vivant approved the inclusion in the agenda of the 2018 Annual Stockholders' Meeting, a proposal to delegate to the Board of Directors the authority to appoint Vivant's external auditors for 2018. The proposal was intended to give the Board Audit Committee sufficient time to evaluate the different auditing firms who have submitted engagement proposals to act as Vivant's external auditor for 2018. As a matter of policy, the Board Audit Committee makes recommendation to the Board of Directors concerning the choice of external auditor.

The Board Audit Committee is composed of: Atty. Jesus B. Garcia, Jr. (Independent Director) as Chairman, and Messrs. Ramontito E. Garcia, Arlo A. G. Sarmiento, Dennis N. A. Garcia, Rogelio Q. Lim (Independent Director), and Raul Ch. Rabe (Independent Director) as members.

The Corporation is in compliance with SEC Memorandum Circular No. 08-03 (Rotation of External Auditors) in relation to paragraph 3 (b)(ix) of Rule 68 of the Implementing Rules and Regulations of the Securities Regulation Code, and the two-year cooling-off period was observed in the re-engagement of the same signing partner or individual auditor.

### External Audit Fees and Services

Following the Annual Stockholders Meeting last June 21, 2018 where the authority to confirm or appoint the external auditors was delegated to the Board of Directors, the Board of Directors confirmed the appointment of SGV as its external auditor for fiscal year 2018.

The table below sets forth the aggregate fees billed to the Company for professional services rendered by SGV in fiscal year 2018.

Fee Type	2018
Audit Fees	Php 567,978
Tax Fees*	216,000
All Other Fees**	801,545
<b>Total</b>	<b>PhP 1,585,523</b>

\* Tax Consultancy

\*\* Trainings on Philippine Data Privacy Assessment Project and trainings on Taxation and Philippine Financial Reporting Standards.

Both management and the Audit Committee evaluated the audit fee of SGV. This was recommended to and approved by the Board of Directors. The Audit Committee also reviewed the extent and nature of these services to ensure that the independence of the external auditors is preserved.

### Item 8. Compensation Plans

There is no action to be taken by Vivant at the Annual Stockholders' Meeting with respect to any plan pursuant to which cash or non-cash compensation may be paid or distributed.



## **C. ISSUANCE AND EXCHANGE OF SECURITIES**

### **Item 9. Authorization or Issuance of Securities Other than for Exchange**

There is no action to be taken with respect to the authorization or issuance of any security.

### **Item 10. Modification or Exchange of Securities**

There is no action to be taken with respect to the modification of any class of securities of the Registrant, or the issuance or authorization for issuance of one class of securities of the Registrant in exchange for outstanding securities of another class.

### **Item 11. Financial and Other Information**

There is no action to be taken with respect to the authorization or issuance of any security, or with respect to the modification of any class of securities of the Registrant, or the issuance or authorization for issuance of one class of securities of the Registrant in exchange for outstanding securities of another class.

### **Item 12. Mergers, Consolidations, Acquisitions and Similar Matters**

No action is to be taken with respect to any transaction involving any merger, consolidation, acquisition, sale or transfer of all or any substantial part of the assets, or liquidation or dissolution of Vivant.

### **Item 13. Acquisition or Disposition of Property**

No action to be taken during the Annual Stockholders' Meeting with respect to any acquisition or disposition of any property of material significance.

### **Item 14. Restatement of Accounts**

No action to be taken during the Annual Stockholders' Meeting with regard to restatement of accounts.

**D. OTHER MATTERS****Item 15. Action with Respect to Reports****(1) Approval of the Minutes of the June 21, 2018 Annual Meeting of Stockholders**

The following is a summary of the items in the Agenda of which action was taken during the 2018 Annual Stockholders' Meeting:

- I. Approval and adoption of the minutes of the June 15, 2017 Annual Stockholders' Meeting
- II. Annual Report of Officers
- III. Approval of the 2017 Annual Report and Financial Statements
- IV. Delegation of authority to appoint External Auditors for 2018 to the Board of Directors
- V. Ratification of all acts and resolutions of the Board of Directors and Management adopted for Fiscal Year 2017
- VI. Election of Directors (including Independent Directors) for the year 2018 - 2019

MR. DENNIS A. GARCIA

MR. EMIL ANDRE M. GARCIA

MR. GIL A. GARCIA II

MR. CHARLES SYLVESTRE A. GARCIA

MR. RAMONTITO E. GARCIA

MR. ARLO A. G. SARMIENTO

MR. JOSE MARKO G. SARMIENTO

MR. CARMELO MARIA LUZA BAUTISTA (Independent Director)

MR. ROGELIO Q. LIM (Independent Director)

AMB. RAUL CH. RABE (Independent Director)

ATTY. JESUS B. GARCIA, JR. (Independent Director)

Other than the foregoing, no matter was submitted to a vote of security holders.

The results of the foregoing meeting were timely disclosed to the PSE and SEC in SEC Form 17-C report.

**Item 16. Matters Not Required to be Submitted**

There is no action to be taken with respect to any matter that is not required to be submitted to a vote of security holders.

**Item 17. Amendment of Charter, By-laws or Other Documents**

No amendment to the Articles of Incorporation or By-Laws will be submitted for approval.

**Item 18. Other Proposed Actions**

For the 2019 Annual Stockholders' Meeting, a proposal for the reappointment of SGV to act as the external auditor of Vivant will be presented by the Board of Directors. Ma. Genalin Q. Arevalo will be the recommended partner-in-charge.



**Item 19. Voting Procedures**

Pursuant to the Revised Corporation Code, every stockholder entitled to vote shall have the right to vote in person or by proxy the number of shares of stock standing, as of the record date, in his own name in the stock and transfer book of Vivant.

**Approval and Ratification**

The approvals to be obtained, as aforementioned, will require the affirmative vote by stockholders representing at least a majority of the Vivant's outstanding common stock present or represented and entitled to vote at the meeting. Abstentions, with respect to any matter, are treated as shares present and represented and entitled to vote for the purpose of determining whether the stockholders have approved that matter; thus, abstentions have the same effect as negative votes. Shares as to which proxy authority has not been presented are not deemed to be present or represented for purposes of determining whether stockholder approval of that matter has been obtained.

Items requiring the vote of stockholders will be presented for approval of the stockholders at the meeting. If stockholders or proxies of stockholders owning more than majority of the outstanding capital stock are present and identified in the meeting, voting shall be by raising hands or *viva voce*; otherwise, voting shall be done in writing by secret ballot and counted thereafter if requested by any voting stockholder. The Corporate Secretary, Atty. Jess Anthony N. Garcia and the Assistant Corporate Secretary, Atty. Joan A. Giduquio-Baron, shall validate and count the votes cast.

**Voting for Directors**

In the election of directors, the top nine nominees with the greatest number of votes shall be declared elected. If the number of nominees does not exceed the number of directors to be elected, all the shares present or represented at the meeting will be cast in favor of the nominees. If the number of nominees exceeds the number of directors to be elected, voting will be done by ballots.

In the election of directors, the stockholder may choose to do any of the following:

- (i) Vote such number of shares for as many person(s) as there are directors to be elected;
- (ii) Cumulate such shares and give one candidate as many votes as the number of directors to be elected multiplied by the number of his shares; or
- (iii) Distribute his shares on the same principle as option (ii) among as many candidates as he shall see fit, provided, that the total number of votes cast by him shall not exceed the number of shares owned by him multiplied by the whole number of directors to be elected.

The method of counting the votes shall be in accordance with the general provisions of the Revised Corporation Code of the Philippines. The counting of votes shall be done by representatives of the Office of the Corporate Secretary, who shall serve as members of the Election Committee.

Other than the nominees' election as directors, no director, executive officer, nominee or associate of the nominees has any substantial interest, direct or indirect by security holdings or otherwise, in any way of the matters to be taken up during the meeting. Vivant has not received any information that an officer, director or stockholder intends to oppose any action to be taken at the Annual Stockholders' Meeting.

This Information Statement in SEC Form 20-IS is given free of charge to the stockholders prior to the Annual Stockholders' Meeting of the Company. Vivant stockholders may likewise request for a copy of the Annual Report in SEC Form 17-A which will be given free of charge upon written request. Please write to:

Office of the Corporate Secretary  
Units 907-908, 9<sup>th</sup> Floor Ayala Life-FGU Center  
Mindanao Avenue corner Biliran Road, Cebu Business Park  
Barangay Luz, Cebu City

#### SIGNATURE

After reasonable inquiry and to the best of my knowledge and belief, I certify that the information set forth in this report is true, complete, and correct. This report is signed at the City of Cebu on May 08, 2019.

#### VIVANT CORPORATION

Issuer

By:

  
JESS ANTHONY N. GARCIA  
Corporate Secretary



## PART I - BUSINESS AND GENERAL INFORMATION

### Item 1. Business

#### 1. Business Development

Vivant Corporation (Vivant or the Company) is a publicly listed holding company that, through its subsidiaries and affiliates, has interests in various companies engaged in the electric power generation (renewable and non-renewable energy), electric power distribution, and retail electricity supply business. The Garcia-Escaño family of Cebu (the Family) collectively owns approximately 76% of the outstanding capital stock of Vivant as of December 31, 2018.

Vivant's origins can be traced back to the rich and humble beginnings of Viuda y Hijos de F. Escaño Incorporada, the successor of the enterprise that Don Fernando Escaño founded in 1879, which came to be known as Hijos de F. Escaño Inc. (HDFE). The entry into the power industry dates back to the early 1900s when the Family diversified its business interests (mainly shipping and trade) to include electricity power distribution when it took over the operations of the Visayas Electric Company (VECO). VECO was the power distribution utility serving the electricity requirements of the City of Cebu and its surrounding municipalities.

The Second World War caused significant damage in the facilities of VECO. It was during the close of the war in 1945 that initiatives of VECO, alongside with the US Army, allowed the resumption of its operations to its pre-war levels. Staff levels were beefed up, while investments in new machineries and equipment poured in. Currently, VECO stands as the second largest privately-owned electric power distribution utility in the Philippines in terms of annual gigawatt-hour (GWh) sales. As of end-2018, Vivant has an effective equity interest of approximately 35% in VECO (accounting for both direct and indirect shareholdings).

In 2003, the Family acquired 99% of Philstar.com, a company listed in the Philippine Stock Exchange (PSE). Subsequently, the Family's holdings in HDFE and VECO were infused to this company. Philstar.com was afterward renamed Vivant Corporation.

Starting in 2007, Vivant, through its subsidiaries and affiliates, started its foray into the power generation business via equity investments in the following generation companies:

- Cebu Private Power Corporation, owner and operator of a seventy (70) megawatts (MW) diesel-fired power plant located in the island of Cebu;
- Delta P, Inc. (DPI), owner and operator of a sixteen (16) MW diesel-fired power plant in Palawan; and
- Cebu Energy Development Corporation, a project company that owns and operates a 246 MW coal-fired power plant in Toledo City, Cebu.

The Company likewise participated in the government's privatization efforts conducted by the Power Sector Assets and Liabilities Management (PSALM):

- Acquisition of the 0.8 MW Amlan hydroelectric power plant in Negros island in 2009; and
- Appointment as the Independent Power Producer (IPP) Administrator of the 70 MW Bakun hydroelectric power plant in Alilem, Ilocos Sur in 2009

In 2010, Vivant, through one of its subsidiaries, entered into an agreement with the Provincial Government of La Union (PGLU) for the management and operation of the 225 MW Bauang diesel-fired power plant.



In April 2013, the Company, through one of its associates, broke ground for the construction of the eight (8) MW bunker- and 750 kW diesel-fired power plants in the municipalities of Coron and Busuanga, respectively. The plants commenced commercial operations in the last quarter of 2014 and have serviced the power requirements of the local distribution utility via a Power Supply Agreement (PSA).

In November 2013, Vivant, through wholly owned subsidiary Vivant Energy Corporation (VEC), participated in the public bidding process conducted by PSALM for the selection and appointment of the IPP Administrator for the Strips of Energy of the Unified Leyte Geothermal Power Plants (ULGPP) located at Tongonan, Leyte. On January 29, 2014, PSALM has declared and selected VEC as the Winning Bidder for seventeen (17) strips of Energy of the ULGPP. This allowed VEC to sell 17 MW of geothermal power from ULGPP beginning January 1, 2015.

In January 2014, Vivant signed an agreement to issue Php 3 billion (bn) in Fixed Rate Corporate Notes (FRCN). The offering was fully subscribed by a consortium of local banks. Proceeds of the issue, which were in two (2) tranches, were earmarked to partly fund the Company's and its subsidiaries' capital projects.

In February 2014, a Memorandum of Understanding was executed by wholly-owned subsidiary Vivant Integrated Generation Corporation (VIGC) and Mindanao Energy Systems, Inc. (Minergy) that involves the possible equity investments by VIGC in Minergy's future power generation projects. Subsequent to this, a Subscription Agreement between VIGC and Minergy Coal Corporation (MCC) was executed, which allowed VIGC to subscribe to 40% of all issued capital and shares of MCC. MCC is the project company that was set up by Minergy to build, own and operate a 3x55 MW coal-fired power plant in Balingasag, Misamis Oriental. Construction commenced in the first quarter of 2014. The power generation facility is expected to feed into the franchise area of Cagayan de Oro Electric Power and Light Corporation (CEPALCO), which covers the City of Cagayan de Oro and adjoining towns, by 2017. In 2015, MCC changed its corporate name to Minergy Power Corporation.

On August 27, 2014, a shareholders' agreement between VIGC and Therma Power, Inc. (TPI) was signed. This agreement involves the investment by VIGC in Therma Visayas, Inc. (TVI), the project proponent for the construction and operation of a 2x150 MW (net) coal-fired power generation facility in Toledo City, Cebu. The agreement involves the entry of VIGC into TVI for a 20% equity stake. Construction commenced in the first quarter of 2015. Unit 1 has started delivering energy in April 2019 while Unit 2 is expected to come online by May 2019.

In December 2015, after the successful conduct of a Competitive Selection Process by the Palawan Electric Cooperative (PALECO), DPI was declared as the winning proponent and awardee of the fifteen (15)-year PSA for a 26.65 MW Gross Dependable Capacity. Consequently, DPI embarked on an expansion program in 2016 involving the construction of a 30 MW diesel-fired power plant. The power plant facility started to feed into the PALECO service area in the second quarter of 2017.

In January 2017, 1590 EC signed a 5-year Ancillary Service Procurement Agreement (ASPA) with the National Grid Corporation of the Philippines (NGCP). This involved the provision of Dispatchable Reserve on a non-firm basis. The ASPA became effective in May 2017, after obtaining Provisional Approval by the ERC.

In May 2017, Vivant entered into a joint venture with ET Energy Pilipinas Holding Corporation (ETEPHC). The joint venture will explore opportunities in the solar rooftop space. Through 100%-owned VEC and Vivant Renewables Energy Corporation (VREC), the Company has 60% ownership in the joint venture company, ET-Vivant Solar Corporation (ET-Vivant).



In May 2017, a Commencement/Stay Order was issued by the Cebu City Regional Trial Court Branch 11 in favor of 48%-owned Vivant-Sta. Clara Northern Renewables Generation Corporation (NR) pursuant to a Petition for Corporate Rehabilitation. NR is the Administrator of the 70MW capacity of the BHPP. As of date, NR is still awaiting the court's decision on whether or not to allow the rehabilitation.

In December 2017, Vivant, through wholly-owned subsidiary VIGC, and Global Business Power Corporation (GBPC) signed a Pre-Development Agreement to jointly participate in a project that will involve the construction and operation of a 2x335 MW coal fired power plant in La Union. This project will be undertaken through Global Luzon Energy Development Corporation, a special purpose vehicle that was set up where Vivant has an effective ownership of 42.5%.

Also, in December 2017, VEC and ICS Renewables Holdings, Inc. (ICS Renewables) executed a Deed of Sale with Assignment of Subscription Rights, which effectively transferred Vivant's ownership in AHPC to ICS Renewables by year-end.

A Deed of Sale with Assignment of Subscription Rights was likewise executed by VEC and ICS Renewables which effectively transferred ICS Renewables' shares in 1590 EC to VEC. As of year-end 2017, VEC increased its equity stake in 1590 EC from 52.7% to 55.2%.

In May 2018, Sabang Renewable Energy Corporation (SREC) broke ground for the construction of a hybrid power generation facility in Barangay Cabayugan, an unelectrified area in Puerto Princesa. The facility will be composed of 1.4 MW solar power generation plant, 2.3 MWh storage facility and 1.28 MW diesel-fired power generation unit. The project is expected to be completed within the first half of 2019. The Company has an effective ownership of 30% in SREC.

In October 2018, Vivant, through wholly-owned subsidiaries VEC and VREC, sold all of its shareholdings in NR to North Renewable Energy Corporation. Through VEC and VREC, Vivant owned a total of 48% equity in NR.

## **2. Business of Issuer**

Through its equity interests in its subsidiaries and associates, Vivant is in the business of electric power generation, electric power distribution and retail electricity supply in the Philippines (Please see Exhibit "C" for Vivant's Corporate Structure).

**(i) Principal Products****POWER GENERATION**

As of end-2018, VEC holds all of Vivant's interests in the electric power generation business. To date, the Company has built a portfolio comprised of both renewable and non-renewable power generation plants with total attributable capacity of approximately 306 MW. As of December 31, 2018, approximately 66% of Vivant's net income from business segments was accounted for by its power generation business.

The table below summarizes the operating results of the generation companies as of December 31, 2018.

Generation Companies	Energy Sold <sup>1</sup> (in GWh)			Revenue <sup>1</sup> (in Php million)		
	2016	2017	2018	2016	2017	2018
CPPC	145.6	141.1	66.5	1,292.4	1,484.4	1,253.2
Delta P <sup>2</sup>	65.7	79.5	81.6	566.0	916.9	1,246.3
CEDC <sup>3</sup>	1,722.8	1,724.3	1,861.1	7,965.6	8,751.5	9,728.2
AHPC	2.4	3.8	--	5.6	13.4	--
NR <sup>4</sup>	262.9	240.0	--	769.0	797.5	--
1590 EC	142.4	184.8	114.8	1,530.6	1,811.3	1,254.0
CIPC	22.1	27.5	33.0	262.0	356.2	494.4
VEC <sup>4</sup>	149.1	140.0	151.2	852.6	807.6	916.4
MPC <sup>5</sup>	--	238.2	817.3	--	1,422.4	6,460.3

**Notes:**

1. Figures are at 100%
2. Includes 30-MW expansion project, which started to feed into the PALECO service area in May 2017.
3. Includes billed minimum contracted energy (MCE)
4. Through IPP Administration Agreements with PSALM.
5. Started operations in September 2017 with Unit 1 at 48 MW gross capacity and Units 2 and 3 at 55 MW gross capacity each.

**Cebu Private Power Corporation (CPPC)**

Incorporated on July 13, 1994, CPPC owns and operates one of the largest diesel power plants in the island of Cebu – the ten (10) Caterpillar-Mak-powered seventy (70) MW Bunker C-fired power plant situated on a 1.8-hectare site in the old VECO compound at Bgy. Ermita, Cebu City.

Commissioned in 1998, the CPPC plant was constructed pursuant to a build-operate-transfer (BOT) contract to supply sixty-two (62) MW of power to VECO.

On April 20, 2007, Vivant acquired from East Asia Utilities Corporation 40% of the outstanding common shares of CPPC. The remaining 60% of the outstanding common shares was acquired by Aboitiz Power Corporation (AP).

In December 2010, CPPC started selling its excess capacity to the Wholesale Electricity Spot Market (WESM).

In July 2013, CPPC and VECO filed an application for a new ten (10)-year PSA with the ERC. Upon approval and implementation, the new agreement will redound to a slightly lower electricity rate for VECO.



**Delta P, Inc. (DPI)**

Established in 1997, DPI is an independent power producer in Palawan operating a 16 MW bunker-fired power plant with four (4) units of 4 MW generator sets. In March 2007, Gigawatt Power Inc. (GPI) acquired the 100% interest of Wärtsilä Technology Oy Ab in DPI. In June 2007, GPI divested and sold a 20% equity stake in DPI to Vivant. Through wholly-owned subsidiary VEC, Vivant's equity stake increased to 35% in October 2007 through an additional share acquisition from GPI.

The power plant facility of DPI is located on a 25,981 sq.m. parcel of land leased from the City Government of Puerto Princesa at Kilometer 13, North National Highway, Barangay Santa Lourdes, Puerto Princesa, Palawan. Commercial operations started in May 1997 by virtue of a Lease Agreement with the National Power Corporation (NPC), which was scheduled to expire in April 2009. The power generated by the plant served the electricity requirements of the PALECO.

On February 6, 2009, DPI and PALECO signed a PSA for DPI to directly supply PALECO'S power requirements for the next ten (10) years. DPI and PALECO filed a joint petition with the Energy Regulatory Commission (ERC) for the approval of the PSA, which the latter granted on November 9, 2009.

In May 2015, a Share Purchase Agreement was executed between VEC and GPI, which resulted to a 50:50 equity ownership between the companies.

In December 2015, after the successful conduct of a Competitive Selection Process by PALECO, DPI was declared as the winning proponent and awardee of the fifteen (15)-year PSA for a 26.65 MW Gross Dependable Capacity. Consequently, DPI embarked on an expansion program in 2016 involving the construction of a 30 MW diesel-fired power plant. In April 2016, DPI and PALECO filed a Joint Application with the ERC for the approval of the PSA. A public hearing was held on February 17, 2017. The power plant facility started to feed into the PALECO service area in the second quarter of 2017.

**Abovant Holdings, Inc. (Abovant) and Cebu Energy Development Corporation (CEDC)**

Abovant was established in 2007 as a joint venture between Vivant and AP. The company's main purpose was to invest in a new power plant to be built in Barangay Daanlungsod, Toledo City, Cebu. Abovant is 40% owned by Vivant (currently through wholly-owned Vivant Integrated Generation Corporation) and 60% owned by AP (currently, through wholly-owned Therma Power, Inc.).

Abovant and Global Formosa Holdings, Inc. (Global Formosa), a joint venture between Global Business Power Corporation of the Metrobank Group and Formosa Heavy Industries, Inc., formed CEDC in December 2008 to build, own and operate a \$450 million (mn) 3 x 82-MW coal-fired power plant located in Toledo, Cebu utilizing the latest Circulating Fluidized Bed (CFB) technology. Commercial operations commenced in 2011. With Abovant's 44% stake in CEDC (Global Formosa owns the remaining 56%), Vivant's effective interest in CEDC is at 17.6%.

In October 2009, CEDC signed an Energy Power Purchase Agreement (EPPA) with VECO for the supply of one hundred five (105) MW of electricity for twenty-five (25) years. The application for approval was filed with the ERC in the same year and was approved in February 2010. To date, CEDC has signed other EPPAs with electric cooperatives and distribution utilities in Cebu and Bohol. The company's EPPAs will provide contracted minimum energy offtake with fuel cost as a pass-through.



**Vivant-Sta. Clara Northern Renewables Generation Corporation (NR)**

In 2009, NR submitted the highest offer in the competitive bid conducted by PSALM for the appointment of the IPP Administrator of the contracted capacities of the 70 MW Bakun hydroelectric power plant located in Alilem, Ilocos Sur and the thirty (30)-MW Benguet hydroelectric power plants located in Benguet, Cordillera Administrative Region. The offer by NR resulted in a bid price of US\$145 mn, as calculated in accordance with the PSALM's bid rules.

Under the IPP Administration Agreement, NR will pay a series of monthly payments to PSALM for a period of sixteen (16) years until January 2026 in consideration for the right to trade/market the electricity generated by the plants, either through the WESM or bilateral contracts. After the expiry of said contract, the power stations will be transferred to NR, subject to its acceptance. PSALM exercised the right to divide and segregate the contracted capacities of Bakun and Benguet in the latter part of 2010.

By virtue of the segregation done by PSALM, NR assumed the responsibility of selling only the Bakun plant's contracted capacity. The Bakun plant is located within the 13,213-hectare watershed area of the Bakun river in Ilocos Sur province in Northern Luzon, which taps the flow of the Bakun river to provide the plant with its generating power. The plant was constructed under the government's BOT scheme and is currently owned and being operated by Luzon Hydro Corporation (LHC).

In May 2017, a Commencement/Stay Order was issued by Cebu City Regional Trial Court Branch 11 in favor of the company pursuant to a Petition for Corporate Rehabilitation. As of date, NR still awaits for the court's decision on whether or not to allow the rehabilitation.

In October 2018, Vivant, through wholly-owned subsidiaries VEC and VREC, sold all of its shareholdings in NR to North Renewable Energy Corporation.

**1590 Energy Corp. (1590 EC)**

In March 2010, a Memorandum of Agreement (MOA) was entered into between the PGLU, VEC and GPI wherein the parties agreed to enter into a Sale and Purchase Agreement (SPA) giving VEC and GPI exclusive right to purchase the Bauang diesel-fired power plant (Bauang plant) owned by the PGLU until July 25, 2010.

On July 22, 2010, the MOA was amended granting VEC and GPI the right to an interim management and operation of the Bauang diesel-fired power plant and an extension of the SPA for six (6) months or until January 26, 2011. Hence, VEC and GPI incorporated 1590 EC in July 2010 to undertake all the rights, interests and obligations under the Interim Agreement. On September 10, 2010, VEC and GPI with the conformity of PGLU transferred all their rights, interests and obligations under the Interim Agreement to 1590 EC.

In December 2010, 1590 EC formally signified its intent to purchase the diesel power plant, thus, a Contract to Sell (CTS) was executed between 1590 EC and the PGLU, the closing of which was subject to certain conditions.

In May 2012, a Mutual Rescission Agreement (MRA) was entered into by 1590 EC and the PGLU, thus terminating the CTS. Simultaneously, a MOA was executed by both parties giving 1590 EC the right to preserve, maintain and operate, including the right to use and sell the power generated by the Bauang plant for a period of one year. In 2013, 1590 EC and the PGLU entered into an agreement to extend the term of the MOA up to end-2015. In February 2015, the parties executed a Second Amendment to the MOA extending the term of the MOA up to end-2018.



In January 2017, 1590 EC signed a 5-year ASPA with NGCP. This will involve the provision of Dispatchable Reserve on a non-firm basis. Effectivity of the contract will be upon receipt of a Provisional Approval by the ERC, which was obtained in May 2017.

In December 2017, VEC and ICS Renewables executed a Deed of Sale with Assignment of Subscription Rights, which effectively transferred ICS Renewables' shares in 1590 EC to VEC. As of year-end 2017, VEC increased its equity stake in 1590 EC from 52.7% to 55.2%.

In January 2018, through a bidding conducted by the PGLU, 1590EC was awarded the right to operate and maintain the 215-MW diesel bunker-fired power plant located in Bauang, La Union through a 5-year lease, which commenced in January 2019.

#### **Vivant-Malogo Hydropower, Inc. (VMHI)**

VMHI was incorporated in June 2012 as the project company to implement a greenfield power plant project, which will involve the construction and operation of a series of run-of-river hydropower facility in Barangay Kapitan Ramon in Silay City, which is located in the northwestern section of the Negros island. 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 and is in the process of rebidding the project's Engineering, Procurement and Construction (EPC) contract. Construction of the plant is estimated to be completed after a period of 22 to 24 months. 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.

#### **Calamian Islands Power Corporation (CIPC)**

CIPC was established in October 2010 as the project company to undertake the construction and operation of the eight (8) MW bunker- and seven hundred fifty (750) kW diesel-fired power plants in the municipalities of Coron and Busuanga, respectively. In August 2011, CIPC entered into a fifteen (15)-year PSA with Busuanga Island Electric Cooperative covering the total capacity of the project. CIPC broke ground in April 2013. The Busuanga power station started feeding into the island's grid in the fourth quarter of 2013, while the Coron power station commenced power generation in August 2014.

VEC has an equity stake of 50% in CIPC.

#### **Minergy Power Corporation (MPC)**

MPC, formerly known as MCC, is the project company that was set up by Minergy to build, own and operate a 3x55 MW coal-fired power plant in Balingasag, Misamis Oriental. In May 2014, a Subscription Agreement between VIGC and MCC was executed which allows VIGC to subscribe to 40% of all issued capital and shares of MPC.

Construction commenced in the first quarter of 2014. The plant started to feed into the franchise area of CEPALCO, which covers the City of Cagayan de Oro and adjoining towns, in September 2017.

**Therma Visayas, Inc. (TVI)**

TVI is the project company that will build, own and operate the 2x150 MW coal-fired power plant in Barangay Bato, Toledo City, Cebu. The project is intended to address the increasing power demand of the Visayas grid. The plant design includes provisions for the addition of a third generating unit.

In May 2014, TVI signed an Engineering, Procurement and Construction (EPC) contract with Hyundai Engineering Co., Ltd. and Galing Power Energy Co., Inc.

An agreement was executed in August 2014 between VIGC and Therma Power, Inc. (TPI), which allowed VIGC to acquire a twenty percent (20%) equity stake in TVI. TPI, a wholly owned subsidiary of Aboitiz Power, is the parent company of TVI.

In March 2015, the Notice to Proceed for all EPC activities was issued. Works on grid connection and energization of the plant are underway. Unit 1 has started delivering energy in April 2019 while Unit 2 is expected to come online by May 2019.

**Sabang Renewable Energy Corporation (SREC)**

SREC is the project proponent for the construction and operation of a hybrid power generation facility in Barangay Cabayugan, an unelectrified area in Puerto Princesa. As the the Qualified Third Party (QTP), SREC will supply and distribute power to customers comprising mainly of local residents. The QTP location which is the gateway to the Puerto Princesa Underground River, a UNESCO World Heritage Site, has been waived from the franchise area of Palawan Electric Cooperative (PALECO). The facility will be composed of 1.4 MW solar power generation plant, 2.3 MWh storage facility and 1.28 MW diesel-fired power generation unit. The project broke ground in May 2018 and is expected to be completed within the first half of 2019. The Company has an effective ownership of 30% in SREC.

**ET-Vivant Solar Corporation (ET-Vivant)**

As part of its venture into the retail business, Vivant, through wholly owned subsidiaries VEC and VREC, entered into a joint venture with ETEPHC to construct and operate solar rooftop generation facilities. In March 22, 2018, ET-Vivant was incorporated with Vivant having a 60% equity stake. As of end-2018, construction works were ongoing for a 1.35 MW solar rooftop facility for an industrial customer in Visayas.

**Future Projects**

The Company continuously looks for opportunities in the power generation business, whether 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.

Notwithstanding the review and evaluation process undertaken, the Company cannot give the assurance that a project, if implemented, will be successful. There is no assurance that the Company will eventually develop a particular project in the manner planned or at or below the cost estimated by the Company.



## Electric Power Distribution

In addition to investments in the power generation sector, the Company has investments, both direct and indirect, in VECO, the second largest privately-owned distribution utility in the Philippines in terms of customers and annual GWh sales. As of end-2018, Vivant has a beneficial ownership in VECO of roughly 35%.

### Visayan Electric Company (VECO)

VECO, through its predecessor, has been in the distribution business since the early 1900s. It is an electric distribution utility engaged in the conveyance, distribution and sale of electric power pursuant to its legislative franchise, Republic Act No. 9339, and serves the electrical needs of four cities (Cebu, Mandaue, Talisay and Naga), and four municipalities (Consolacion, Liloan, Minglanilla, and San Fernando), all located in the Province of Cebu. Its franchise was granted by the Congress of the Philippines and is due to expire in 2030. VECO's service coverage is about 672 square kilometers serving 437,823 customers with a peak demand of 547 MW and electricity sales of 3,159 GWh in 2018.

The table below summarizes the key operating statistics of VECO for 2018 and the past two (2) years.

	Electricity Sold (MWh)	Peak Demand (MW)	# of Customers
2016	2,922,950	524	408,586
2017	2,938,532	522	422,814
2018	3,159,032	547	437,823

VECO is among the distribution utilities included in the third group (Group C) of private utilities to shift to Performance Based Regulation (PBR). The ERC issued its final determination on VECO's application for approval of its annual revenue requirements and performance incentive scheme under the PBR for the regulatory period July 1, 2010 to June 30, 2014.

VECO was scheduled to undergo the PBR reset process in the first quarter of 2014. However, the company was not able to do so given that the ERC has since put on hold all PBR reset processes. As such, VECO continued to apply the rates approved for the last year of the first regulatory period until such time it is able to undergo the ERC-mandated reset process.

### Retail Electricity Supply Business

One of the objectives of the EPIRA law is to ensure the competitive supply of electricity at the retail level. With the implementation of the Open Access and Retail Competition (Open Access), large-scale customers will be allowed to source electricity from Retail Electricity Suppliers (RES) licensed by the ERC.

Vivant has prepared its organization for the Open Access with the establishment of two (2) RES companies.

**Prism Energy, Inc. (Prism Energy)**

Prism Energy was incorporated in March 2009, as a joint venture between Vivant (40%) and AP (60%). The company obtained its five-year RES license in May 2012. Prism Energy is seen to service the requirements of the contestable customers in the Visayas region. License renewal process has been initiated and is just awaiting ERC decision.

As of year-end, Prism Energy was serving 37 customers with a total average consumption of 516,870 kWh per month. The total electricity delivered to its customer base amounted to 155,899,709 kWh in 2018.

**Corenergy, Inc. (Corenergy)**

Corenergy was incorporated in December 2012 as a wholly-owned subsidiary of Vivant, through VEC. The company obtained its 5-year RES license in September 2016 and is eyeing contestable customers in Luzon and Visayas regions.

As of year-end, Corenergy was serving 2 customers with a total average consumption of 734,754 kWh per month. The total electricity delivered to its customer base amounted to 12,034,796 kWh in 2018.

**(ii) Sales**

The table below sets forth comparative figures for revenue, profitability and assets.

(in Php mn)	2016	2017	2018
Gross Income	3,870.1	4,135.0	4,280.3
Operating Income	1,698.0	1,504.7	1,838.4
Total Assets	14,562.0	15,753.5	17,197.3

The operations of Vivant, its subsidiaries and associates are based only in the Philippines.

Revenue contribution by business grouping is as follows:

	2016		2017		2018	
	Php mn	%-tot	Php mn	%-tot	Php mn	%-tot
Power Generation	3,121.6	81	3,295.9	80	3,421.3	80
Power Distribution	689.2	18	760.3	18	720.2	17
Retail Electricity Supply	--	--	6.2	0	21.7	0
Others	59.3	1	72.5	2	117.1	3
Total	3,870.1	100	4,135.0	100	4,280.3	100



**(iii) Distribution Methods of Products and Services**

The generation companies sell their electricity either through the WESM or through bilateral power supply agreements with private distribution utilities, cooperatives, RES and other large end-users.

Most of the generation companies have transmission service agreements with the NGCP for the transmission of electricity to the designated delivery points of their customers. Some have built their own transmission lines to directly connect to their customers.

The distribution company has an exclusive distribution franchise in the area where it operates. It has its own distribution network consisting of an extensive network of predominantly overhead lines and substations. An agreement with NGCP is likewise entered into to facilitate the use of NGCP's transmission facilities to receive power from its IPPs, NPC and/or PSALM for distribution to its respective customers.

The RES company entered into supply contracts with its existing customers. As of year-end, PRISM Energy was serving 37 customers with a total average consumption of 516,870 kWh per month. The total electricity delivered to its customer base amounted to 155,899,709 kWh in 2018. Corenergy on the other hand was serving 2 customers with a total average consumption of 734,754 kWh per month. The total electricity delivered to its customer base amounted to 12,034,796 kWh in 2018.

**(iv) New Products and Services**

Neither Vivant, nor its subsidiaries and associates, have any publicly-announced new product or service to date, apart from the ongoing greenfield, rehabilitation or expansion projects being undertaken.

**(v) Competition****Generation Business**

Vivant, through the facilities of its power generation subsidiaries and associates located in Luzon, Visayas and Mindanao, faces competition from other power generation plants that supply electricity to these island grids. Given the privatization of NPC-owned power generation facilities, the Company has to contend with local and multinational IPPs for signing power supply agreements and offering power supply through the WESM (where applicable).

The retail competition has further intensified the competition landscape for securing bilateral contracts. Generation companies have set up their RES operations to tap the contestable customers (as defined by RCOA, which is currently large end-users with a monthly peak average demand of at least 500 kW for the preceding 12 months). Further competition can be brought about by entities that established RES operations by acting as demand aggregators. Customer migration could result to the reduction of existing supply contracts of power generation companies with distribution utilities. Negotiations for new contracts could result to less favorable terms given the current scenario.

Competition in the development of new power generation facilities, the acquisition of existing power plants and financing these undertakings could also be expected. Given the robust performance of the industry in the last couple of years, many investors have been attracted to participate and explore opportunities in the development of electric power generation projects, both in the renewable and non-renewable energy spectrum.

## Distribution Business

VECO has an exclusive franchise to distribute electricity in the area covered by its franchise.

Under Philippine law, the franchise of any distribution utility may be renewed by the Congress of the Philippines, provided that requirements relating to the rendering of public services are met. VECO intends to apply for the extension of its franchise upon its expiry. Competition or opposition from third parties may arise while the application for the extension of its franchise is underway. However, under the Philippine law, a party wishing to secure a franchise to distribute electricity must first obtain from the ERC a Certificate of Public Convenience and Necessity and shall prove that such party has the technical and financial capability to operate a distribution franchise. Ultimately, it is the Philippine Congress that has absolute discretion in determining whether to issue new franchises or renew existing franchises.

Customer migration has transpired as contestable customers opted to source their electricity requirements via Retail Supply Contracts with licensed RES operators. As of date, the current threshold for voluntary participation of a contestable customer is monthly peak average demand of at least 500 kW for the preceding 12 months. The reduction from 1 MW to 750 kW and 500 kW was implemented through DOE Department Circular No. DC 2017-12-0013. In the same circular, the DOE also provided for voluntary demand aggregation of electricity end-users within a contiguous area whose aggregate average peak demand is not less than 500 kW for the preceding 12 months.

## (vi) Sources of Raw Materials and Supplies

### Generation Business

The Company's hydroelectric power generation plants harness the kinetic energy from the flow of water on rivers to generate electricity. These hydroelectric companies possess water permits issued by the National Water Resources Board (NWRB), which allow them to utilize a certain volume of water from the applicable source of water flow to generate energy.

In the case of the fossil-fired power generation plants, fuel supply contracts with various suppliers have been entered into. Oil-fired plants have existing medium-term (2-5 years) contracts with local large oil companies and fuel distributors. The coal plant sources its fuel requirements via a combination of long-term supply contracts with various suppliers and the WESM.

### Distribution Business

VECO secured bulk of its electricity requirements by entering into bilateral agreements with various IPPs. These agreements are governed by the ERC regulations. Under current rules, VECO is allowed to purchase up to 90% of its total electricity requirements via bilateral contracts.

Below are the power purchase agreements of VECO in 2018.

Supplier	Contract Demand	Start Date	Expiry Date
CEDC	83 MW	Mar 2011	Feb 2036
Greencore	60 MW	Jan 2011	Dec 2024
CPPC	61.72 MW	Old PSA has been extended pending ERC approval of new PSA. New PSA will be 10 years from date of ERC approval.	
AES (UL)	40 MW	Jan 2015	July 2021
VEC (UL)	17 MW	Jan 2015	July 2021
SLPGC	50 MW	Jan 2016	Jun 2018



To meet the future supply requirement of its franchise area, VECO entered into a fifteen (15)-year power supply contract with TVI involving the supply of 150 MW. This should be available to service VECO's long-term capacity requirement in 2019, pending its approval by the ERC.

Given the impact of RCOA on its market, VECO will continue to review its contracts profile and negotiate, if necessary, for the reduction of its bilateral agreements.

#### **(vii) Major Customers**

The bulk of the total attributable electricity generated by Vivant, through its subsidiaries and associates, are sold to private distribution utilities, electric cooperatives, NGCP, RES and some large industrial users via bilateral agreements. The balance is sold through the WESM. For the year 2018, Vivant had a 89:11 sales mix that was in favor of energy sales covered by sale contracts.

Vivant's distribution business, on the other hand, has a wide and diverse customer base. The distribution utility's customers are categorized as follows:

- **Industrial customers:** consist of large-scale consumers of electricity within a franchise area, such as factories, plantations and shopping malls.
- **Residential customers:** consist of structures utilized for residential purposes
- **Commercial customers:** include service-oriented businesses, universities and hospitals
- **Other customers:** include streetlights

#### **(viii) Transactions With and/or Dependence on Related Parties**

Vivant and its subsidiaries and associates, in their regular conduct of business, have entered into related party transactions where Vivant, as parent company, provides two (2) types of professional services: (1) strategic and technical and (2) corporate center services.

Functions covered would include regulatory, sales and marketing, technical operations, business development, corporate finance, corporate management systems, legal and human resources among others. These services are rendered by Vivant to allow efficient transfer of business and technical expertise, thus improving cost efficiencies and synergies. Vivant houses a pool of highly qualified professionals with business expertise relating to the business of the Vivant Group. Service Level Agreements are in place to ensure the quality of service and competitive pricing.

Aside from the abovementioned, below are other services provided to and/or transactions entered into by Vivant with related parties in 2018.

- Vivant issued corporate guarantees for the following transactions:
  - Application for and the issuance of a domestic Standby Letter of Credit (SBLC) in behalf of an investee company relating to its debt service for its long-term project loan;
  - Application for and the issuance of a domestic SBLC by a subsidiary to serve as guarantee for its equity infusion into an investee company that is constructing a 300 MW coal fired power generation plant in Toledo City, Cebu; and
  - Foreign exchange hedging transaction entered into by an investee company that is constructing a 300 MW coal fired power generation plant in Toledo City, Cebu.

- Vivant applied for the issuance of a domestic SBLC to serve as guarantee for the equity infusion by one of its subsidiaries into an investee company that is constructing a 300 MW coal fired power plant in Toledo City, Cebu.
- Vivant applied for the issuance of a domestic SBLC to guarantee the funding of an associate's Debt Service Reserve Account relating to its debt service for its long-term project loan.
- Vivant entered into agreements with Mai-I Resources Corporation (MRC) and JEG Development Corporation (JDC), its stockholders, to perform consultancy services for the company.
- Vivant has an outstanding lease agreement with a certain subsidiary involving rental of its commercial office space.

#### **(ix) Government Approvals, Patents, Copyrights, Franchises**

##### **Generation Business**

Under the EPIRA, the power generation business is not considered a public utility operation. However, there are standards, requirements and other terms and conditions set by the ERC that each existing and potential generation company should comply with. Once met, the ERC will issue a Certificate of Compliance (COC) that will allow the operation of the power generation facilities. A COC is valid for a period of five (5) years from the date of issuance.

Hydroelectric power generation facilities, on the other hand, are required to obtain water permits from the NWRB. Said permit would indicate the approved water source and allowable volume of water that can be used by these facilities in generating power. The water permits do not have expiry dates and are usually not terminated as long as the holder of the permit is able to meet the terms indicated.

A generation company that operates a facility connected to the Grid must make sure that the technical design and operational criteria of the Philippine Grid Code and Philippine Distribution Code are met.

Power purchase agreements signed with both private distribution utilities and electric cooperatives are required to be evaluated and approved by the ERC.

Vivant and its subsidiaries and associates involved in the generation business have no pending applications for the registration of intellectual property rights for any trademark associated with its and its subsidiaries' and associates' corporate names and logos.

##### **Distribution Business**

Electricity distribution is a regulated public utility business under the EPIRA. It requires a franchise that can be granted only by the Congress of the Philippines. A Certificate of Public Convenience and Necessity from the ERC is also needed to operate a public utility.

VECO's franchise is set to expire in 2030.

Given that the cost of purchased power is allowed to be passed on to the end-users, all power purchase agreements signed with power generation companies are required to be evaluated and approved by the ERC.

VECO has no pending application for the registration of intellectual property rights for any trademark associated with its corporate name and logo.



## Supply Business

With the implementation of the Open Access, the business of supplying electricity is not considered as a public utility operation under the EPIRA. However, proprietors of this business are required to obtain a license from the ERC in accordance with the ERC's rules and regulations. Vivant has two RES companies:

- Prism Energy, which is 40%-owned by Vivant, was awarded its license in May 2012.
- Corenergy, which is a wholly-owned subsidiary, was awarded its license in September 2016.

### **(x) Effect of Existing or Probable Governmental Regulations**

Given the changing landscape of the power industry brought about by the enactment of the EPIRA law in 2001, the following have had, will have or may have considerable impact on Vivant's businesses:

#### **Wholesale Electricity Spot Market (WESM)**

The WESM is a spot market for the buying and selling of electricity. This was established to enable competition to influence the production and consumption of electricity. The mechanism in place allows market forces to determine prices.

The WESM provides another option for power generation companies that have no bilateral contracts on how to sell the energy generated by their power plants. Likewise, the WESM serves as a platform for distribution utilities, suppliers and wholesale consumers to purchase electricity even without a bilateral contract.

The WESM began operations in Luzon in June 2006 and in the Visayas in December 2010.

In December 2013, an amended Joint Resolution No. 2 was issued by Department of Energy (DOE), ERC and Philippine Electricity Market Corporation (PEMC) adjusting the WESM Offer Price Cap from Php 62,000 per MWh to Php 32,000 per MWh. This price cap is provisional and shall be subject to public consultations and review by the WESM Tripartite Committee.

In May 2014, ERC issued Resolution No. 8, Series of 2014, to implement an interim secondary price cap of Php 6,245 per MWh, which will be imposed when the rolling average market price over a 72-hour period (3 days) equal to or exceed Php 8,186 per MWh. In December 2014, this was adopted as a permanent pre-emptive mitigating measure where imposition of such will be triggered when the rolling average market price over a 168-hour period (or 7 days) equal to or exceed Php 9,000 per MWh. A Petition for Declaratory Relief with Application for Temporary Restraining Order and Writ of Preliminary Injunction has been filed by the Philippine Independent Power Producers Association, Inc. with the Regional Trial Court of Pasig on the ground that the resolutions made by ERC are invalid and void. The Regional Trial Court of Pasig denied the Application for Temporary Restraining Order. On November 6, 2014, PIPPA withdrew its application for the issuance of a Writ of Preliminary Injunction and submitted the case for decision.

WESM operations in Mindanao was officially launched by the DOE in May 2017 through Department Circular NO. DC2017-05-0009. Effective June 26, 2017, all electric power industry participants in the Mindanao Grid were considered WESM Participants and were required to comply with the WESM registration requirements. Currently, the Mindanao Grid is governed by the Interim Mindanao Dispatch Protocol until the Commercial Operations Date of WESM Mindanao on June 26, 2018.

In July 2017, through the initiative of the DOE, the Transition Committee for PEMC was created through Department Order No. DO2017-07-0010, which was tasked among others to propose a way forward for the WESM. Consistent with the intention of the EPIRA, the Transition Committee formulated a transition proposal for an Independent Market Operator (“IMO”) which provides for the formation of an independent entity separate from the PEMC to become the IMO, while PEMC remains the governance arm of the WESM. Before the functions of the market operator can be transferred to the IMO, a joint endorsement of the DOE and the power industry participants is required. Hence, on January 17, 2018, the DOE promulgated policies for the efficient transition of the WESM to the IMO. Thereafter, on February 6, 2018, a Special Membership Meeting was held by PEMC to vote for the endorsement of the Plan for Transition to the IMO of the PEMC and the transfer of the market operations function from PEMC to the IMO.

The Independent Electricity Market Operator of the Philippines Inc. (IEMOP) was thereafter organized as a non-stock, non-profit private corporation that is separate from PEMC. The IEMOP was incorporated to become the IMO, and as such, in September 2018, it formally took over the operations of the WESM from PEMC.

PEMC remains the governing body of the WESM and continues to perform the WESM governance functions.

#### **Retail Competition and Open Access (RCOA)**

Among the significant mandates under the EPIRA is a system of open access to transmission and distribution wires whereby the National Transmission Corporation (Transco), its concessionaire, the NGCP, and any distribution utility may not refuse the use of their wires by qualified persons, subject to the payment of transmission and distribution retail wheeling charges. The following are the conditions for the commencement of the RCOA:

- Establishment of the WESM;
- Approval of unbundled transmission and distribution wheeling charges;
- Initial implementation of the cross-subsidy removal scheme;
- Privatization of at least 70% of the total capacity of generating assets of NPC in Luzon and Visayas; and
- Transfer of the management and control of at least 70% of the total energy output of power plants under contract with NPC to the Independent Power Producer Administrators (IPPA).

In 2011, the ERC initiated proceedings through the conduct of public hearings to determine whether or not the RCOA may already be declared in Luzon and Visayas. Initially, the ERC declared December 26, 2011 as the date when full operations of the RCOA in Luzon and Visayas should commence. Under this initial phase, all electricity end-users that are certified by the ERC to be Contestable Customers with an average monthly peak demand of 1MW for the 12 months preceding December 26, 2011 were given the right to choose their own electricity suppliers. However, on October 24, 2011, the ERC deferred the implementation of the RCOA in Luzon and Visayas citing the inadequacy of rules, systems, preparations and infrastructure required therefor. This was in response to the request of MERALCO, Private Electric Power Operators Association, and Philippine Rural Electric Cooperatives Association, Inc. for a re-evaluation of the feasibility of the December 26, 2011 RCOA implementation date.



In December 2012, the ERC issued the Transitory Rules to govern the initial implementation of the RCOA. The Transitory Rules were arrived at by the ERC together with the DOE and the PEMC. Under the Transitory Rules, the new implementation date of the RCOA was on December 26, 2012. The period from December 26, 2012 to June 25, 2013 was declared as the Transition Period to allow the following: (1) development and finalization of the required infrastructure for systems, processes and information technology relating to RCOA, and (2) the registration into the WESM database of retail electricity suppliers and Contestable Customers into the WESM database. The initial commercial operations of the RCOA was scheduled during the period from June 26, 2013 to December 25, 2013. Full implementation of the RCOA will then commence from December 26, 2013 onwards. During said time, PEMC will act as the Central Registration Body and will be responsible for the the development and management of the required systems, processes and information technology structure and the settlement of transactions in the WESM relating to the RCOA.

Implementation of the RCOA in Mindanao may take some time given the conditions for a competitive environment has yet to be met. However, the prevailing supply conditions have led to the Interim Mindanao Electricity Market (IMEM) to commence operations in December 2013. To address the supply shortfall in the grid, all registered generating facilities were mandated to fully account for their capacities in the market.

The ERC issued revised regulations involving the issuance of RES licenses in December 2013. Included in the rules change was the non-issuance of RES licenses to generating companies, IPPA and affiliates of distribution utilities during a transition period or until after market condition allows it. Moreover, there were additional licensing restrictions imposed, which are: (1) the inclusion of the RES' contracted capacity in the grid limitations involving total capacity controlled by affiliate generation companies; (2) imposition of a 50% cap on supply by a RES to its affiliate end-users; (3) imposition of a 50% cap on supply from an affiliate generation company to a RES.

As a result of these additional licensing restrictions, the Retail Electricity Suppliers Association of the Philippines, Inc. filed a petition for declaratory relief with an urgent application for an injunction with the Regional Trial Court (RTC) of Pasig City on the ground that the revised rules are unconstitutional and invalid.

In October 2014, the ERC issued Resolution No. 17, Series of 2014, which held in abeyance the evaluation of RES license applications and suspended the issuance of RES licenses pending the promulgation of the amended RES Licensing Rules. Currently, ERC is reviewing the RES Licensing Rules and the Rules for Contestability.

On 12 May 2016, the ERC issued Resolution No. 11, Series of 2016 (ERC Resolution No. 11-16), which disallowed distribution utilities from engaging in the supply of electricity to end-users in the contestable market, unless as a Supplier of Last Resort (SOLR). Local RES are also mandated to wind down business within three (3) years from the effectivity of ERC Resolution No. 11-16. Thus, Retail Supply Contracts (RSC) that have already been executed by a Local RES shall remain valid until their expiration, but no new RSCs can be signed or executed. ERC Resolution No. 11-16 further provided that no RES is allowed to supply more than 30% of the total average monthly peak demand of all Contestable Customers in the Competitive Retail Electricity Market (CREM). Further, RES is not allowed to transact more than 50% of the total energy transactions of its supply business with its affiliate Contestable Customers.

In its Resolution No. 10, Series of 2016, the ERC approved the Revised Rules of Contestability, which established the conditions and eligibility requirements for end-users to be part of the contestable market.



On May 27, 2016, MERALCO filed a Petition for Declaratory Relief, docketed as SCA No.4149-PSG, with a prayer for the issuance of a Temporary Restraining Order (TRO) and/or Writ of Preliminary Injunction to (a) enjoin the DOE and the ERC from enforcing and implementing: (i) DOE Circular No. DC2015-06-0010 in connection with the full implementation of RCOA, (ii) Article 1, Sections 2 and 3 of ERC Resolution No. 5, Series of 2016, (iii) ERC Resolution No. 10, Series of 2016 on the Revised Rules for Contestability, and (iv) ERC Resolution No. 11, Series of 2016 regarding restrictions imposed on the operations of DUs and RES in the CREM; and (b) declare the said DOE Circular and ERC Resolutions void.

On 13 July 2016, a Writ of Preliminary Injunction enjoining the implementation of the issuances of the ERC was granted by Branch 157, RTC of Pasig City. The ERC and the DOE, assailed the jurisdiction of the RTC and separately filed Petitions for Certiorari and Prohibition before the Supreme Court on July 5, 2016 (G.R. No. 225141) and on September 27, 2016 (G.R. No. 226800), respectively.

On October 10, 2016, the Supreme Court, acting on the Petition filed by DOE, issued a TRO enjoining Branch 157, RTC of Pasig City from continuing with the proceedings in SCA No. 4149-PSG and from enforcing all orders, resolutions and decisions rendered in SCA No. 4149-PSG.

In December 2016, the Philippine Chamber of Commerce and Industry, San Beda College Alabang, Inc., Ateneo De Manila University, and Riverbanks Development Corporation filed a petition, this time with the Supreme Court, to enjoin the ERC and the DOE from implementing DOE Circular No. 2015-06-0010, ERC Resolution No. 5, Series of 2016, ERC Resolution No. 10, Series of 2016, ERC Resolution No. 11, Series of 2016, and ERC Resolution No. 28, Series of 2016.

On 21 February 2017, the Supreme Court issued a TRO, effective immediately, enjoining the DOE and the ERC from implementing DOE Circular No. DC2015-06-0010, Series of 2015, ERC Resolution No. 5, Series of 2016, ERC Resolution No. 10, Series of 2016, ERC No. 11, Series of 2016, and ERC Resolution No. 28, Series of 2016.

The DOE and the ERC filed a Motion for Reconsideration before the Supreme Court to lift the TRO. Both likewise filed an Omnibus Motion seeking clarification on the scope and coverage of the TRO. To date, both have remained unresolved.

In November 2017, the DOE issued DOE Circular No. DC2017-12-0013 to address policy and regulatory gaps resulting from the abovementioned cases. In the said circular, the DOE provided for voluntary participation of Contestable Customers and lowered the threshold to from 1 MW to 750 kW and 500 kW. Voluntary Demand Aggregation was also permitted by December 2018 allowing electricity End-users within a contiguous area whose average peak demand is not less than 500 kW for the preceding 12-month period to aggregate their demand to be part of the Contestable Market and to enter into retail supply contracts with Aggregators.

### **The 2016 Philippine Grid Code**

On October 5, 2016, the ERC through ERC Resolution No. 22, Series of 2016 approved the publication of the approved Philippine Grid Code 2016 Edition (the "2016 Grid Code"). Among the objectives in the 2016 Grid Code are to harmonize the provisions of the existing Philippine Grid Code with the existing issuances of the DOE and ERC and to adopt and fully implement the connection and operational requirements for Variable Renewable Energy (VRE) Generating Facilities consistent with the Renewable Energy Act.



Among the salient points of the proposed 2016 Grid Code are as follows:

The inclusion of the connection and operational requirements for Variable Renewable Energy (VRE) facilities; setting the requirements pertaining to the connection and operational requirements of embedded generators were to be consigned to the Philippine Distribution Code; the provision for changes on frequency controls and responses; the introduction of a new way of classifying reserves from Contingency Reserve, Regulating Reserve and Dispatchable Reserves into Primary Reserve, Secondary Reserve and Tertiary Reserve, respectively; as regards ancillary services, the 2016 Grid Code provided a Frequency Reserve Obligation on the System Operator mandating it to contract for the Reserve or suffer penalty. The drafting of revisions and updates on the Ancillary Service Procurement Plan are on-going in accordance with the new ancillary structures based on the Grid Code.

### **The Renewable Energy Act of 2008 (RE Act / RE Law)**

The RE Act was signed into law in December 2008 and became effective in January 2009.

The RE Act was designed to promote and develop the use of the country's renewable energy resources with the intention of reducing the country's dependence on fossil fuels and improving the overall condition of the environment.

The RE Act offers fiscal and non-fiscal incentives to RE developers, subject to a certification issued by the DOE, in consultation with the Board of Investments. These incentives include:

- Income tax holiday for the first seven years of commercial operations
- Duty-free importation of RE machinery, equipment and materials effective within ten years upon issuance of certification, provided said machinery, equipment and materials are directly, exclusively and actually used in RE facilities
- Special realty tax rates on equipment and machinery not exceeding 1.5% of the net book value
- Net operating loss carry over (NOLCO)
- Corporate tax rate of 10% after the 7<sup>th</sup> year
- Accelerated depreciation
- Zero percent value-added tax on sale of fuel or power generated from emerging energy sources and purchases of local supply of goods, properties and services of RE facilities
- Cash incentives for RE developers for missionary electrification
- Tax exemption on carbon emission credits
- Tax credit on domestic capital requirement and services

All fiscal incentives apply to all RE capacities upon effectivity of the RE Law.

Electricity generated from intermittent RE resources such as wind, solar, ocean, run-of-river hydropower and biomass are considered as 'must dispatch' based on available energy and shall be given priority dispatch.

In a resolution issued in 2012, the ERC adopted the following feed-in-tariff (FIT) for emerging RE resources, namely, wind, solar, run-of-river hydropower and biomass, and corresponding degression rates.

	<b>FIT Rate (Php/kWh)</b>	<b>Degression Rate</b>
Wind	8.53	0.5% after 2 <sup>nd</sup> year of FIT effectivity
Solar	9.68	6% after 1 <sup>st</sup> year of FIT effectivity
Run-of-river hydro	5.90	0.5% after 2 <sup>nd</sup> year of FIT effectivity
Biomass	6.63	0.5% after 2 <sup>nd</sup> year of FIT effectivity

The National Renewable Energy Board is in the process of preparing the Renewable Portfolio Standards, which shall provide electricity suppliers the implementing rules and guidelines on the portion of their electricity requirements to be sourced from eligible RE resources.

The net metering program for RE was issued by the ERC in 2013, which is designed to, among others, encourage end-users to participate in the RE generation. The distribution utilities are required to enter into a net metering agreement with an end-user with installed RE system, subject to technical considerations.

The guidelines for the collection of the FIT-Allowance (FIT-All) and the disbursement of the FIT-All Fund by Transco were issued by the ERC in early 2014. The FIT-All is a uniform charge that will be collected from end-users by distribution utilities and RES entities. This will comprise the FIT-All Fund, whereby Transco serves as Administrator. The FIT-All Fund is for the guaranteed payment of the FIT for actual energy delivered by RE generators. In an order dated October 10, 2014 ERC Case No. 2014-109RC, the commission issued a provisional approval for the applied FIT-All of Php 0.0406 per kWh filed by Transco. Collection from end-users shall commence starting January 2015.

In December 2017, the DOE promulgated the rules and guidelines governing the establishment of the Renewable Portfolio Standards for On-Grid Areas through Department Circular No. DC2017-12-0015. The RPS Rules were adopted to mandate electric industry participants to source a portion of their electricity requirements from eligible RE sources in order to develop indigenous and environmentally friendly energy sources. With the minimum annual increment requirement of 1% to be applied to the Net Electricity Sales of the mandated participants, the DOE targets to increase the utilization of RE and reach a 35% RE share in the Energy Mix by 2030.

In July 2018, Department Circular No. DC2018-07-0019 containing the Rules Governing the Establishment of the Green Energy Option Program in the Philippines became effective. General rules and procedures were set out to guide end-users, RE supplier and network service providers in facilitating the options taken by end-users to choose RE Resources for their energy requirements.

In August 2018, the DOE promulgated the rules and guidelines governing the establishment of the Renewable Portfolio Standards for Off-Grid Areas through Department Circular No. DC018-08-0024. The RPS Off-Grid Rules was adopted to contribute to the growth of the RE Industry in the Off-Grid and Missionary Areas by mandating electric power industry participants to source or produce a specified portion of their electricity requirements from eligible RE resources. It was intended to rationalize the efficient use of the Universal Charge – Missionary Electrification and improve the self-sufficiency in power generation through integration of RE in the supply mix in Off-Grid Areas.



### **Reduction in System Loss**

The ERC issued the Rules for Setting the Distribution System Loss Cap and Establishing Performance Incentive Scheme for Distribution Efficiency (Resolution No. 20, Series of 2017), which set distribution feeder loss cap for private distribution utilities at 6.50% for 2018, 6.25% for 2019, 6% for 2020, and 5.50% for 2021.

Under the new regulations, the actual electricity usage of the distribution company will be treated as an O&M expense in its PBR applications.

### **Competitive Selection Process**

In June 2015, the DOE issued Department Circular No. DC2015-06-008 mandating all distribution utilities to undergo a Competitive Selection Process (CSP) in securing PSAs, through a Third Party expert duly recognized by the DOE and ERC. Under the circular, the CSPs for the procurement of PSAs shall observe the aggregation for the un-contracted demand of the distribution utilities and shall be conducted annually. The terms and conditions of the PSAs shall be in accordance with the template PSA to be issued by the ERC in coordination with the DOE. The ERC and DOE were given one hundred twenty (120) days from the effectivity of the circular to issue the implementing guidelines and procedures for the circular.

In September 2015, the DOE together with the ERC posted for comments the first draft of the implementing guidelines of Department Circular No. DC2015-06-008. After conducting public hearing and receiving opposition from industry stakeholders, the ERC and DOE deferred issuing a decision on the mandatory implementation of the CSP.

Pending the issuance by the ERC of a prescribed CSP, the ERC issued in October 2015 Resolution No. 13 (CSP Resolution) directing all distribution utilities to conduct CSP in the procurement of their supply to the captive market. In the Resolution, a CSP is deemed successful if the distribution utility receives at least two (2) qualified bids. Direct negotiation may be conducted after at least two (2) failed CSPs.

In ERC Resolution No. 1, Series of 2015 dated 15 March 2016, the ERC restated the effectivity of the CSP Resolution to be April 30, 2016.

In February 2018, the DOE finally prescribed the “Policy for the Competitive Selection Process in the Procurement by Distribution Utilities of Power Supply Agreement for the Captive Market” through Department Circular No. DC2018-02-0003. Governing all DUs in both grid and off-grid areas, the policy mandates the procurement of all Power Supply Agreements for the captive market through CSP. In the Circular, the CSP may be conducted by a Third-Party Bids and Awards Committee (TPBAC) composed of 5 members, where 3 members will come from the DU and 2 from the captive customers. In lieu of the TPBAC, the DU may also opt to engage a Third-Party Auctioneer. Direct negotiation with generation companies is allowed after at least 2 failed CSPs and there is no outstanding dispute in the conduct of the CSP.

### **(xi) Estimate of Amount Spent for Research and Developmental Activities**

Vivant has not allocated any specific amount of funds for research and developmental activities. Research and development activities are done on a per project basis and allocation of funds may vary depending on the nature of the project.

**(xii) Costs and Effect of Compliance with Environmental Laws**

Vivant's generation and distribution business units are subject to extensive and stringent safety, health and environmental laws and regulations. The Company's subsidiaries and associates have incurred, and expect to incur, operating costs to comply with these laws and regulations. Annual capital expenditures relating to the compliance with safety, health and environmental laws and regulations are expected to be made by Vivant's subsidiaries and associates.

**(xiii) Employees**

At the parent company level, Vivant has a total of ninety (90) employees as of December 31, 2018, composed of executive, supervisory and rank-and-file staff. The table below provides a breakdown of the total employee headcount.

	Headcount
Executive	13
Supervisors	20
Rank & File	57
<b>Total</b>	<b>90</b>

The Company has no existing collective bargaining agreement with its employees.

**(xiv) Major Risks Involved in the Business**

Below is a brief discussion on the risks that Vivant, through its subsidiaries and associates, might encounter in the businesses in which it is involved. Certain risks, however, are inherent to the nature of the business that are beyond Vivant's or its subsidiary's or associate's control.

**Competition Risk**

The competition landscape in the power generation business has continually evolved since the government started its privatization efforts under the EPIRA law. The following are significant developments:

- Over 70% of NPC's generation assets and IPP contracts have been transferred to the private sector.
- The WESM in the Luzon and Visayas Grids are operational, with Mindanao to follow suit in the coming years.
- Investments in greenfield and brownfield projects are starting to pour in
- Implementation of the RCOA
- Implementation of the Competitive Selection Process in securing PSAs

All these have or will have an impact on the availability of and access to power (reliability of plants seen improving and entry of new capacities and new suppliers), which may ultimately influence pricing of electricity.



**Regulatory Risk**

The continuing scrutiny of both the regulators and the public has led to the growing challenges faced by the power industry. In its effort to manage any potential fundamental changes in the business environment, Vivant has established good working relations with the regulatory agencies. The Company actively participates in the formulation of new rules and policies covering the power industry. In anticipation of possible changes in the regulatory environment, the Company incorporates these in the formulation of its long-term strategy for its businesses.

**Trading Risk**

Spot market price of electricity is determined by several market forces, which are mostly beyond the control of the Company. Unforeseen plant outages, transmission constraints, and movement in fuel prices are among the factors that affect the supply condition in the power industry. Weather conditions and economic activities influence the demand patterns in the electricity market. All these have caused and are expected to cause fluctuations in the spot market price of electricity. Vivant intends to mitigate this risk by maintaining a good balance of contracted and spot capacities for its generation portfolio.

**Fuel Supply Risk**

Vivant's fossil-fired generation plants have entered into fuel supply contracts to ensure supply. Pricing, however, is subject to market conditions affecting both demand and supply.

Delta P, CPPC, 1590 EC and CIPC have entered into medium term (2-3 years) contracts with large oil companies and fuel distributors in the Philippines. CEDC and MPC, in the meantime, has medium- to long-term contracts with various coal suppliers.

Delta P, CPPC, CIPC, CEDC and MPC have entered into bilateral contracts that employ a tariff formula allowing recovery of fuel cost. 1590 EC has likewise signed a short-term power supply agreement with a fuel cost recovery mechanism in place.

**Financial Risk**

In the course of normal operations, Vivant, together with its subsidiaries and associates, is exposed to financial risks, including, but not limited to, interest rates that may have an impact on outstanding liabilities, counterparty credit risk, valuation of securities and investments, trade and other receivables, liquidity risk in terms of cash management and foreign exchange risk that may have an impact on outstanding foreign currency denominated placements and liabilities.

**Business Interruption Risk**

Interruption of normal operations brought about by natural calamities, major equipment failures, plant accidents and terrorism are just a few of the serious risks faced by the Company, through its subsidiaries and associates.

For risks that can be mitigated by the Company, particularly those that are plant operations-related, Vivant, through its subsidiaries and associates, implements a regular preventive maintenance program in all of its facilities. In relation to its risk management process, the Company's operating units that could procure business interruption insurance to cover the potential loss in gross profits in the event of a major damage to any of the facilities have done so.

## Project Risk

Vivant, through its subsidiaries and associates, has projects in the pipeline, involving greenfield and brownfield power plant development projects. Inherent to these projects are risks involving the completion of these projects according to specifications, budget and set timelines.

To ensure the successful implementation of these projects, Vivant, through its subsidiaries and associates, is partnering with well-known contractors and suppliers with good track record in the industry. Project monitoring activities are likewise employed to assure adherence to standards, budget and set timelines.

## Item 2. Properties

Vivant's head office is located at Unit 907-908 Ayala Life-FGU Center, Mindanao Avenue corner Biliran Road, Cebu Business Park, Barangay Luz, Cebu City.

On a consolidated basis, the Company's 2018 total Property, Plant and Equipment were valued at Php 609.6 mn as compared to Php 528.1 mn 2017. The breakdown is as follows:

	2017 (Php mn)	2018 (Php mn)
Plant Machineries & Equipment	383.7	374.9
Condominium Units, Building, and Improvements	24.2	22.5
Transportation Equipment	21.4	21.7
Office Furniture, Fixtures and Equipment	12.6	18.8
Tools and Other Assets	4.4	3.7
Leasehold & Land Improvements	11.3	41.2
Construction in Progress	39.9	96.1
Land	30.6	30.6
<b>TOTAL</b>	<b>528.1</b>	<b>609.6</b>



**Item 3. Legal Proceedings****Material Pending Legal Proceedings****I. 1590 EC****SC G.R. No. 210245**

**Bayan Muna Representatives NERIC JAVIER COLMENARES,  
et al., vs. Energy Regulatory Commission, et al.**

**SC G.R. No. 201255**

**National Association of Electricity Consumers for Reforms, et al.  
vs. Manila Electric Company, et al.**

**SC G.R. No. 210502**

**Manila Electric Company vs. Philippine Electricity Market  
Corporation, et al.**

On December 19 and 20, 2013, two (2) separate Petitions were filed by Bayan Muna Representatives and National Association of Electricity Consumers for Reforms (NASECORE) against the Energy Regulatory Commission and Manila Electric Company (MERALCO), et al. to enjoin MERALCO from implementing its power rate increase that was approved by the Energy Regulatory Commission (ERC) and to hold certain provisions of Republic Act No. 9136, otherwise known as the Electric Power Industry Reform Act of 2001 (EPIRA), as unconstitutional. As a result of the Petitions, the Supreme Court en banc ordered several generation companies to be included as additional parties-respondents to the cases, including 1590 Energy Corp., its power rate increases approved by the ERC. Oral Arguments were conducted and the relevant legal pleadings were submitted to the Supreme Court. The Petitions are pending resolutions by the Supreme Court.

**C.A. G.R. No. 138105**

**Petition for Review with Application for Injunction and  
Temporary Restraining Order  
1590 Energy Corporation vs. Energy Regulatory Commission  
And Philippine Electricity Market Corporation**

On November 7, 2017, the Court of Appeals issued a Decision that declared as null and void the March 3, 2014, March 27, 2014, May 9, 2014 and October 15, 2014 Orders of the ERC and reinstated the prices for the November and December 2013 supply months in the WESM (the CA Decision). According to the Court of Appeals, there was simply no justification, legal or factual, to substantiate the ERC's issuance of the March 3, Order which was effectively an intervention of WESM's operations. The ERC and Intervenor Meralco (movants) filed their respective Motions for Reconsideration to the CA Decision. Numerous other consumers and organizations also filed their respective Motions for Leave to Intervene in the case for the purpose also of seeking a reconsideration of the CA Decision. On March 29, 2019, the Court of Appeals issued an Ominbus Resolution denying the Motions for Reconsideration for lack of merit. The Court of Appeals stated that the movants have not tendered tenable arguments for the court to amend the CA Decision.

**ERC Case No. 2015-042 MC**

**Violation of Section 45 of Republic Act No. 9136, otherwise known as the “Electric Power Industry Reform Act No. 2001” (EPIRA), Rule 11, Sections 1 of the Implementing Rules and Regulations (IRR) of the EPIRA (Commission of an Anti-Competitive Behavior, Particularly Economic Withholding**  
**ATTY. ISABELO JOSEPH P. TOMAS II vs. 1590 Energy Corp.**

On June 10, 2015, Atty. Isabelo Joseph P. Tomas II, in his capacity as the Investigating Officer of the Investigatory Unit constituted by the ERC pursuant to its Office Order No. 38, Series of 2013 dated December 26, 2013, filed a Complaint against 1590 EC for alleged Anti-Competitive Behavior, particularly, Physical Withholding in relation to the bid offers of 1590 EC at WESM during the November and December 2013 billing months. 1590 EC filed its Answer to the Complaint within the reglementary period. On August 11, 2016 1590 EC received an “Omnibus Motion [(i) to consolidated cases and (ii) Defer Pre-Trial]” from the Investigating Officer, to which 1590 EC filed its “Comment/Opposition to the Omnibus Motion [(i) to consolidated cases and (ii) Defer Pre-Trial].” On June 13, 2017, the ERC denied the Motion for consolidation. In the meantime, the case itself remains pending.

**II. NR****SC G.R. No. 210245**

**Bayan Muna Representatives NERIC JAVIER COLMENARES,**  
**et al., vs. Energy Regulatory Commission, et al.**

**SC G.R. No. 201255**

**National Association of Electricity Consumers for Reforms, et al.**  
**vs. Manila Electric Company, et al.**

**SC G.R. No. 210502**

**Manila Electric Company vs. Philippine Electricity Market**  
**Corporation, et al.**

On December 19 and 20, 2013, two (2) separate Petitions were filed by Bayan Muna Representatives and National Association of Electricity Consumers for Reforms (NASECORE) against the Energy Regulatory Commission and Manila Electric Company (MERALCO), et al. to enjoin MERALCO from implementing its power rate increase that was approved by the Energy Regulatory Commission (ERC) and to hold certain provisions of Republic Act No. 9136, otherwise known as the Electric Power Industry Reform Act of 2001 (EPIRA), as unconstitutional. As a result of the Petitions, the Supreme Court en banc ordered several generation companies to be included as additional parties-respondents to the cases, including NR, its power rate increases approved by the ERC. Oral Arguments were conducted and the relevant legal pleadings were submitted to the Supreme Court. The Petitions are pending resolutions by the Supreme Court.



**ERC Case No. 2015-071 MC**

**Vivant - Sta. Clara Northern Renewables Generation Corporation<sup>6</sup>  
vs. Philippine Electricity Market Corporation**

On October 21, 2015, NR filed a Petition for Dispute Resolution with Prayer for Cease and Desist Order against PEMC with the ERC to question the validity of the imposition of penalty on NR in the amount of Three Million Pesos (Php3.0 mn) for alleged violations of the real time dispatch (RTD) schedule for the period December 26, 2010 to June 25, 2011, citing legal and factual issues.

With the termination of the presentation of evidence, NR awaits decision of the ERC.

**Civil Case No. R-CEB17-03542 SP**

**Vivant - Sta. Clara Northern Renewables Generation Corporation  
Petition for Corporate Rehabilitation<sup>7</sup>**

On May 16, 2017 NR filed a Petition for Corporate Rehabilitation. On May 26, 2017 the Cebu City Regional Trial Court Branch 11 issued a Commencement/Stay Order in favor of NR under Case No. R-CEB17-03542 SP entitled "*In The Matter Of Corporate Rehabilitation Of Vivant - Sta. Clara Northern Renewables Generation Corporation, Petitioner*". As of date, the court has yet to decide on whether or not it will allow the rehabilitation of NR.

**III. Delta P****Civil Case No. 5778**

**Heirs of Laurentino Ylaya represented by Fe Ylaya and Glenn C. Gacott  
Vs. City Government of Puerto Princesa represented by  
Mayor Lucilo Bayron and Delat P, Inc.**

On August 31, 2018, DPI received Summons for a Complaint for "Quieting of Title, Recovery of Possession, Declaration of Nullity of Contract of Lease (with Prayer for TRO and Injunction)" filed by Fe Ylaya and Glenn Gacott. The City Government of Puerto Princesa ("CGPP") was made a co-defendant. The Complaint claimed that the expropriation proceedings by CGPP was incomplete because of failure to promptly pay just compensation. The properties subject of the Complaint is the site of DPI's power plant over which DPI signed a Contract of Lease with CGPP. Complainants alleged to be the previous owners of the properties and prayed for CGPP and DPI to peacefully surrender and vacate the properties, declare the CGPP Contract of Lease to be void, demanded payment of rental and damages in the total amount of Php774,413.00.

**IV. VEC****Civil Case No. R-QZN-19-05829**

**Vivant Energy Corporation  
Vs. Power Sector Assets and Liabilities Management Corporation,  
and Emmanuel R. Ledesma, Jr.**

On April 22, 2019, VEC filed a Complaint for Action to Compel Performance of Obligation to Grant Right of Withdrawal, Quasi-delict and Damages against PSALM in relation to VEC's appointment as an Independent Power Producer Administrator for the Strips of Energy of the Unified Leyte Geothermal Power Plants ULGPP.

<sup>6</sup> In October 2018 shareholdings in NR, through VEC and VREC, were entirely sold to NREC.

<sup>7</sup> In October 2018 shareholdings in NR, through VEC and VREC, were entirely sold to NREC

**Item 4. Submission of Matters to a Vote of Security Holders**

During the June 21, 2018 Annual Meeting of Stockholders, the following actions were taken:

- I. Approval and adoption of the minutes of the June 15, 2017 Annual Stockholders' Meeting;
- II. Annual Report of Officers;
- III. Approval of the 2017 Annual Report and Financial Statements
- IV. Delegation of authority to appoint External Auditors for 2018 to the Board of Directors
- V. Ratification of all acts and resolutions of the Board of Directors and Management adopted for Fiscal Year 2017
- VI. Election of Directors (including Independent Directors) for the year 2018 - 2019

MR. DENNIS A. GARCIA

MR. EMIL ANDRE M. GARCIA

MR. GIL A. GARCIA II

MR. CHARLES SYLVESTRE A. GARCIA

MR. RAMONTITO E. GARCIA

MR. ARLO A. G. SARMIENTO

MR. JOSE MARKO G. SARMIENTO

MR. CARMELO MARIA LUZA BAUTISTA (Independent Director)

MR. ROGELIO Q. LIM (Independent Director)

AMB. RAUL CH. RABE (Independent Director)

ATTY. JESUS B. GARCIA, JR. (Independent Director)

Other than the foregoing, no matter was submitted to a vote of security holders.

The results of the foregoing meeting were timely disclosed to the PSE and SEC in SEC Form 17-C report.

**PART II: OPERATIONAL AND FINANCIAL INFORMATION****Item 5. Market for Issuer's Common Equity and Related Stockholder Matters****1. Market Information**

The Company's common shares are listed and traded at the Philippine Stock Exchange. The high and low stock prices of Vivant's common shares for each quarter of 2017 and 2018 were as follows:

	2017		2018	
	High	Low	High	Low
First Quarter	23.00	23.00	29.95	23.05
Second Quarter	35.90	35.90	23.90	16.00
Third Quarter	35.00	35.00	21.20	16.00
Fourth Quarter	34.40	34.40	20.45	15.20

As of end-March 2019, the common shares outstanding were 1,023,456,698 shares. The last traded price of Vivant's common shares as of the same period was at Php 16.98 per share.



**(2) Security Holders**

As of March 31, 2019, Vivant has 1,423 stockholders of record, including PCD Nominee Corporation (Filipino) and PCD Nominee Corporation (Foreign). The top 20 shareholders with the number of shares respectively held and the percentage of total shares outstanding held by each are as follows:

	NAME	NO. OF SHARES	%
1	Mai-I Resources Corporation	464,831,568	45.42
2	JEG Development Corporation	311,524,642	30.44
3	Global Business Power Corporation	116,555,553	11.39
4	PCD Nominee Corporation (Filipino)	68,773,942	6.72
5	Popsivan Holdings Corporation	31,498,212	3.07
6	Malacapas Holdings, Inc.	27,677,848	2.70
7	Eulalio C. Arce	343,750	0.04
8	PCD Nominee Corporation (Non-Filipino)	334,232	0.03
9	Cruz, Alfredo A.	34,062	0.00
10	Lavin, Marietta	27,750	0.00
11	EBC Securities Corporation	20,625	0.00
12	Consortium Industries, Inc.	20,500	0.00
13	Lopez, Rose Marie R.	19,687	0.00
14	Marino Olondriz Y Cia	16,000	0.00
15	Rivera, Rosario Paje	15,625	0.00
16	Sevilla, Rodulfo	15,625	0.00
17	Borres, Jun	15,000	0.00
18	Te, Anita &/or Te, Oscar	15,000	0.00
19	Martinez, Oscar O.	13,437	0.00
20	Hon, Sia Phoa A.	12,625	0.00
TOTAL NO. OF SHARES		1,021,765,683	

**3. Dividends**

The Company's By-laws allow dividends to be declared and paid out of unrestricted retained earnings, which may be payable in cash, property or stock to all stockholders on the basis of the outstanding stock held by the stockholder, as often and at such times as the Company's Board of Directors may determine and in accordance with the requirements of the Revised Corporation Code and applicable laws.

The cash dividends declared by Vivant to its common shareholders from 2017 to 2018 are shown in the table below.

Year	Cash Dividend Per Share		Total Declared		Record Date
	Regular	Special	Regular	Special	
2018	Php 0.2792	-	Php 285.7 mn	-	June 6, 2018
2017	Php 0.1985	Php 0.0807	Php 202.8 mn	Php 82.6 mn	May 26, 2017

**4. Recent Sales of Unregistered Securities**

On January 29, 2014, the Company signed an agreement to issue Php 3 billion (bn) in Fixed Rate Corporate Notes, which will be issued in two tranches: Php 1 bn on February 3, 2013 and Php 2 bn on March 31, 2014. The net proceeds of the issue will be used for general corporate purposes, including but not limited to, capital expenditures for existing assets and investments in power generation projects.

**Item 6: Management's Discussion and Analysis or Plan of Operation****1. Plan of Operation**

For the next twelve (12) months, the Company will continue to oversee its investments in the investee companies.

As a holding company, it shall satisfy its cash requirements through (1) dividends declared and paid by its investee companies and (2) management fees paid by investee companies with management contracts as compensation for consultancy and ancillary services provided.

Vivant, through its Business Development Group, is continuously on the lookout for opportunities in the power industry, particularly in the power generation business. The Company has several projects that are in various stages of development.

**2. Management's Discussion and Analysis**

Management uses the following key performance indicators for the Company and its investee companies:

**(i) 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.

**(ii) Earnings Before Interest, Taxes, Depreciation and Amortization (EBITDA).** EBITDA is calculated by taking operating income and adding back to it 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.

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

**(iv) 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.



**(v) Current Ratio.** Current ratio is computed by dividing current assets with 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.

**For the Year Ended December 31, 2017 versus the Year Ended December 31, 2017**

The table below shows the comparative figures of the key performance indicators for the year 2018 and 2017.

<b>Key Performance Indicators</b> <i>Amounts in Php '000, except for ratios</i>	<b>2018</b>	<b>2017</b>
Equity in Net Earnings of Associates	1,796,151	1,290,173
EBITDA	1,891,001	1,719,807
Cash Flow Generated	(855,233)	198,556
Net cash flows from operating activities	(443,021)	51,216
Net cash flows from (used in) investing activities	(103,119)	758,898
Net cash flows from (used in) financing activities	(309,094)	(611,558)
Debt-to-Equity Ratio (x)	0.37	0.40
Current Ratio (x)	6.33	9.47 <sup>(a)</sup>

*(a) Reported as 4.31x in the SEC 17A FY 2017 report. The adjustment is due to the reclassification of some balance sheet accounts to make it comparable to the FY 2018 classification.*

The Company's share in net earnings of associates and joint ventures as of end-December 2018 amounted to Php 1.8 bn, representing a 39% year-on-year (YoY) increase from Php 1.3bn. This was a result of the following:

- 40%-owned MPC shored in fresh earnings contribution of Php 500.0 mn during the year in review. The company's 3x55 MW coal-fired power plant in Misamis Oriental was completed in 2017 and commenced commercial operations in September 2017.
- 50%-owned, DPI recorded a 127% YoY improvement in its bottomline contribution, from Php 31.4 mn to Php 71.4 mn, resulting from the commercial operations of its new 30-MW oil-fired power generation facility starting May 2017.
- 50%-owned CIPC posted a 107% YoY rise in income contribution, from Php 15.5 mn to Php 32.0 mn. This strong showing was mainly on the back of a 22% YoY expansion in energy sales volume as of end-December 2018.
- 40%-owned AHI saw an 11% YoY improvement in its income contribution during the year in review, from Php 296.9 mn to Php 330.9 mn. This was driven by the enhanced profitability of its associate, CEDC. CEDC's favorable earnings performance for the period was mainly on account of an 8% YoY expansion in energy sales, lower financing and operating expenses and reduced maintenance costs.
- 40%-owned CPPC recorded an 8% YoY increase in income contribution from Php 137.6 mn to Php 148.2 mn, on account of higher capital recovery fees from indexation, income from purchased power, and reduced operating and maintenance costs.

40%-owned Prism Energy brought in earnings contributions of Php 16.4 mn, which mainly resulted from the 279% expansion in the volume of energy sales. Prism Energy began its operations as a RES in April 2017.

Below is a table showing the impact of International Accounting Standards (IAS) 28<sup>8</sup> to the Company's financial performance in 2018 and 2017.

Name of Company	2018			2017		
	Actual Share in Losses (Php)	Recognized Share in Losses (Php)	Unrecognized Share in Losses due to IAS 28 (Php)	Actual Share in Losses (Php)	Recognized Share in Losses (Php)	Unrecognized Share in Losses due to IAS 28 (Php)
NR	--	---	-- (a)	255.2 <sup>(b)</sup>	--	255.2 <sup>(c)</sup>
Total	--	---	--	255.2	--	255.2 <sup>(d)</sup>

(a) In October 2018, shareholdings in NR, through VEC and VREC, were entirely sold to NREC.

(b) Reported as Php 257.5 mn in the SEC 17 A FY 2017 report due to typographical error.

(c) Reported as Php 252.7 mn in the SEC 17 A FY 2017 report, based on the net income provided by the associate at that time. Out of Php 255.2 mn, Php 16.3 mn pertained to unrealized forex loss from the dollar denominated portion of its liabilities arising from its administration contract with PSALM.

(d) Reported as Php 252.9 mn in the SEC 17 A FY 2017 report due to typographical error.

EBITDA for the period grew by 10% YoY to Php 1.9 bn from Php 1.7 bn. This was mainly an outcome of the 22% YoY increase in operating income, which was on the back of:

- A 39% YoY increase in the net earnings of associates and joint ventures brought about by the improved contributions of MPC, DPI, CIPC, AHI, CPPC and Prism Energy;
- 61% YoY increase in interest income from short-term cash investments; and
- 11% YoY drop in total generation costs which significantly came from the 29% reduction in generation cost of 55.2%-owned 1590 EC given lower dispatch and significantly lower depreciation expense as the life of depreciable assets was extended to match the new term of its power plant's lease contract.

The Company ended the period with a net decrease in cash, before considering the effect of changes in the foreign exchange rates, of Php 855.2 mn. This resulted from the use of cash in operating, investing and financing activities. The increase in trade and other receivables, prepayments, offset by the increase in payables, accounted for the use of cash in operating activities. Other uses of cash include payments for interest and taxes, purchase of inventories and 1590 EC's contribution to the pension fund. The use of cash in financing activities was mainly attributed to the payment of dividends during the year in review. Moreover, the Company's investments in TVI, SREC and VECO mainly accounted for the use of cash in investing activities.

Debt-to-Equity ratio slightly improved to 0.37x from 0.40x in 2017. The movement is mainly attributable to the 11% increase in total consolidated equity, which stemmed from the net earnings for the period in review. This expansion outpaced the 4% increase in total consolidated liabilities of the Company, which was driven by the recorded increases in dividends payable, trade and other payable, and income tax payable.

<sup>8</sup> IAS 28 *Losses in Excess of Investments*. If an investor's or joint venturer's share of losses of an associate or joint venture equals or exceeds its interest in the associate or joint venture, the investor or joint venturer discontinues recognizing its share of further losses. If the associate or joint venture subsequently reports profits, the investor or joint venturer resumes recognizing its share of those profits only after its share of the profits equals the share of losses not recognized.



The Company's current ratio was lower at 6.33x as of end-December 2018 from year-end 2017 level of 9.47x<sup>9</sup>. Current assets posted a 12% decline (mostly due to slightly lower cash level), while current liabilities grew by 31% (as a result of increased dividends payable, trade and other payables and income tax payable).

*Material Changes in Line Items of Registrant's Income Statement*

At the end of 2018, the Company had consolidated revenue of Php 4.3 bn, recording a 4% increase from the previous year's consolidated revenue of Php 4.1 bn. The topline performance was due to the following:

1. Sale of power, which comprise the bulk of revenues at Php 2.2 bn (or 52% of total), was lower by 15% YoY. 1590 EC mainly accounted for the reduced topline performance as it recorded lower revenues due to a 38% YoY decline in energy sales during the year in review. This was partially offset by the increased energy sales of wholly owned subsidiaries VEC, the administrator of 17 MW of geothermal power, and Corenergy, a retail electricity supplier that commenced commercial operations on December 26, 2017.
2. The Company's share in net earnings of associates and joint ventures as of end-December 2018 amounted to Php 1.8 bn, representing a 39% YoY increase from Php 1.3bn. This was a result of the following:
  - 40%-owned MPC shored in fresh earnings contribution of Php 500.0 mn during the year in review. The company's 3x55 MW coal-fired power plant in Misamis Oriental was completed in 2017 and commenced commercial operations in September 2017.
  - 50%-owned DPI recorded a 127% YoY improvement in its bottomline contribution, from Php 31.4 mn to Php 71.4 mn, resulting from the commercial operations of its new 30-MW oil-fired power generation facility starting May 2017.
  - 50%-owned CIPC posted a 107% YoY rise in income contribution, from Php 15.5 mn to Php 32.0 mn. This strong showing was mainly on the back of a 22% YoY expansion in energy sales volume as of end-December 2018.
  - 40%-owned AHI saw an 11% YoY improvement in its income contribution during the year in review, from Php 296.9 mn to Php 330.9 mn. This was driven by the enhanced profitability of its associate, CEDC. CEDC's favorable earnings performance for the period was mainly on account of an 8% YoY expansion in energy sales, lower financing and operating expenses and reduced maintenance costs.
  - 40%-owned CPPC recorded an 8% YoY increase in income contribution from Php 137.6 mn to Php 148.2 mn, on account of higher capital recovery fees from indexation and income from purchased power, and reduced operating and maintenance costs.
  - 40%-owned Prism Energy brought in earnings contributions of Php 16.4 mn, which mainly resulted from the 279% expansion in the volume of energy sales. Prism Energy began its operations as a RES in April 2017.

<sup>9</sup> Reported as 4.31x in the SEC 17A FY 2017 report. This is due to the reclassification of some balance sheet accounts to make it comparable to the FY 2018 classification.

Below is a table showing the impact of IAS 28 to the Company's financial performance in 2018 and 2017.

Name of Company	2018			2017		
	Actual Share in Losses (Php)	Recognized Share in Losses (Php)	Unrecognized Share in Losses due to IAS 28 (Php)	Actual Share in Losses (Php)	Recognized Share in Losses (Php)	Unrecognized Share in Losses due to IAS 28 (Php)
NR	--	---	...(a)	255.2 <sup>(b)</sup>	--	255.2 <sup>(c)</sup>
Total	--	---	--	255.2	--	255.2 <sup>(d)</sup>

(a) In October 2018, shareholdings in NR, through VEC and VREC, were entirely sold to NREC.

(b) Reported as Php 257.5 mn in the SEC 17 A FY 2017 report due to typographical error.

(c) Reported as Php 252.7 mn in the SEC 17 A FY 2017 report, based on the net income provided by the associate at that time. Out of Php 255.2 mn, Php 16.3 mn pertained to unrealized forex loss from the dollar denominated portion of its liabilities arising from its administration contract with PSALM.

Reported as Php 252.9 mn in the SEC 17 A FY 2017 report due to typographical error.

- Management fees dropped by 10% YoY to Php 137.3 mn from Php 151.9 mn. The decline was mainly due to the reduced fees for the management contracts and service level agreements with an associate. Another contributing factor to the drop is the execution of a one-time service level agreement with a joint venture in 2017.
- Interest income in 2018 significantly rose by 61% to Php 117.1 mn from Php 72.5 mn. The higher interest rates in short term placements and higher gains resulting from the Company's unit investment trust funds (UITF) accounted for the expansion.

Total generation cost and operating expenses for the year 2018 was lower by 7%, from Php 2.6 bn to Php 2.4 bn. Said movement can be accounted for by the following:

- Generation costs went down by 11% YoY to Php 1.9 bn from Php 2.2 bn. This was due to the 38% YoY decline in 1590 EC's energy sales volume. Moreover, the subsidiary's depreciation expense was also reduced significantly as the life of depreciable assets was extended to match the new term of its power plant's lease contract.
- Salaries and employee benefits grew by 11% to Php 174.8 mn from Php 157.9 mn. The additional manpower headcount and an upward adjustment in salaries and benefits accounted for the rise. Training costs were also higher during the year in review.
- Professional fees went up by 44% to Php 103.8 mn from Php 72.2 mn. This was mainly due to the engagement of legal, technical, strategic, and business process consultants.
- Taxes and licenses was lower by 5% to Php 48.3 mn from Php 50.7 mn. 1590 EC incurred a non-recurring expense in 2017.
- Travel expenses saw a reduction of 5% to Php 30.4 mn from Php 32.1 mn. This can be attributed to travel costs reduction and efficiency measures implemented by the Company during the year in review.
- Management fees was down by 6% YoY at Php 23.2 mn as a result of a drop in the rate.



7. Outside services<sup>10</sup> was up by 59% YoY to Php 15.2 mn from Php 9.6mn. The movement could be attributed to the license fees for an electronic mailing system, hosting and support fees for the Company's new enterprise resource planning (ERP) system, development fees for the corporate website and receipt of delayed prior year billings for (i) office manpower services and (ii) support services for the Company's old accounting software.
8. Representation expenses were higher by 23% at Php 9.6 mn. Increase in business activities by the Company and its subsidiary accounted for the rise.
9. Communication and utilities were higher by 36% at Php 9.6 mn from Php 7.0 mn. The increase in the Company's manpower headcount, and receipt and booking of delayed prior year billings during the year accounted for the hike in communication expenses. Additional office space and the escalation of rates were factors in the rise of power and water charges incurred as of end-December 2018.
10. Rent and association dues was down by 15% at Php 9.5 mn from Php 11.2 mn. In 2017, the Company entered into another lease contract to facilitate the transfer of its satellite office.
11. Other operating expenses rose by 19% YoY from Php 49.9 mn to Php 59.3 mn. This resulted substantially from:
  - (i) higher marketing expenses;
  - (ii) higher donations made to Vivant Foundation, Inc. and other expenses related to corporate social responsibility initiatives; and
  - (iii) higher cost of supplies, dues and subscriptions and insurance expense.

Vivant booked Php 24.8 mn in other charges in 2018, vis-à-vis previous year's other income of Php 15.7 mn. This was an outcome of the following account movements:

1. The Company recognized a one-off gain of Php 120.0 mn in 2018 resulting from the sale of its 48% shareholdings in NR through wholly-owned subsidiaries, VEC and VREC.

One-off gains in 2017 amounting to Php 171.7 mn consisted of insurance claims by a subsidiary for damages sustained by its power plant equipment, increase in the fair value of a subsidiary's investment properties, and a net gain from the purchase of additional interest in a subsidiary and the disposal of another subsidiary.

2. An unrealized foreign exchange gain of Php 7.2mn 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 1590 EC. This was against an unrealized foreign exchange loss of Php 1.2 mn recorded in 2017.

The 52% YoY decline in accrued consolidated tax expense, from Php 94.9 mn to Php 45.1 mn, was a result of the lower taxable income of 1590 EC.

The combined effect of the above account movements resulted to a net income after tax of Php 1.8 bn for the year 2018, a 24% increase from Php 1.4 bn in 2017. Net income attributable to equity holders of the parent recorded a 37% growth to Php 1.7 bn.

<sup>10</sup> Includes security and janitorial fees presented as a separate line item in the SEC 17A FY 2017 report





During the period in review, the Company recognized other comprehensive income of Php 6.7 mn, which substantially came from the re-measurement gain on employee benefits of the Company and 1590 EC in compliance with the Philippine Accounting Standards (PAS) 19R and re-measurement gain on the Company's available-for-sale investment (AFS) in compliance with the Philippine Financial Reporting Standards (PFRS) 9. This compares to the Php 270.6 mn other comprehensive income booked in 2017 which was attributed to the Company's share of an associate's revaluation increment and its re-measurement gain on employee benefits, net of tax.

The total comprehensive income as of end-2018 was at Php 1.78 bn. Out of the said amount, Php 1.74 bn was attributable to the equity holders of the parent, which was 13% higher compared to last year's Php 1.5 bn.

#### Changes in Registrant's Consolidated Resources, Liabilities and Shareholders' Equity

The Company's consolidated total assets as of year-end 2018 expanded by 9% to Php 17.2 bn from Php 15.8 bn in 2017. The significant movements in the assets of the Company are discussed below.

1. Cash and cash equivalents dropped by 18% to Php 3.8 bn as of end-2018 from last year's Php 4.6 bn. The decrease is attributed to the use of cash in operating, investing and financing activities.
2. Trade and other receivables was higher by 32% YoY at Php 705.1 mn. The increase can be attributed to the energy sales of two subsidiaries, and a subsidiary's receivable arising from dividends declared by CIPC and CPPC during the year. The increase was tempered by the collection of cash dividends declared by MPC, CPPC and CIPC in 2017, and collection of intercompany advances.
3. Advances to associates and stockholders went down by 6% to Php 78.8 mn from Php 83.7 mn, which was mainly a result of the collection of advances from an associate. This is offset by the advances by two subsidiaries to two associates during the year and a reclassification of a cash infusion made in 2017.
4. Prepayments and other current assets increased by 30% to Php 66.6 mn as of end-December 2018 from Php 51.3<sup>11</sup> mn in 2017. This is attributed to the accumulation of input VAT on purchases and creditable withholding taxes on revenues during the year in review, and the security deposit of a subsidiary's power supply contract.
5. Investments in and advances to associates and joint ventures grew by 24% to Php 10.4 bn as of end-2018 from Php 8.4 bn as of end-2017. The growth is substantially attributed to the additional investments in TVI, SREC and VECO. The dividends declared by VECO, AHI, CPPC, CIPC, DPI and Prism Energy, VEC's redemption of preferred shares in DPI and a reclassification of an infusion to an associate to advances to related parties, offset the recorded equity share in net earnings from associates and joint ventures.
6. The 15% rise in property, plant and equipment to Php 609.6 mn was mainly a result of the construction cost for a rooftop solar project by 60%-owned ET-Vivant, through 100%-owned ET Energy Island Corporation (ETEI), and leasehold improvements in 1590 EC. The Company's purchase of fixed assets also contributed to the increase.

<sup>11</sup> Reported as Php 913.4 mn in the SEC 17A FY 2017 report. Assets consisting of advances to a supplier, creditable withholding taxes and input value-added tax (VAT) were reclassified as other noncurrent assets from prepayments and other current assets to make it comparable to the end-December 2018 classification in accordance with PAS 1, *Presentation of Financial Statements*.

7. Deferred income tax assets - net was 31% higher at Php 20.9 mn due to the deferred tax adjustment recognized in relation to the pension liability of the Company and 1590 EC.
8. Pension asset of Php 5.7 mn was booked as of end-2018, which came from the funded retirement plan of 1590 EC. There was no such booking in 2017.
9. Other noncurrent assets rose by 4% to Php 935.3 mn as of end-2018 from Php 895.4<sup>12</sup> mn in 2017. This can be attributed to the increase in noncurrent creditable withholding taxes and input VAT, and the fair value increase in the AFS investments of the Company.

Total consolidated liabilities rose by 4% to Php 4.6 bn as of end-2018 from end-2017's Php 4.5 bn.

1. Trade and other payables recorded a 47% growth to Php 685.9 mn as of end- 2018 from Php 465.0<sup>13</sup> mn in 2017. The increase was driven by the 72% growth in 1590 EC's dividends payable and deferred output VAT during the year in review. Rise in the accrued expenses of VEC, ETEI and ET-Vivant, dividends payable of HDFE and the trade and other payables of Corenergy also contributed to the increase.
2. Advances from related parties posted a 75% decline, from Php 72.4 mn to Php 18.4 mn, which was mainly a result of the settlement of advances from an associate.
3. Income tax payable recorded a 127% increase to Php 22.9mn from Php 10.1 mn, which mainly resulted from the income taxes due of 1590 EC from revenues earned in the fourth quarter of the year in review. The income tax payable of 100%-owned Vivant Realty Ventures Corporation (VRVC) also contributed to the increase.
4. Pension liability was up by 8%, on account of the accrual of pension expense by the Company and 1590 EC.

Other components of equity dropped by 5% to Php 1.3 bn as of end-December 2018, which can be attributed to the significant movements discussed below.

1. The Company's share in the revaluation increment of VECO dropped by 5% to Php 1.4 bn from Php 1.5 bn.
2. The Company recognized an unrealized valuation gain on AFS investments in compliance with PFRS 9 amounting to Php 1.3 mn.
3. In compliance with PAS 19R, the Company and 1590 EC recorded re-measurement gains on the employee benefits resulting to a significant increase to Php 7.0 mn from Php 0.05 mn in 2017.
4. The Company's share in the re-measurement losses on employee benefits of four associates and a joint venture increased by 5% to Php 78.2 mn during the year in review vis-à-vis Php 74.6 mn in 2017.

<sup>12</sup> Reported as Php 33.3 mn in the SEC 17A FY 2017 report. Accounts from prepayments and other current assets were reclassified to other noncurrent assets in order to be comparable to the classification as of end-December 2018 in accordance with PAS 1, *Presentation of Financial Statements*.

<sup>13</sup> Reported as Php 1.4 bn in the SEC 17A FY 2017 report. Advances to supplier as of end-2017 was reclassified to other noncurrent liabilities in order to be comparable to the classification as of end-December 2018 in accordance with PAS 1, *Presentation of Financial Statements*.



As a result of the net income generated during the period in review, the total stockholders' equity increased by 11% to Php 12.6 bn as of end-2018 from Php 11.3 bn as of end-2017. Meanwhile, equity attributable to parent ended higher by 13% at Php 12.1 bn as of end-2018.

*Material Changes in the Consolidated Liquidity and Cash Reserves of Registrant*

Cash and cash equivalents were lower by 18% from Php 4.6 bn as of end-2017 to Php 3.8 bn as of end-2018.

For the period ending December 31, 2018, the net cash used in the Company's operations amounted to Php 443.0 mn, recording a reversal of last year's net cash generation of Php 51.2 mn. This is substantially attributed to the increase in trade and other receivables and prepayments, offset by the increase in payables. Other uses of cash include payments for interest and taxes, purchase of inventories and 1590 EC's contribution to the pension fund.

Net cash used in investing activities as of end-2018 amounted to Php 103.1 mn, vis-à-vis previous year's cash generation of Php 758.9 mn. The additional investments made into TVI, SREC and VECO, purchase of fixed assets and construction costs for a solar rooftop project of ETEI mainly accounted for the usage. This is tempered by dividends received from VECO, AHI, MPC, CPPC, DPI, CIPC and Prism Energy, proceeds from the sale of the shareholdings in NR, proceeds from the redemption of preferred shares in DPI and the spike in interest income.

As of end-December 2018, the Company used cash of Php 309.1 mn for financing activities, recording a decrease from last year's usage of Php 611.6 mn. Cash usage stemmed from the payment of cash dividends by the Company and HDFE, principal amortization of the Company's FRCN and the advances of VIGC to an associate. This is offset by the receipt of additional investment for future stock subscription and advances from the minority shareholder of ETEI for its rooftop solar project.

*Financial Ratios*

The Company's current ratio was lower at 6.33x as of end-December 2018 from year-end 2017 level of 9.47x<sup>14</sup>. Current assets posted a 12% decline (mostly due to slightly lower cash level), while current liabilities grew by 31% (as a result of increased dividends payable, trade and other payables and income tax payable).

Debt-to-Equity ratio slightly improved to 0.37x from 0.40x in 2017. The movement is mainly attributable to the 11% increase in total consolidated equity, which stemmed from the net earnings for the period in review. This expansion outpaced the 4% increase in total consolidated liabilities of the Company, which was driven by the recorded increases in dividends payable, trade and other payable and income tax payable.

<sup>14</sup> Reported as 4.31x in the SEC 17 A FY 2017 report. This is due to the reclassification of a balance sheet account to make it comparable to the FY 2018 classification.

Plan of Operation, Known Trends, Events, Uncertainties

Vivant will continue to oversee its investments in its investee companies. As a holding company, it shall satisfy its cash requirements mainly through (1) dividends declared and paid by its investee companies and (2) management fees paid by investee companies with management contracts as compensation for ancillary services provided. The Company also has existing bank credit facilities that it can tap should the need arise. Moreover, Vivant raised Php 3 bn via a Fixed Rate Corporate Note issue, which was done during the first quarter of 2014. The Company is financially sound and is prepared to take any opportunity that will arise.

Below are some events that the Company believes will have an impact to its earnings performance and financial condition in 2019 and the ensuing years.

- Increase in attributable generation capacity

Vivant, through 100%-owned VEC, is continuously on the lookout for opportunities in the power industry, particularly in the power generation business. Investments may come in the form of greenfield and/or brownfield construction projects and acquisitions. The Company has several projects that are in various stages of development. These projects will be disclosed by Vivant as their respective plans firm up.

- Market and industry developments

Commencement of Open Access. The implementation of RCOA starting June 26, 2013 has effectively widened the market for Vivant's generated power. The Company's uncontracted capacity could be sold either through RES companies or directly to contestable customers. Vivant has prepared its organization for the RCOA with the establishment of two RES companies.

Issuance of Resolution in ERC Case No. 2014-021 MC. The ERC rendered an Order voiding the Wholesale Electricity Spot Market (WESM) prices for the supply months of November and December 2013 and in lieu thereof, substituting regulated prices. The Order came after the ERC formed an Investigating Unit to investigate the unusual increase in WESM prices and the simultaneous withholding of capacity by electric power generators during the supply months of November and December 2013.

1590 EC filed its Motion for Reconsideration to the Order on March 28, 2014, which was denied in an Order dated October 15, 2014. As a result of the denial of the Motion for Reconsideration, on December 10, 2014, 1590 EC filed a Petition for Review with Application for Injunction and Temporary Restraining Order with the Court of Appeals requesting for the (a) issuance of a Temporary Restraining Order and Writ of Preliminary Injunction enjoining ERC and PEMC from implementing all orders, decisions, and resolutions in ERC Case No. 2014-021 MC and (b) reversal of the Order of the ERC in ERC Case No. 2014-021 MC and (c) reinstating the November and December 2014 WESM market prices.

On November 7, 2017, the Court of Appeals issued a Decision that declared as null and void the March 3, 2014, March 27, 2014, May 9, 2014 and October 15, 2014 Orders of the ERC and reinstated the prices for the November and December 2013 supply months in the WESM (the CA Decision). According to the Court of Appeals, there was simply no justification, legal or factual, to substantiate the ERC's issuance of the March 3, Order which was effectively an intervention of WESM's operations.



The ERC and Intervenor Meralco filed their respective Motions for Reconsideration to the CA Decision. Numerous other consumers and organizations also filed their respective Motions for Leave to Intervene in the case for the purpose also of seeking a reconsideration of the CA Decision. On March 22, 2018, the Court of Appeals denied the Motions for Leave to Intervene. Nonetheless, the Motion for Reconsideration by the ERC and Intervenor Meralco remain pending.

Reserve Market. The trial operations of the Reserve Market commenced on February 26, 2014. This came after the issuance by DOE on December 2, 2013 of the Department Circular No. DC2013-12-0027, “Declaring the Commercial Launch for the Trading of Ancillary Service in Luzon and Visayas under the Philippine Wholesale Electricity Spot Market”. Roles and responsibilities of all stakeholders are set in said circular.

PEMC is in the process of reviewing the results of the trial run. The Pricing and Cost Recovery Mechanism of the Reserve Market is still under review by the ERC.

The Reserve Market will involve three (3) reserve categories. These are: Frequency Regulation, Contingency Reserve and Dispatchable Reserve. Launch date has yet to be set.

The Central Dispatch and Scheduling of Energy and Reserves in the WESM was implemented in January 2016 by the DOE and PEMC. This is pending ERC’s approval of the Price Determination Methodology. Following the protocol of the Reserve Market, the participants will be those that have existing contracts with NGCP. Settlement will be done outside of the WESM.

RE Act and the Feed-in-tariff (FIT) scheme. The RE Act was signed into law in December 2008 and became effective in January 2009. With the intent of promoting and developing the use of the country’s renewable energy resources, the RE Act offers fiscal and non-fiscal incentives to RE developers. In a resolution issued in 2012, the ERC adopted the following FIT rates for emerging RE resources, namely, wind, solar, run-of-river hydropower and biomass, and corresponding degression rates.

	<b>FIT Rate (Php/kWh)</b>	<b>Degression Rate</b>
Wind	8.53	0.5% after 2 <sup>nd</sup> year of FIT effectivity
Solar	9.68	6% after 1 <sup>st</sup> year of FIT effectivity
Run-of-river hydro	5.90	0.5% after 2 <sup>nd</sup> year of FIT effectivity
Biomass	6.63	0.5% after 2 <sup>nd</sup> year of FIT effectivity

The ERC issued ERC Resolution No. 10, Series of 2012 in July 2012 that implemented the approved solar FIT rate of Php 9.68/kWh and the installation target of 50 MW. This target was increased to 500 MW by the ERC. In March 2015, the ERC adopted and approved a new Solar FIT of Php8.6900/kWh effective upon publication of the resolution until March 15, 2016. In 2015, for the second batch of wind power projects, the ERC approved a new Wind FIT Rate (Wind FIT2) of Php7.40/kWh and limiting its application to three wind power projects which have commenced commercial operations date as certified by the DOE:

<b>Proponent</b>	<b>RE Plant</b>	<b>Capacity (MW)</b>
Trans-Asia Renewable Energy Corporation	San Lorenzo Wind Power Project	54
Petro Wind Energy, Inc.	Nabas Wind Energy Project	36
Alternergy Wind One Project	Pililia Wind Power Project	54

In late 2016, the three Proponents filed a Petition to Initiate Rule-Making with the ERC praying for the amendment of the Wind FIT2 rate to Php7.93/kWh. The Proponents alleged in their Petition that the Wind FIT2 rate of Php7.40/kWh does not provide the Proponents with just and reasonable return. The case remains pending to date.

Two years from the effectivity of the FIT rates for run-of-river hydro and biomass on January 1, 2015, the ERC in January 2017, through a resolution, degressed the FIT rates for run-of-river hydro and biomass at a rate of 0.5% for the period of January to December 2017. The new FIT rates for run-of-river hydro and biomass plants with commercial operations date within January and December 2017 are as follows:

	Old FIT Rate (Php/kWh)	New FIT Rate (Php/kWh)
Run-of-river hydro	5.90	5.8705
Biomass	6.63	6.5969

Competitive Selection Process in securing Power Supply Agreements. In June 2015, the DOE issued Department Circular No. DC2015-06-008 mandating all distribution utilities to undergo a Competitive Selection Process (CSP) in securing PSAs, through a Third Party expert duly recognized by the DOE and ERC. Under the circular, the CSPs for the procurement of PSAs shall observe the aggregation for the un-contracted demand of the distribution utilities and shall be conducted annually. The terms and conditions of the PSAs shall be in accordance with the template PSA to be issued by the ERC in coordination with the DOE.

In September 2015, the DOE together with the ERC posted for comments the first draft of the implementing guidelines of Department Circular No. DC2015-06-008. After conducting public hearing and receiving opposition from industry stakeholders, the ERC and DOE deferred issuing a decision on the mandatory implementation of the CSP.

Pending the issuance by the ERC of a prescribed CSP, the ERC issued in October 2015 Resolution No. 13 (CSP Resolution) directing all distribution utilities to conduct CSP in the procurement of their supply to the captive market. In the Resolution, a CSP is deemed successful if the distribution utility receives at least two (2) qualified bids. Direct negotiation may be conducted after at least two (2) failed CSPs.

In ERC Resolution No. 1, Series of 2015 dated 15 March 2016, the ERC restated the effectivity of the CSP Resolution to be April 30, 2016.

In February 2018, the DOE finally prescribed the “Policy for the Competitive Selection Process in the Procurement by Distribution Utilities of Power Supply Agreement for the Captive Market”<sup>15</sup>. Governing all DUs in both grid and off-grid areas, the policy mandates the procurement of all Power Supply Agreements (PSA) for the captive market through CSP. In the Circular, the CSP may be conducted by a Third-Party Bids and Awards Committee (TPBAC) composed of 5 members, where 3 members will come from the DU and 2 from the captive customers. In lieu of the TPBAC, the DU may also opt to engage a Third-Party Auctioneer. Direct negotiation with generation companies is allowed after at least 2 failed CSPs and there is no outstanding dispute in the conduct of the CSP.

<sup>15</sup> Department Circular No. DC2018-02-0003



**For the Year Ended December 31, 2017 vs. For the Year Ended December 31, 2016**

The table below shows the comparative figures of the key performance indicators for the year 2017 and 2016.

<b>Key Performance Indicators</b> <i>Amounts in Php '000, except for ratios</i>	<b>2017</b>	<b>2016</b>
Equity in Net Earnings of Associates	1,290,173	1,288,333
EBITDA	1,719,807	1,806,238
Cash Flow Generated	198,556	366,989
Net cash flows from operating activities	51,216	(316,369) <sup>(a)</sup>
Net cash flows from (used in) investing activities	758,898	1,069,512
Net cash flows from (used in) financing activities	(611,558)	(386,153) <sup>(b)</sup>
Debt-to-Equity Ratio (x)	0.40	0.45
Current Ratio (x)	4.31	3.93

(a) Reported as Php 355.7 mn in the SEC 17 A FY 2016 report. This is due to the reclassification of a balance sheet account to make it comparable to the FY 2017 classification.

(b) Reported as Php 346.9 mn in the SEC 17 A FY 2016 report. This is due to the reclassification of a balance sheet account to make it comparable to the FY 2017 classification.

The Company's share in net earnings of associates and joint ventures as of end-December 2017 amounted to Php 1.3 bn, which was approximately the same level as the previous year. This was a result of the following:

- Improved bottomline contribution of the Company's distribution utility, VECO. Profitability showed a 10% growth, which was mainly a result of enhanced gross margin that was brought about by lower cost of purchased power.
- Fresh bottomline contribution from 40%-owned MPC that declared commercial operations in September 2017.
- 7% growth in the bottomline contribution of 50%-owned DPI. Total net generation was bolstered by the new plant facility that became online in the second quarter of the year in review. Total energy sales in 2017 posted a 21% expansion.
- Rise in the bottomline contribution (by 6%) of CPPC that was brought about by the drop in local business taxes and lower power plant maintenance costs.

The above increases were countered by the following:

- Reduced income contribution (down 34% YoY) from 40%-owned AHI, which arose from the income tax expense incurred by its associate, CEDC. CEDC's Income Tax Holiday (ITH) expired in November 2016.
- 16% dip in the bottomline contribution of 50%-owned CIPC. The 22% surge in its energy sales was outweighed by the booking of additional Value Added Tax (VAT) expense on government sales arising from prior year adjustments.

Below is a table showing the impact of IAS 28<sup>(1)</sup> to the Company's financial performance in 2017 and 2016.

Name of Company	2017			2016		
	Actual Share in Losses (Php)	Recognized Share in Losses (Php)	Unrecognized Share in Losses due to IAS 28 (Php)	Actual Share in Losses (Php)	Recognized Share in Losses (Php)	Unrecognized Share in Losses due to IAS 28 (Php)
NR	257.5		252.7 <sup>(a)</sup>	385.9	23.8 <sup>(b)</sup>	362.1 <sup>(c)</sup>
AHPC	--	--	--	1.6	--	1.6 <sup>(d)</sup>
Total	252.9	--	252.9	387.8	23.8	364.0

(a) Php 16.3 mn pertained to unrealized forex loss from the dollar denominated portion of its liabilities arising from its administration contract with PSALM.

(b) Php 13.7 mn pertained to unrealized forex loss from the dollar denominated portion of its liabilities arising from its administration contract with PSALM.

(c) Php 208.1 mn pertained to unrealized forex loss from the dollar denominated portion of its liabilities arising from its administration contract with PSALM.

(d) Reported as Php 1.9 mn in the 2016 SEC 17 A report, based on the number provided by the associate at that time.

The Company posted a 5% decrease in its EBITDA, to Php 1.7 bn from Php 1.8 bn. This was brought about by:

- The increase in income tax expense of CEDC arising from the expiry of its income tax holiday in November 2016; and
- The higher operating expenses that were mainly on account of:
  - The increase in headcount and upward adjustments in salaries and wages;
  - The payment of taxes for the issuance of shares by wholly owned VEC;
  - The higher local business taxes paid by the Company and 1590 EC, which was brought about by the rise in gross revenue; and
  - The rise in professional fees incurred in 2017 relating to contracted technical services.

The Company ended the year with a net increase in cash of Php 198.6 mn (excluding the impact of movements in the peso-dollar exchange rate). This is substantially coming from cash generated from investing activities. The collection of dividends from four associates (VECO, CPPC, AHI and MPC) and two joint ventures (DPI and CIPC), the proceeds from the sale of an equipment by a subsidiary, and the sale of a subsidiary's landholdings to an associate were the sources of cash from investments for the year in review.

Debt-to-Equity ratio improved from 0.45x in 2016 to 0.40x in 2017. The 13% expansion in total equity brought about by the Company's income generated during the year mainly accounted for the enhanced debt ratio.

The 6% expansion in the Company's current assets, coupled with the 3% decrease in current liabilities, resulted to an improvement in the Company's current ratio to 4.31x as of end-December 2017 from 3.93x as of end-December 2016.



Material Changes in Line Items of Registrant's Income Statement

At the end of 2017, the Company had consolidated revenue of Php 4.1 bn, recording a 7% upsurge from the previous year's consolidated revenue of Php 3.9 bn. The topline performance was due to the following:

1. Sale of power, which comprise the bulk of revenues at Php 2.6 bn (or 63% of total), grew by 11% from Php 2.4 bn. The improved topline performance of a subsidiary, which resulted from the higher volume of energy sold through its bilateral contract, mainly accounted for the increase. This was tempered by the drop in the topline performance of another subsidiary that was brought about by a short term plant shut down (about 2 months). The plant facility required repair works after it sustained damages resulting from the earthquake that hit the Visayas in 2017.
2. The Company's share in net earnings of associates and joint ventures as of end-December 2017 amounted to Php 1.3 bn, representing a 0.1% year-on-year (YoY) increase from Php 1.3 bn. This was a result of the following:
  - Improved bottomline contribution of the Company's distribution utility, VECO. Profitability showed a 10% growth, which was mainly a result of higher enhanced gross margin that was brought about by lower cost of purchased power.
  - Fresh bottomline contribution from 40%-owned MPC that declared commercial operations in September 2017.
  - 7% growth in the bottomline contribution of 50%-owned DPI. Total net generation was bolstered by the new plant facility that became online in the second quarter of the year in review. Total energy sales in 2017 posted a 21% expansion.
  - Rise in the bottomline contribution (by 6%) of CPPC that was brought about by a drop in local business taxes and lower power plant maintenance costs.

The above increases were countered by the following:

- Reduced income contribution (down 34% YoY) from 40%-owned AHI, which arose from the income tax expense incurred by its associate, CEDC. CEDC's ITH expired in November 2016.
- 16% dip in the bottomline contribution of 50%-owned CIPC. The 22% surge in its energy sales was outweighed by the booking of additional VAT expense on government sales arising from prior year adjustments.

Below is a table showing the impact of IAS 28 to the Company's financial performance in 2017 and 2016.

Name of Company	2017			2016		
	Actual Share in Losses (Php)	Recognized Share in Losses (Php)	Unrecognized Share in Losses due to IAS 28 (Php)	Actual Share in Losses (Php)	Recognized Share in Losses (Php)	Unrecognized Share in Losses due to IAS 28 (Php)
NR	257.5		257.5 <sup>(a)</sup>	385.9	23.8 <sup>(b)</sup>	362.1 <sup>(c)</sup>
AHPC	--	--	--	1.6	--	1.6 <sup>(d)</sup>
Total	252.9	--	252.9	387.8	23.8	364.0

(a) Php 16.3 mn pertained to unrealized forex loss from the dollar denominated portion of its liabilities arising from its administration contract with PSALM.

(b) Php 13.7 mn pertained to unrealized forex loss from the dollar denominated portion of its liabilities arising from its administration contract with PSALM.

(c) Php 208.1 mn pertained to unrealized forex loss from the dollar denominated portion of its liabilities arising from its administration contract with PSALM.

(d) Reported as Php 1.9 mn in the 2016 SEC 17 A report.

- Interest income in 2017 rose by 22% to Php 72.5 mn from Php 59.3 mn. The higher interest rates in short term placements and higher gains resulting from the Company's unit investment trust funds (UITF) accounted for the expansion.

Total generation cost and operating expenses for the year 2017 expanded by 21%, from Php 2.2 bn to Php 2.6 bn. Said movement can be accounted for by the following:

- Generation cost went up by 22% to Php 2.2 bn from Php 1.8 bn, which was materially due to the increase in a subsidiary's net generated power and repair costs incurred during the year. This was partly offset by the decrease in the generation cost of another subsidiary brought about by a short-term plant shut down that was necessary to allow repair works due to the damage the facility sustained from an earthquake that hit the Visayas.
- Salaries and employee benefits grew by 17% to Php 157.9 mn from Php 134.7 mn. The additional manpower headcount and an upward adjustment in salaries and benefits accounted for the rise.
- Professional fees went up by 34% to Php 72.2 mn from Php 53.9 mn as a subsidiary contracted more technical services during the year, in relation to its projects.
- Taxes and licenses soared by 77% to Php 50.7 mn from Php 28.7 mn. Payments for the shares issuance of a subsidiary and the increase in local business taxes for the Company and a subsidiary substantially account for the increase.
- Travel expenses rose by 31% to Php 32.0 mn from Php 24.5 mn. The upswing can be attributed to the increased frequency of trips related to business development, plant inspections, site visits, meetings with partners and government agencies, and trainings. Gasoline expenses also contributed to the increase due to the higher headcount and fuel prices.
- Depreciation and amortization for the year dropped by 5% to Php 19.7 mn from last year's Php 20.8 mn. This was a factor of the disposal of service vehicles by the Company.



7. Rent and association dues was up by 44% at Php 11.2 mn from Php 7.8 mn. This increase is largely attributed to new operating leases entered into for additional office spaces and the escalation in the rates of old operating leases.
8. Representation expenses were higher by 44% at Php 7.8 mn. Increase in business activities by the Company and its subsidiary accounted for the rise.
9. Communication and utilities were higher by 22% at Php 7.0 mn from Php 5.8 mn, as a result of the installation of new communication facilities, additional line for internet services, and the increase in the Company's manpower headcount.
10. Security and janitorial costs rose by 22% to Php 0.7 mn from Php 0.6 mn as a result of the increase in mandated minimum wages.
11. Other general and administrative expenses declined by 18% to Php 58.8 mn from Php 71.5 mn. Prior year expenses included write-offs of bad debts and pre-development expenses for cancelled projects.

Vivant booked Php 15.7 mn in other income in 2017, a turnaround from the previous year's Php 137.4 mn of other charges. This was an outcome of the following account movements:

1. The Php 87.1 mn Insurance claim made by a subsidiary in 2017 for damages sustained by its power plant equipment.
2. The Company recognized a one-off gain of Php 72.5 mn in 2017 resulting from the increase in the fair value of a subsidiary's investment properties. There was no such gain in 2016.
3. A net gain from the purchase of additional interest in a subsidiary and the disposal of another subsidiary contributed Php 12.1 mn to other income. There was no such gain in 2016.
4. An unrealized foreign exchange loss of Php 1.2 mn was taken up as of end-2017, a reversal of the foreign exchange gain recognized at end-2016. This pertains to the restatement of the US Dollar and Euro cash balances of the Company and a subsidiary.
5. Other income declined by 44% to Php 21.4 mn from Php 38.6 mn. The drop was mainly attributable to the non-renewal of the lease agreement with an associate. This, however, was partly offset by gains from the sale of the Company's property and equipment and the sale of the landholdings of a subsidiary.

Income tax expense dropped by 28% from Php 132.0 mn to Php 94.9 mn. This is mainly accounted for by lower income tax of a subsidiary and its reversal of a deferred tax liability pertaining to plant repairs paid in 2016 but for which repair services were done in 2017.

The combined effect of the above account movements resulted to a net income of Php 1.4 bn for the year 2017. Net income attributable to equity holders of the parent recorded a marginal 3% decline to Php 1.3 bn.

During the period in review, the Company recognized other comprehensive income of Php 270.6 mn, which substantially came from the Company's share of an associate's revaluation increment and its re-measurement gain on employee benefits, net of tax, in compliance with the Philippine Accounting Standards (PAS) 19R. This compares to the Php 2.5 mn other comprehensive income booked in 2016.

The total comprehensive income as of end-2017 was at Php 1.7 bn. Out of the said amount, Php 1.5 bn was attributable to the equity holders of the parent, which was 18% higher compared to last year's Php 1.3 bn.

*Changes in Registrant's Resources, Liabilities, and Shareholders' Equity*

The Company's consolidated total assets as of year-end 2017 expanded by 8% to Php 15.8 bn from Php 14.6 bn in 2016. The significant movements in the assets of the Company are discussed below.

1. Cash and cash equivalents rose by 4% to Php 4.6 bn as of end-2017. The increase was due to (i) the collection of dividends from four associates and two joint ventures, (ii) the disposal of equipment by a subsidiary, and (iii) the disposal of land by another subsidiary. These inflows were partly offset by capital infusions to four associates and a joint venture, the payment of cash dividends by the Company and a subsidiary, and the principal amortization of the Company's fixed rate corporate notes (FRCN) and the settlement of the short term loans by a subsidiary.
2. Trade and other receivables was higher by 32% YoY at Php 532.9 mn. The increase can be attributed to the energy sales of two subsidiaries, and a subsidiary's receivable due to an insurance claim it made during the year. The increase was tempered by the collection of an associate's cash dividends declared in 2016.
3. Advances to associates and stockholders increased by 41% to Php 83.7 mn. This is materially accounted for by the advances made by a subsidiary to an associate to cover for the latter's project-related expenses.
4. Inventories went up by 27% to Php 122.9 mn due to the purchase of a major spare part by a subsidiary.
5. Investments in and advances to associates and joint ventures grew by 13% to Php 8.4 bn as of end-2017 from Php 7.4 bn as of end-2016. The growth is substantially attributed to the additional investments in four associates and a joint venture.
6. The 17% dip in property, plant and equipment to Php 528.1 mn is a result of the disposal of equipment by a subsidiary and by the Company, net of depreciation for the year.
7. Investment properties was lower by 2% at Php 502.7 mn on account of a property sale by a subsidiary and the reclassification of a subsidiary's investment property to plant, property and equipment. Partially offsetting the aforementioned was the net gain recorded that resulted from the fair valuation of the remaining properties made during the year.
8. Deferred income tax assets - net was 11% higher at Php 16.0 mn due to the deferred tax adjustment recognized in relation to the pension liability of the Company and a subsidiary.
9. Pension asset of Php 2.9 mn was booked as of end-2016, which came from the funded retirement plan of a subsidiary. There was no such booking in 2017.
10. Other noncurrent assets rose by 38% to Php 33.3 mn mainly due to advances for pre-development expenses of a project and the security deposit made by a subsidiary to a service supplier.



Total consolidated liabilities declined by 1% to Php 4.5 bn as of end-2017. This was brought about by the settlement of a subsidiary's short-term loans, the principal amortization of the Company's FRCN, and the settlement of a subsidiary's advances from an associate. These were offset by the recorded increases in trade and other current payables, income tax payable, and pension liability.

As a result of net income generated during the period in review, the total stockholders' equity increased by 13% to Php 11.3 bn as of year-end 2017 from Php 10.0 bn as of end-2016. Meanwhile, equity attributable to parent ended higher by 13% at Php 10.7 bn as of end-2017.

#### Material Changes in Liquidity and Cash Reserves of Registrant

Cash and cash equivalents were higher by 4% from Php 4.4 bn as of end-2016 to Php 4.6 bn as of end-2017.

For the period ending December 31, 2017, the net cash generated from the Company's operations amounted to Php 51.2 mn, recording a reversal from last year's net cash usage of Php 316.4 mn. This is substantially attributed to increased trade and other payables, and the realization of prepayments.

Net cash generated from investing activities as of end-2017 amounted to Php 758.9 mn, a 29% decline from the Php 1.1 bn cash generated as of end-2016. The lower dividends receipt during the year mainly accounted for the drop. This was partially offset by the proceeds from the disposal of a subsidiary's landholdings and the spike in interest income.

For the period in review, the Company used cash of Php 611.6 mn for financing activities, 58% higher than last year's usage of Php 386.1 mn. Cash usage stemmed from the payment of dividends by the Company and a subsidiary, the principal amortization of the Company's FRCN, and the settlement by a subsidiary of its short-term loans.

#### Financial Ratios

The 6% expansion in the Company's current assets, coupled with the 3% reduction in current liabilities, resulted to an improvement in the Company's current ratio to 4.31x as of end-December 2017 from 3.93x as of end-December 2016.

Debt-to-Equity ratio improved from 0.45x in 2016 to 0.40x in 2017. The 13% expansion in total equity brought about by the Company's income generated during the year mainly accounted for the enhanced debt ratio.

**For the Year Ended December 31, 2016 versus the Year Ended December 31, 2015**

The table below shows the comparative figures of the key performance indicators for the year 2016 and 2015.

<b>Key Performance Indicators</b> <i>Amounts in Php '000, except for ratios</i>	<b>2016</b>	<b>2015</b>
Equity in Net Earnings of Associates	1,288,333	1,009,710
EBITDA	1,806,238	1,400,174
Cash Flow Generated	366,989	(794,113)
Net cash flows from operating activities	(355,659)	333
Net cash flows from (used in) investing activities	1,069,512	(545,753)
Net cash flows from (used in) financing activities	(346,864)	(248,693)
Debt-to-Equity Ratio (x)	0.45	0.53
Current Ratio (x)	3.93	3.05

The Company's share in net earnings of associates as of end-December 2016 amounted to Php 1.3 bn, representing a 28% year-on-year (YoY) increase from Php 1.0 bn. This was a result of the following:

- Improved bottomline contribution (up 10% YoY) of the Company's distribution utility, which was on the back of an 11% increase in electricity sales;
- Improved income contribution (up 8% YoY) from an associate, which arose from its enhanced gross margin. This was mainly brought about by the drop in the cost of energy sold that was a result of lower costs of maintenance and purchased power;
- 22% YoY growth in the income contribution from another associate which came from the drop in the cost of energy sold and operating expenses; and
- Full recognition of the share in net earnings of a joint venture for the period in review (up 321% YoY). In the same period last year, only partial recognition of the joint venture's net earnings was done after recoupment of the unrecognized losses from 2013 to 2014 was made. This was in compliance with the International Accounting Standards (IAS) 28<sup>16</sup>. Taking out the impact of IAS 28 in 2015, the joint venture's income contribution for the year in review would have recorded a 38% expansion. The strong showing could be attributed to the 20% growth in its energy sales.

<sup>16</sup> IAS 28 *Losses in Excess of Investments*. If an investor's or joint venturer's share of losses of an associate or joint venture equals or exceeds its interest in the associate or joint venture, the investor or joint venturer discontinues recognising its share of further losses. If the associate or joint venture subsequently reports profits, the investor or joint venturer resumes recognising its share of those profits only after its share of the profits equals the share of losses not recognised.



Below is a table showing the impact of IAS 28 to the Company's financial performance in 2016 and 2015.

Name of Company	2016			2015		
	Actual Share in Losses (Php)	Recognized Share in Losses (Php)	Unrecognized Share in Losses due to IAS 28 (Php)	Actual Share in Losses (Php)	Recognized Share in Losses (Php)	Unrecognized Share in Losses due to IAS 28 (Php)
NR	385.9	23.8 <sup>(a)</sup>	362.1 <sup>(b)</sup>	368.8	265.1 <sup>(c)</sup>	103.7 <sup>(d)</sup>
CIPC	--	--	--	-- <sup>(e)</sup>	5.7 <sup>(e)</sup>	--
AHPC	1.8	--	1.8	3.8	--	3.8
Total	387.7	23.8	363.9	372.6	270.8	107.5

(a) Php 13.7 mn pertained to unrealized forex loss from the dollar denominated portion of its liabilities arising from its administration contract with PSALM.

(b) Php 208.1 mn pertained to unrealized forex loss from the dollar denominated portion of its liabilities arising from its administration contract with PSALM.

(c) Php 140.0 mn pertained to unrealized forex loss from the dollar denominated portion of its liabilities arising from its administration contract with PSALM.

(d) Php 56.0 mn pertained to unrealized forex loss from the dollar denominated portion of its liabilities arising from its administration contract with PSALM.

(e) Recognized share in Losses in 2015 pertains to unrecognized losses in 2013 and 2014 under the IAS 28.

The following tempered the rise in the Company's share in net equity earnings of associates in 2016:

1. Reduced bottomline contribution from a joint venture, which was mainly attributable to a non-recurring income (i.e. insurance claims) booked in the previous year.
2. Drop in the share in two associates' earnings, which were mainly a result of the lower unrealized foreign exchange gains on forward contracts of one associate and a booked unrealized loss on forward contracts of the other.

The Company posted a 29% YoY increase in its EBITDA, from Php 1.4 bn to Php 1.8 bn. This was brought about by: (1) the improved pre-tax earnings of the Company's two subsidiaries; (2) the increase in the Company's management fees; and (3) the higher equity share in net earnings of associates.

The Company ended the year with a net increase in cash of Php 367.0 mn (excluding the impact of movements in the peso-dollar exchange rate). This is on account of the higher cash generated from investing activities. The collection of dividends from three associates and two joint ventures, and the proceeds from the sale of an equipment by a subsidiary were the sources of cash from investments for the year in review.

Debt-to-Equity ratio improved from 0.53x in 2015 to 0.45x in 2016. This was a result of the 5% decline in liabilities and the 12% expansion in total equity brought about by the Company's income generated during the year.

The 13% expansion in the Company's current assets, coupled with the 12% decrease in current liabilities, resulted to an improvement in the Company's current ratio to 3.93x as of end-December 2016 from 3.05x as of end-December 2015.

Material Changes in Line Items of Registrant's Income Statement

At the end of 2016, the Company had consolidated revenue of Php 3.9 bn, recording a 4% YoY decline from the previous year's consolidated revenue of Php 4.0 bn. The topline performance was due to the following:

1. Sale of power, which comprise the bulk of revenues at Php 2.4 bn (or 61% of total), declined by 15% YoY from Php 2.8 bn. The reduced topline performance of a subsidiary, which resulted from the lower volume of energy sold, mainly accounted for the drop. This was partly mitigated by the improved topline performance of another subsidiary resulting from its administration of 17MW of geothermal power.
2. The Company's share in net earnings of associates as of end-December 2016 amounted to Php 1.3 bn, representing a 28% YoY increase from Php 1.0 bn. This was a result of the following:
  - Improved bottomline contribution (up 10% YoY) of the Company's distribution utility, which was on the back of an 11% increase in electricity sales;
  - Improved income contribution (up 8% YoY) from an associate, which arose from its enhanced gross margin. This was mainly brought about by the drop in the cost of energy sold that was a result of lower costs of maintenance and purchased power;
  - 22% YoY growth in the income contribution from another associate which came from the drop in the cost of energy sold and operating expenses; and
  - Full recognition of the share in net earnings of a joint venture for the period in review (up 321% YoY). In the same period last year, only partial recognition of the joint venture's net earnings was done after recoupment of the unrecognized losses from 2013 to 2014 was made. This was in compliance with the IAS 28. Taking out the impact of IAS 28 in 2015, the joint venture's income contribution for the year would have recorded a 38% expansion. The strong showing could be attributed to the 20% growth in its energy sales.

Below is a table showing the impact of IAS 28 to the Company's financial performance in 2016 and 2015.

Name of Company	2016			2015		
	Actual Share in Losses (Php)	Recognized Share in Losses (Php)	Unrecognized Share in Losses due to IAS 28 (Php)	Actual Share in Losses (Php)	Recognized Share in Losses (Php)	Unrecognized Share in Losses due to IAS 28 (Php)
NR	385.9	23.8 <sup>(a)</sup>	362.1 <sup>(b)</sup>	368.8	265.1 <sup>(c)</sup>	103.7 <sup>(d)</sup>
CIPC	--	--	--	-- <sup>(e)</sup>	5.7 <sup>(e)</sup>	--
AHPC	1.8	--	1.8	3.8	--	3.8
Total	387.7	23.8	363.9	372.6	270.8	107.5

(a) Php 13.7 mn pertained to unrealized forex loss from the dollar denominated portion of its liabilities arising from its administration contract with PSALM.

(b) Php 208.1 mn pertained to unrealized forex loss from the dollar denominated portion of its liabilities arising from its administration contract with PSALM.

(c) Php 140.0 mn pertained to unrealized forex loss from the dollar denominated portion of its liabilities arising from its administration contract with PSALM.

(d) Php 56.0 mn pertained to unrealized forex loss from the dollar denominated portion of its liabilities arising from its administration contract with PSALM.

(e) Recognized share in Losses in 2015 pertains to unrecognized losses in 2013 and 2014 under the IAS 28.



The following tempered the rise in the Company's share in net equity earnings of associates in 2016:

- Reduced bottomline contribution from a joint venture, which was mainly attributable to a non-recurring income (i.e. insurance claims) booked in the previous year.
- Drop in the share in two associates' earnings which were mainly a result of the lower unrealized foreign exchange gains on forward contracts of one associate and a booked unrealized loss on forward contracts of the other.
- Management fees in 2016 rose by 6% YoY to Php 157.2 mn from Php 149.0 mn as a result of the upward adjustment of the fees and new service billings and management contracts entered into during the year in review.

Total generation cost and operating expenses for the year 2016 contracted by 19% YoY, from Php 2.7 bn to Php 2.2 bn. Said movement can be accounted for by the following:

1. Generation cost fell by 22% YoY to Php 1.8 bn from Php 2.3 bn, which was mainly due to the decline in a subsidiary's net generated power and lower fuel prices. This was partly offset by the increase in the generation cost of another subsidiary brought about by the higher energy sales resulting from its administration of 17 MW of geothermal power.
2. Salaries and employee benefits grew by 6% YoY to Php 134.6 mn from Php 127.3 mn. The additional manpower headcount and an upward adjustment in salaries and benefits accounted for the rise.
3. Taxes and licenses shrunk by 33% YoY to Php 28.7 mn from Php 42.6 mn. In 2015, documentary stamp taxes were paid by two subsidiaries for the issuance of additional shares to the Company.
4. Travel expenses rose by 15% YoY to Php 24.5 mn from Php 21.4 mn. The upswing can be attributed to the increased frequency of trips related to business development, plant inspections, site visits, meetings with partners and government agencies, and trainings.
5. Management fees were down by 44% YoY to Php 25.6 mn from Php 45.3 mn. The decline was mainly due to the non-renewal of certain management contracts of a subsidiary in 2016.
6. Depreciation and amortization for the year grew by 12% YoY to Php 20.8 mn from last year's Php 18.7 mn. This was a factor of the acquisition of additional depreciable assets, mostly relating to the purchase of technical equipment, machineries, and office furniture and fixtures.
7. Rent and association dues were up by 42% YoY at Php 7.8 mn from Php 5.5 mn. This increase is largely attributed to new operating leases entered into for additional office spaces and a warehouse.
8. Representation expenses dipped by 14% YoY to Php 5.4 mn from Php 6.3 mn. This variance is attributed to the reduced sponsorships and representation expenses incurred by the Company and a subsidiary involving business partners and other stakeholders.
9. Communication and utilities were higher by 27% YoY at Php 5.8 mn from Php 4.6 mn as a result of the installation of new communication facilities and the increase in the Company's manpower headcount. Additional office spaces and the operation of the warehouse were a factor in the rise of power and water charges incurred during the period in review.

10. Outside services dropped by 32% YoY to Php 0.6 mn from Php 0.8 mn as a result of the reduced janitorial and security services costs incurred by a subsidiary.
11. Other general and administrative expenses shot up by 51% to Php 71.5 mn from Php 47.5 mn, which can be attributed mainly to the: (i) write-off of bad debts and pre-development costs for cancelled projects; (ii) higher cost of supplies as a factor of increase in headcount; and (iii) donations and contributions made by a subsidiary.

Vivant booked Php 137.4 mn in other charges in 2016, a reversal from the previous year's other income of Php 72.8 mn. This was an outcome of the following account movements:

1. An unrealized foreign exchange gain of Php 1.5 mn was taken up as of end-December 2016. This pertains to the restatement of the US Dollar and Euro cash balances of the Company and a subsidiary. For the same period last year, the Company booked an unrealized foreign exchange loss of Php 0.3 mn.
2. Other income surged by 647% YoY to Php 38.6 mn from Php 5.2 mn which came from the rental income from the operating leases of the Company and a subsidiary. The insurance claims of a subsidiary also contributed to the rise in other income. This is net of the loss from the disposal of equipment by a subsidiary.
3. The Company recognized a one-off gain of Php 240.7 mn in 2015 resulting from the increase in the fair value of a subsidiary's investment properties. There is no such gain in 2016.

Income tax expense dropped by 23% YoY from PhP 170.7 mn to Php 132.0 mn. In 2015, the Company recognized a deferred tax on the unrealized fair value gain of a subsidiary's investment properties in 2015 amounting to Php 72.2 mn. Without it, there would have been a 34% YoY increase in the Company's consolidated tax expense coming from the improved performance of two subsidiaries.

The combined effect of the above account movements resulted to a 14% YoY rise in Vivant's net income to Php 1.4 bn. Consequently, net income attributable to equity holders of the parent went up by 23% YoY to approximately Php 1.3 bn.

During the period in review, the Company recognized other comprehensive income of Php 2.5 mn, which substantially came from the unrealized valuation loss on available-for-sale investments and the remeasurement gain on employee benefits, net of tax, in compliance with the Philippine Accounting Standards (PAS) 19R. This compares to the P13.7 mn other comprehensive income booked in 2015.

The total comprehensive income as of end-2016 was at Php 1.4 bn wherein approximately Php 1.3 bn was attributable to the equity holders of the Parent Company, up 21% from last year's Php 1.1 bn.



Changes in Registrant's Resources, Liabilities, and Shareholders' Equity

The Company's consolidated total assets as of year-end 2016 expanded by 6% to approximately Php 14.6 bn from Php 13.7 bn in 2015. The significant movements in the assets of the Company are discussed below.

1. Cash and cash equivalents rose by 9% to Php 4.4 bn as of end-2016. The increase was due to (i) the collection of dividends from three associates and two joint ventures, (ii) the proceeds from the short term loan availed by a subsidiary, (iii) the disposal of equipment by a subsidiary, and (iv) the collection by a subsidiary of advances made to a joint venture. These inflows were partly offset by capital infusions to four associates and a joint venture, the payment of cash dividends by the Company and a subsidiary, and the settlement of trade payables by a subsidiary.
2. Trade and other current receivables was higher by 29% YoY at Php 443.4 mn. The increase can be attributed to the energy sales of two subsidiaries, and a subsidiary's receivable from an associate for the pre-development costs it incurred for a power plant project.
3. Advances to associates and stockholders dipped by 35% from Php 31.2 mn as of end-2015 to Php 20.2 mn as of end-2016. This was mainly a result of the collection of advances made by a subsidiary to a joint venture.
4. Inventories went up by 9% YoY to Php 96.8 mn due to the purchase of plant parts and supplies.
5. Prepayments and other current assets grew by 31%, from Php 707.2 mn as of end-2015 to Php 927.0 mn as of end-2016. This resulted from the booking by the Company's subsidiary of higher advances to supplier during the year in review.
6. Investments in and advances to subsidiaries and associates grew by 7% to Php 7.4 bn as of end-2016 from Php 6.9 bn as of end-2015. The growth is substantially attributed to the additional investments in an associate and a joint venture, both of which were undergoing their respective power plant construction projects. New investments in two associates were also made during the year in review.
7. The 31% dip in property, plant and equipment to Php 634.2 mn was a result of the disposal of an equipment by a subsidiary.
8. Deferred tax assets was 14% higher at Php 14.4 mn due to the deferred tax adjustment recognized in relation to the pension liability of the Company and a subsidiary.
9. Other noncurrent assets was lower by 45% from Php 47.5 mn to Php 26.3 mn mainly due to project write-offs and the reclassification of a subsidiary's receivable from an associate to "Trade and other current receivables".

Total consolidated liabilities declined by 5% to Php 4.5 bn as of end-2016. This was brought about by the settlement of trade payables outstanding as of end-2015. This is partially offset by the increase in accrued income tax and pension liability of the Company and a subsidiary, the availment of a short-term loan and recognition of a deferred tax liability by a subsidiary.

As a result of net income generated during the period in review, the total stockholders' equity increased by 12% to Php 10.0 bn as of year-end 2016 from Php 8.9 bn as of end-2015. Meanwhile, equity attributable to parent ended higher by 12% at Php 9.5 bn as of end-2016.

**Material Changes in Liquidity and Cash Reserves of Registrant**

Cash and cash equivalents were higher by 9% YoY from Php 4.1 bn as of end-2015 to Php 4.4 bn as of end-2016.

For the period ending December 30, 2016, the net cash used in the Company's operations amounted to Php 355.7 mn, recording a reversal from last year's net cash generation of Php 0.3 mn. The increased prepayments, inventories, and receivables, coupled with the settlement of trade and other payables, mainly accounted for the net cash outflow in operations. Payment of taxes and interest for the FRCN, and a subsidiary's contribution to the retirement fund also contributed to the usage of cash.

Net cash generated from investing activities as of end-2016 amounted to Php 1,069.5 mn, vis-a-vis last year's utilization of Php 545.8 mn. Dividends earned and the proceeds from the disposal of a subsidiary's equipment more than offset the additional investments made by the Company during the period in review. Also, interest income contributed to the cash generation for the period.

For the period in review, the Company used cash of Php 346.9 mn for financing activities, 39% higher than last year's usage of Php 248.7 mn. Cash usage stemmed from the payment of dividends by the Company and a subsidiary and the principal amortization of the Company's FRCN and partial settlement by a subsidiary of its short term loans. These were partially offset by the proceeds of a short term loan availed by a subsidiary, additional investments from the non-controlling stockholder of another subsidiary, and a subsidiary's collection of advances made to joint venture.

**Financial Ratios**

The 13% expansion in the Company's current assets, coupled with the 12% decrease in current liabilities, resulted to an improvement in the Company's current ratio to 3.93x as of end-December 2016 from 3.05x as of end-December 2015.

Debt-to-Equity ratio improved from 0.53x in 2015 to 0.45x in 2016. This was a result of the 5% decline in liabilities and the 12% YoY expansion in total equity brought about by the Company's income generated during the year.

**Item 7: Financial Statements**

The audited financial statements for the fiscal year 2018, 2017, and 2016 are attached as Exhibits "D", "E" and "F", respectively.



**PART III – CORPORATE GOVERNANCE**

The Company has adopted the Corporate Governance Self-Rating Form of the Securities and Exchange Commission (SEC), the criteria and the rating system therein as a means of measurement or determination of the level of compliance of the Board of Directors and top-level management with its Manual of Corporate Governance.

The Company issued its Revised Manual on Corporate Governance (Manual) in 2017 and has substantially complied with the provisions, and the same has been disclosed to the Commission. It has plans to improve corporate governance by adopting good corporate practice recognized in more progressive corporations and incorporating the same in its Manual.

In compliance with the full disclosure rules on the Code of Corporate Governance, the Manual, and the reportorial requirement of the Commission on the extent of compliance by the company with its Manual, the undersigned hereby certifies that the company has substantially complied with the provisions thereof.

As of the date of this Report, there are no changes in the corporate governance structure and practice.

Please refer to the attached Integrated Annual Corporate Governance Report for 2017 (Exhibit “G”), which was filed with the SEC in 2018.

**Continuing Education for the Board**

In its continuing efforts to update its directors and executive officers with the best practices in corporate governance, the members of the board of directors and top-level management are encouraged to attend trainings and seminars. In 2018, the Company’s directors and executive officers attended the Advanced Corporate Governance Training conducted by the Center for Global Best Practices.

**Compliance with The Minimum Public Ownership Requirement**

The Company is compliant with the Rule on Minimum Public Ownership, as amended. Based on information that is publicly available to the Company and within the knowledge of its directors it has 12.6333% public float as of March 31, 2019, which is the latest practicable date.

*(Attachments follow)*