

COVER SHEET

SEC Registration Number

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Company Name

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Principal Office (No./Street/Barangay/City/Town/Province)

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Form Type

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Department requiring the report

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Secondary License Type, If Applicable

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COMPANY INFORMATION

Company's Email Address

eeicenter@eei.com.ph
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Company's Telephone Number/s

8-334-2677

Mobile Number

N/A

No. of Stockholders

3,118

Annual Meeting
(Month/Day)

Every Third Friday of June

Fiscal Year
(Month/Day)

September 30

CONTACT PERSON INFORMATION

The designated contact person ***MUST*** be an Officer of the Corporation

Name of Contact Person

Atty. George T. Hipolito

Email Address

grthipolito@eei.com.ph

Telephone Number/s

8-334-2677

Mobile Number

N/A

Contact Person's Address

No. 12 Manggahan St., Bagumbayan, Quezon City, Metro Manila, Philippines
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Note: In case of death, resignation or cessation of office of the officer designated as contact person, such incident shall be reported to the Commission in thirty (30) calendar days from the occurrence thereof with information and complete contact details of the new contact person designated.

SEC FORM 17-Q

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

1. For the quarterly period ended **September 30, 2021**
2. Commission identification number **937**
3. BIR tax identification number **000-391-438-000**
4. Exact name of issuer as specified in its charter - **EEl Corporation**
5. Province, country or other jurisdiction of incorporation or organization
Quezon City, Philippines
6. Industry Classification Code (SEC use only)
7. Address of issuer's principal office/Postal code
No. 12 Manggahan St., Bagumbayan, Quezon City 1110
8. Issuer's telephone number, including area code
(02) 8334-26-77
9. Former name, former address and former fiscal year, if changed since last report
Not Applicable
10. Securities Registered pursuant to Sections 8 and 12 of the code, or Sections 4 and 8 of the RSA

<u>Title of each class</u>	<u>Number of shares outstanding</u>
Common shares - ₱1.00 par value	1,036,281,485 shares
Preferred shares - ₱0.50 par value	0 shares

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

Yes No

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

Philippine Stock Exchange, Inc.

Common Shares

12. Indicate by check mark whether the registrant:

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

Yes No

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

Yes No

PART I - FINANCIAL INFORMATION

Item 1. Financial Statements

The Interim Condensed Consolidated Financial Statements of EEI Corporation and Subsidiaries as of September 30, 2021 with comparative figures for the period ended December 31, 2020 and September 30, 2020, Supplementary Information and Disclosures Required under Revised SRC Rule No. 68 and Schedule of Aging of Accounts Receivable are incorporated by reference as **Exhibit 1**.

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

A. Results of Operations

EEI's construction projects have continued with its operations during the third quarter of 2021. The government imposed a two-week lockdown in August was implemented due to the COVID-19 Delta Variant Surge, and as a result some delays were encountered in the projects' production activities. Still, public and private projects, including the Build, Build, Build Flagship projects continued.

EEI Corporation and subsidiaries' (collectively the Group) consolidated revenues for the third quarter of 2021 increased by 9% year-on-year to ₱12.4 billion. In particular, Construction Contracts increased by 8% to ₱11.5 billion. Revenues from Services decreased by 3% to ₱549.3 million as stricter travel restrictions affected the deployment of manpower. Meanwhile, Merchandise Sales increased by 136% to ₱343.2 million as operations improved compared to the same period in the past year. Real Estate Sales decreased by 49% to ₱12.1 million

The Group's overall direct costs and expenses declined by 8% to ₱11.0 billion, as there were no significant additional lockdown costs incurred this year. Cost of Construction Contracts decreased by 9% to ₱10.2 billion; cost of Manpower Services decreased by 3% to ₱473.1 million; costs from Merchandise Sales increased by 131% to ₱298.9 million; and costs from Real Estate Sales decreased by 62% to ₱6.1 million.

EEI Group's equity earnings in associates and joint ventures grew by 11% to ₱596.6 million during the third quarter of 2021. Equity in earnings of Investments in Al Rushaid Construction Company Ltd. (ARCC) increased by 2% to ₱422.8 million, while the combined earnings from investments in PetroSolar Power Corporation and Petrowind Energy Inc. increased by 26% to ₱158.0 million.

The Group's selling and administrative expenses were practically at the same level as the past year's spend at ₱1,078.1 million, as savings were achieved from salaries, training expenses, and transport and travel. This was slightly offset by increases in software expenses, and additional spending for the COVID-19 response, particularly vaccine costs. Interest expense and finance charges decreased by 16% to ₱361.3 million due to lower borrowing rates that decreased to 2.50%-3.50% range in 2021, compared to 3.60%-5.75% in 2020.

Interest income dropped by ₱6.1 million or 54% from the same period last year due to the decline in the balance of interest-bearing receivables. The net increase in other income of ₱24.2 million or 78% is mainly due to the dividend income from equity investments at FVOCI amounting to ₱45.8 million.

The Group incurred income tax expense of ₱243.8 million as of the third quarter of 2021 compared to the income tax benefit of ₱586.7 million in the same period last year. This is attributable to the income generated by the Group as of September 30, 2021 and the remeasurement of deferred tax assets carried over from last year, previously recognized at 30%, to the revised income tax rate of 25%, in accordance with CREATE Law. For the period ended September 30, 2021, the Group's generated net income amounting to ₱371.9 million. The Group's earnings per share as of the third quarter of 2021 was at ₱0.37.

B. Financial Position

EEI's consolidated assets slightly increased by 1% to ₱27.1 billion, compared to ₱26.9 billion by the end of 2020. Cash and cash equivalents increased by 3% to ₱1.4 billion while receivables decreased by 15% to ₱3.1 billion due to more efficient collections during the period. Contract assets increased by 19% to ₱9.0 billion and inventories decreased by 10% to ₱1.3 billion as the company accelerated its production and incurred

additional working capital expenses. Intercompany receivables increased by 64% to ₱107.9 million due to increased services extended to related parties while other current assets decreased by 43% to ₱1.1 billion due to the reclassification of creditable withholding taxes to non-current as these are not yet expected to be utilized in the next twelve months.

Investments in associates and joint ventures increased by 7% to ₱3.1 billion as ARCC, Petrosolar, and Petrowind Energy continued to have strong performances. Property, plant, and equipment and right-of-use assets decreased by 8% to ₱3.4 billion and by 13% to ₱602.8 million, respectively, primarily due to the depreciation and a net reduction of the Group's fixed assets. Deferred tax assets decreased by 15% to ₱1.3 billion primarily due to the remeasurement of DTA previously carried at 30% to the revised income tax rate of 25% in accordance with the CREATE Law while other non-current assets grew by 483% to ₱900.7 million due to the reclassified creditable withholding taxes.

Consolidated liabilities were maintained at the same level at ₱20.3 billion as at September 30, 2021. Bank loans increased by 43% to ₱7.2 billion due to higher loan drawdowns. On the other hand, accounts payables and other current liabilities and income tax payable decreased by 10% to ₱6.0 billion and by 47% to ₱12.5 million, respectively. The net decrease in contract liabilities of 38% to ₱1.2 billion is primarily due to the recoupment of advances against project accomplishment while the net decline in long term debt of 13% to ₱4.8 billion was due to repayments during the period. Deferred tax liabilities increased by 9% to ₱98.1 million as a tax impact of revaluations to equity investments at FVOCI. The net reduction in lease liabilities of 14% resulting to a balance of ₱489.8 million is due to lease payments for the period and other non-current liabilities, which pertain to retention payable to subcontractors, declined by 27% due to the reclassification of retention payable due for payment in the next twelve months to current liabilities.

Total consolidated equity increased by 7% to ₱6.9 billion as of September 30, 2021. Other comprehensive income increased by 19% to ₱504.0 million primarily due to the cumulative translation and fair value adjustments recognized for the period. Additional losses attributable to minority interest were incurred bringing the non-controlling interest balance to ₱2.4 million at the end of the third quarter while net income attributable to the shareholders of the parent company amounted to ₱384.1 million bringing the retained earnings balance to ₱4.8 billion. The Group's book value per share was at ₱6.62 as of September 30, 2021.

C. Operating Highlights

Newly Awarded

Buildings

- Cebu Landmasters' The Masters Tower Project
- SMDC's Ice Tower
- SMDC's Sands Residences
- The Yuchengco Centre Phase 1-Demolition & Excavation
- DOH- 40 Foot Container Mobile Triage and Holding Area

Infrastructure

- NLEX – Meycauayan and Bigaa bridge Strengthening Project
- MCRP CPN-04 Subcon Package - RC Works Under Ground and Viaduct Structures
- MCRP CPN-04 Structural BR 107 Steel Through Girder

Electromechanical & Steel Fabrication

- Supply, Fabrication, and Delivery of Structural Steel Box Girder for NLEX-SLEX Connector Road Section 1
- Analog B3 South Project
- D&L - Fabrication of 2 Units Reactors and 2 Units Drop T
- Freyfil Corp. - Mindanao Bridge
- Integrated Synergy Const. - Site Preparation Work (Zones 3 & 4) at Atimonan Powerplant Project

ARCC

- SSEM - Manpower Supply for Reverse Osmosis & Sewage Treatment Plant for Saudi Aramco
- MAADEN – Construction of Dust Suppression Pond-3 (DSP-3) in Residue Storage Area (Civil Works)
- DAELIM - Manpower Supply for Maaden Ammonia III Project
- TR - Manpower Supply for Ras Tanura Refinery Clean Fuels Project
- SAUDI ARAMCO - Riyadh Refinery Restoration
- Manpower Supply for Wastewater Disposal System Refurbishment SMR
- ARPIC - Supply and Installation of Equipment Shade at Silasil Farm
- Manpower & Equipment Supply (Safaniyah - SMR#185)
- Heater Mechanical Repair EBS-II T/A 2021 (Petrokemya North)
- YANPET Shutdown Works for Line 6 & 7 (SABIC Man Supply)
- Remaining Work Activities for Upgrade Onshore Flare Systems at Safaniyah
- Shuaiba Desalination Plant Technology and Expired Assets Replacement Project

Completed Projects

Buildings

- House of Investments Inc. Mapua Makati Building

Infrastructure

- Construction Works for the Improvement of Eight (8) Critical Link Slabs of the Candaba Viaduct
- Construction Works for the Improvement of Twelve (12) Critical Link Slabs of the Candaba Viaduct
- The Metro Manila Skyway Stage 3, Section 2A, Piers 27 to 37 under San Miguel Corporation
- The South East Metro Manila Expressway (SEMME) Section 1A and 1B
- NLEX – Meycauayan and Bigaa bridge Strengthening Project (also awarded in 2021)

Electromechanical & Steel Fabrication

- JFE Fukuyama Fabrication Works
- San Miguel Brewery, Inc.'s Bacolod Brewery Expansion Package 2
- Natura Aeropack Corporation – Fabrication and Delivery of Reactors
- SFEX Widening Project (Sta. Clara)
- Oro Cemento

ARCC

- TASNEE - Manpower Supply for Furnace#3 Decoking (Cutting/Welding)
- Saudi Aramco - Replacement of Pressure Vessel at South Gawar
- RPO 27 - Execution of Remaining Scope for HDO Handling Facility at Ras Tanura Refinery
- Khurais Plant Restoration Works (direct Saudi Aramco)
- Khurais Restoration Project - Procurement and General Construction Works for Snamprogetti S.A. Ltd.
- Sadara Chemical Co. - MFC Furnace Radiant Coil Repair / Coil Services
- Supply and Installation of Equipment Shade at Silasil Farm (also obtained this year)
- Piping Prefabrication for BERRI Project
- Replacement of Gas Compression at Abqaiq Plant

Ongoing Projects

Buildings

- Federal Land's Four Seasons Riviera – Podium and Tower 3
- Federal Land's Seasons Residences 4-Towers (formerly known as Sunshine Fort)
- Federal Land's Big Apple – Park Avenue Building, all in Bonifacio Global City, Taguig
- Federal Land's Grand Hyatt Manila Gold Residences 2 - Superstructure
- Federal Land's IMET BPO Towers 2, 3, and 4
- Federal Land's Grand Midori Ortigas

- SMDC's Air Residences in Makati City
- SMDC's Glam Residences in Quezon City
- SMDC's Light Residences Phase 1 and 2 in Mandaluyong
- SM Prime Holdings' Ice Tower
- Torre Lorenzo Development Corporation's 3 Torre Lorenzo in Malate, Manila
- Torre Lorenzo Development Corporation's Torre Lorenzo Malate in Malate, Manila
- Torre Lorenzo Development Corporation's Torre Lorenzo Loyola in Quezon City
- Cyberzone Properties' Cebu Cyberzone Tower 3 and 4
- Filinvest Land's Clark Mimosa Lifestyle Mall in Angeles, Pampanga

Infrastructure

- Metro Manila Subway Project – Phase 1
- Metro Manila Subway Project – Construction and Completion of Tunnel Boring Machine Storage Yard
- Metro Manila Subway Project – Demolition Works for North Avenue Station, Quirino Highway Tandang Sora and Depot Building Compound
- Metro Manila Subway Project – North Avenue Station Pre-construction Works
- MMSP - North Avenue Station Site Preparation Works
- Malolos Clark Railway Project CPN 04 (JV Portion with ACCIONA)
- Malolos-Clark Railway Project (MCPR) CP N-05 (Site Clearing and Earthworks Package #1)
- Design and construction of the MRT 7 Civil Works Package for Universal LRT Corporation (with ongoing talks for the descopeing of the stations and depot).
- Erection and Construction of the relocation works for the affected transmission and construction of the MMSS3 Project Sections 3 and 4 (NGCP Skyway)
- The Metro Manila Skyway Stage 3, Section 3 and 4 of San Miguel Corp/Citra Central Expressway Partnership;
- The Metro Manila Skyway Stage 3, Section 4 – C3-A. Bonifacio Interchange
- The Metro Manila Skyway Stage 3, Section 5 – Balintawak Flyover
- The Metro Manila Skyway Stage 2, Sucat - Alabang Viaduct Improvement under San Miguel Corporation

Electromechanical

- Petron Corporation's Petron Bataan Refinery - RSFFB PHASE-3 OSBL-3 Electrical Connection and Installation of Spare LPG Pump for Tank Truck Loading Project (BPP19-0027)
- SMNCI Line A Expansion Project
- Southern Star Project – SSP Industrial CP-01 General Construction Works
- Compostela Inc. Foundation Works
- Temporary Works for the Atimonan Power Plant Project
- SMNCI Line 3 Expansion Project
- Siemens Electrification Installation Works for UPPC PM3 Project

ARCC

- Fire Protection for Sulfur Storage Facilities for Saudi Aramco
- Debottlenecking of Onshore Plant for ENPPI
- Replacement of AC Equipment at Ras Tanura Refinery
- Remaining Works FGRS & NGP at Safaniyah for Saudi Aramco
- Saudi Aramco - Abqaiq Plant Restoration
- Dewatering System & Oily Water Sump Pits Project for Saudi Aramco
- Acciona Agua S.A. - Sea Water Reverse Osmosis (SWRO) at Al Shuqaiq 3 Project (Civil Work Package)
- Acciona Agua S.A. - Sea Water Reverse Osmosis (SWRO) at Al Shuqaiq 3 Project (Mechanical & SDS Piping Erection Package)
- Refinery Lagoon FWS Pipes Replacement Project
- Hawiyah Unayzah Gas Reservoir Storage Project (Structural, Mechanical, Piping, Insulation & Painting Works "Package 2")
- Installation of New Seal Leg at DR Module C at Hadeed Plant
- NEOM Primary Healthcare Facility for ARPIC

D. Outlook

The country's economy grew by 7.1% in the third quarter as recovery continues and is on course to hitting the full year growth forecast of 4% - 5%. The Construction sector was one of the main contributors to the growth, at 16.8% for the period. Considering these opportunities, EEI continues to recover and develop its business. The main contributing factors to the Company's positive outlook are the following:

First, the majority of EEI's projects have been making significant progress in their operations amidst the ongoing pandemic. The ongoing vaccination program of the Company and the Local Government Units (LGU) are effective in curbing the number of cases and preventing severe infections, particularly among our workers in the job sites. Minimum COVID-19 safety and health protocols are still being implemented and observed, along with rigorous contact tracing and quarantine are employed especially for the suspected and confirmed cases. Project operations are expected to be more productive as the Company focuses on its employees' health.

Second, EEI Corporation has a sustainable backlog of projects, which is currently at ₱48.5 billion. This backlog is enough to sustain the Group for the coming years. Moreover, EEI is well-positioned to win more contracts as it continues to bid for mega infrastructure projects through the government's Build Build Build Program. The Company is also prepared to obtain subcontracting works for other infra projects. The EEI Parent Company also remains to be a contractor of choice by its clients, particularly the top property developers and industrial customers. The Parent Company's operations will be productive in the short to medium term with these backlog and prospects.

Third, EEI's investments and joint ventures are expected to provide more positive and steady streams of income for the Company. Al Rushaid Construction Company, Ltd. (ARCC), EEI's joint venture in the Kingdom of Saudi Arabia, continues to win more industrial projects. Its current pipeline of projects is enough to make the Company busy for the rest of the year and the next few years. In addition, EEI's investments in PetroSolar and Petrowind Energy will continue to deliver positive earnings as renewable energy sources continue to become more profitable. The Group also positions itself to expand its portfolio to include other renewable energy sources.

EEI continues to explore other business opportunities, both within and outside of the construction sector. Moreover, the Company has also been working on expanding its existing subsidiaries, all while keeping in mind the larger goal which is future-proofing the Group.

With these, the EEI is positive that it will continue its recovery for the rest of the year.

E. Key Performance Indicators

The most significant key indicators of future performance of the Group are the following:

1. Construction contracts and orders – denote the value of construction projects won by the Group. Work to be done on these projects determines its revenue potential. In our domestic market, contracts and orders increase during an expansionary period when private business is on an investment mode, with significant capital expenditures allotted for new capacity and expansion and upgrading, and when government is spending for physical infrastructure.

In our overseas markets, orders tend to rise when investors (quasi private/government entities) and corporations invest on new upstream and downstream petroleum facilities and new power and mining facilities. This usually happens during a period of prolonged high price of oil or basic metals/minerals which encourages capacity expansion projects and spurs new infrastructure projects in the host countries. The regime of high petroleum and metal prices in the past has spurred increased construction activities in the Middle East, East Asia and Africa. But when the price of oil and precious metals go down, projects for expansion are sometimes put on hold.

2. Production – represents the value of construction work accomplished by the Group during the period in review. It is synonymous to sales revenue since these are recognized at the value corresponding to the

percentage of completion of the projects and orders. Production is determined through the Group's efforts or inputs towards satisfying the performance obligation relative to the total expected efforts or inputs to complete the performance obligation. Wherein, total inputs correspond to costs incurred as of to date. These translate to better financial performance.

3. **Orders backlog** – corresponds to the value of unfinished portions of projects; thus providing a measure of the near-term future source of production and revenues of the Group. Backlog has a tendency to increase during times when private companies (both local and foreign) are on an expansionary cycle, as they undertake capital expansion and/or modernization of their respective factories and plants. It also occurs when national and local government is on a pump priming mode of investing on infrastructure. Bigger backlog means a probability of higher profit in the future.

4. **Liquidity** – refers to existing cash and cash resources and the capability of the Group to quickly draw financial resources (such as working capital and other credit lines) to fund operations and construction activities. This ability to deploy financial resources is critical in fulfilling its contract obligations and ensuring the operational and financial viability of the Group.

F. Commitments and Contingencies

Surety Arrangement and Guarantees

The Group is contingently liable for guarantees arising in the ordinary course of business, including performance, surety and warranty bonds for various construction projects amounting to ₱10.3 billion and ₱8.7 billion as at September 30, 2021 and December 31, 2020, respectively.

Standby Letters of Credit

The Group has outstanding irrevocable domestic standby letters of credit amounting to ₱3.5 billion and ₱7.0 billion as at September 30, 2021 and December 31, 2020, respectively, from local banks which are used for bidding and guarantees for down payments received, performance, retention and warranty from its ongoing construction projects. The Group also has outstanding irrevocable foreign standby letters of credit amounting to USD 10.0 million, JPY383.4 million, SGD2.04 million, EU0.3 million and USD 0.5 million, JPY 383.4 million, SGD 2.0 million EU 0.3 million as at September 30, 2021 and December 31, 2020.

Contingencies

There are pending legal cases against the Group that are being contested by the Group and its legal counsels. The information required by PAS 37, Provisions, Contingent Liabilities and Contingent Assets, is not disclosed until final settlement, on the ground that it might prejudice the Group's position. Management and its legal counsels believe that the final resolutions of these cases will not have a material effect on the consolidated financial position and operating results of the Group.

PART II – OTHER INFORMATION

None

SIGNATURES

Pursuant to the requirements of Section 17 of the SRC, the registrant has duly caused this report to be signed on its behalf by the undersigned, thereunto duly authorized.

Registrant – EEI CORPORATION



CRIS NOEL E. TORRES
SVP and Chief Financial Officer,
Managing Director for EEI Subsidiaries



RAYMUNDO H. MARRAS JR
VP Controller

Date: November 12, 2021

EEI CORPORATION AND SUBSIDIARIES**UNAUDITED INTERIM CONSOLIDATED STATEMENTS OF FINANCIAL POSITION****As of September 30, 2021**

(with Comparative Audited Figures as of December 31, 2020)

	September 30, 2021 (Unaudited)	December 31, 2020 (Audited)
ASSETS		
Cash and cash equivalents (Note 5)	P 1,374,772,339	P1,332,363,040
Receivables - net (Note 6)	3,066,771,033	3,614,063,617
Contract assets - net (Note 7)	9,017,615,472	7,605,270,420
Inventories (Note 8)	1,126,530,485	1,415,137,210
Due from related parties (Note 21)	107,901,714	65,613,972
Other current assets (Note 9)	1,011,017,133	1,905,385,711
Total Current Assets	15,704,608,176	15,937,833,970
Noncurrent Assets		
Investments in associates and joint ventures (Note 10)	3,088,387,990	2,890,075,272
Equity investments at fair value through other comprehensive income (FVOCI) (Note 11)	1,065,274,990	1,031,570,234
Investment properties (Note 13)	14,496,211	14,562,211
Property and equipment (Note 12)	3,429,613,640	3,718,888,905
Right-of-use assets	602,801,717	695,475,235
Deferred tax assets – net (Note 20)	1,253,056,202	1,471,146,110
Contract assets - net of current portion (Note 7)	1,004,277,107	978,481,350
Other noncurrent assets (Note 14)	973,238,462	154,506,816
Total Noncurrent Assets	11,431,146,319	10,954,706,133
	P 27,135,754,495	P26,892,540,103
LIABILITIES AND EQUITY		
Current Liabilities		
Accounts payable and other current liabilities (Note 16)	P 5,900,775,405	P6,742,428,383
Bank loans (Note 15)	7,193,250,000	5,015,000,000
Current portion of long-term debt (Note 17)	2,216,146,267	2,302,998,099
Current portion of lease liabilities	99,120,293	99,582,705
Current portion of contract liabilities (Note 7)	528,001,371	190,194,001
Income tax payable	12,503,378	23,444,320
Due to related parties (Note 21)	1,357,576	–
Total Current Liabilities	15,951,154,290	14,373,647,508
Noncurrent Liabilities		
Long-term debt - net of current portion (Note 17)	2,618,274,059	3,245,029,226
Retirement liabilities	391,736,311	373,757,488
Deferred tax liabilities (Note 20)	98,092,466	90,388,276
Lease liabilities - net of current portion	390,661,858	469,982,718
Contract liabilities- net of current portion (Note 7)	626,337,895	1,658,679,655
Other noncurrent liabilities (Note 16)	198,830,686	273,600,624
Total Noncurrent Liabilities	4,323,933,275	6,111,437,987
Total Liabilities	20,275,087,565	20,485,085,495
Equity		
Capital Stock - P1 par value		
Authorized - 2,000,000,000 shares		
Issued - 1,036,401,386 shares	1,036,401,386	1,036,401,386
Additional paid-in capital	477,037,443	477,037,443
Treasury stock	(3,720,790)	(3,720,790)
Other comprehensive income – net	503,993,660	422,725,295
Retained earnings	4,844,574,608	4,460,457,934
	6,858,286,307	6,392,901,268
Non-controlling interests	2,380,623	14,553,340
Total Equity	6,860,666,930	6,407,454,608
	P 27,135,754,495	P26,892,540,103

See accompanying Notes to Interim Condensed Financial Statements.

EEI CORPORATION AND SUBSIDIARIES**UNAUDITED INTERIM CONSOLIDATED STATEMENTS OF INCOME****For the nine months ended September 30, 2021 and 2020**

	2021		2020	
	Quarter	Nine months	Quarter	Nine months
REVENUES				
Construction contracts	₱ 3,561,511,366	₱ 11,478,773,079	₱ 4,144,480,153	₱ 10,609,058,387
Services	189,607,819	549,261,527	147,975,012	568,774,819
Merchandise sales	81,648,053	343,185,492	57,154,616	145,563,569
Real estate sales	5,052,204	12,085,126	20,519,271	23,595,271
	3,837,819,442	12,383,305,224	4,370,129,052	11,346,992,046
COSTS (Note 18)				
Construction contracts	3,231,115,199	10,207,176,633	4,195,035,706	11,276,724,919
Services	167,184,396	473,060,084	127,615,718	487,360,673
Merchandise sales	72,802,010	298,865,827	49,303,579	129,378,850
Real estate sales	2,224,992	6,082,017	14,387,955	16,104,351
	3,473,326,597	10,985,184,561	4,386,342,958	11,909,568,793
GROSS PROFIT (LOSS)	364,492,845	1,398,120,663	(16,213,906)	(562,576,747)
EQUITY IN NET EARNINGS OF ASSOCIATES AND JOINT VENTURE (Note 10)	206,224,033	596,644,119	180,571,268	537,250,786
SELLING AND ADMINISTRATIVE EXPENSES (Note 19)	(377,966,080)	(1,078,062,645)	(388,932,509)	(1,086,786,709)
FINANCE COST AND OTHER EXPENSES – Net				
Interest expense (Notes 15 and 17)	(127,625,854)	(375,107,233)	(142,482,342)	(391,629,781)
Foreign exchange gains (losses) – net	(1,792,402)	13,773,151	(22,357,361)	(37,345,534)
	(129,418,256)	(361,334,082)	(164,839,703)	(428,975,315)
INTEREST INCOME	1,317,462	5,221,690	2,608,320	11,309,452
OTHER INCOME – Net	24,825,821	55,184,228	20,357,796	30,944,617
INCOME (LOSS) BEFORE INCOME TAX	89,475,825	615,773,973	(366,448,734)	(1,498,833,916)
PROVISION FOR (BENEFIT FROM) INCOME TAX (Note 20)				
Current	10,875,727	48,381,961	(155,748,968)	(587,575,848)
Deferred	30,714,791	195,448,055	877,908	877,908
	41,590,518	243,830,016	(154,871,060)	(586,697,940)
NET INCOME (LOSS)	₱ 47,885,307	₱ 371,943,957	(₱211,577,674)	(₱912,135,976)
Net income (loss) attributable to:				
Equity holders of the Parent Company	₱ 54,945,192	₱ 384,116,674	(₱200,174,000)	(₱891,504,352)
Noncontrolling interests	(7,059,885)	(12,172,717)	(11,403,674)	(20,631,624)
	₱ 47,885,307	₱ 371,943,957	(₱211,577,674)	(₱912,135,976)
Earnings (Loss) Per Share – Basic and Diluted (Note 25)	₱0.0530	₱0.3707	(₱0.1932)	(₱0.8603)

See accompanying Notes to Interim Condensed Financial Statements.

EEI CORPORATION AND SUBSIDIARIES**UNAUDITED INTERIM CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME****For the nine months ended September 30, 2021 and 2020**

(In Thousand Pesos)

	2021		2020	
	Quarter	Nine months	Quarter	Nine months
CONSOLIDATED NET INCOME (LOSS)	₱ 47,885,307	₱ 371,943,957	(₱211,577,674)	(₱912,135,976)
OTHER COMPREHENSIVE INCOME (LOSS)				
<i>Items not to be reclassified to profit or loss in subsequent periods:</i>				
Remeasurement losses on retirement liabilities	(8,742,699)	(32,405,682)	–	–
Share in OCI of an associate (Note 10)	–	(6,686,406)	–	(5,647,075)
Fair value change on equity investments at FVOCI (Note 11)	(8,022,576)	29,184,254	(4,432,522)	(34,236,718)
	(16,765,275)	(9,907,834)	(4,432,522)	(39,883,793)
<i>Item to be reclassified to profit or loss in subsequent periods:</i>				
Cumulative translation adjustments	79,157,751	91,176,199	(17,537,680)	(27,748,529)
TOTAL COMPREHENSIVE INCOME (LOSS)	₱ 110,277,783	₱453,212,322	(₱233,547,876)	(₱979,768,298)
Total comprehensive income (loss) attributable to:				
Equity holders of the Parent Company	₱ 117,337,668	₱ 465,385,039	(₱222,144,202)	(₱959,136,674)
Non-controlling interests	(7,059,885)	(12,172,717)	(11,403,674)	(20,631,624)
	₱110,277,783	₱ 453,212,322	(₱233,547,876)	(₱979,768,298)

See accompanying Notes to Interim Condensed Financial Statements.

EEI CORPORATION AND SUBSIDIARIES

UNAUDITED INTERIM CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY

For the nine months ended September 30, 2021 and 2020

	Attributable to Equity Holders of the Parent Company												
	Other Comprehensive Income - Net of Deferred Tax Effect											Non-controlling Interests	Total
	Capital Stock (Note 22)	Additional Paid-In Capital	Treasury Stock	Remeasurement Losses on Retirement Liability	Cumulative Translation Adjustments (Note 10)	Net Unrealized Gain on Available for Sale Financial Assets	Fair Value Reserve of Equity Investments at FVOCI (Note 11)	Retained Earnings (Note 23)			Subtotal		
								Subtotal	Unappropriated	Appropriated			
Balances at January 1, 2021	₱1,036,401,386	₱477,037,443	(₱3,720,790)	(₱382,168,924)	₱279,859,517	₱-	₱525,034,702	₱422,725,295	₱4,460,457,934	₱-	₱6,392,901,268	₱14,553,340	₱6,407,454,608
Net income (loss)	-	-	-	-	-	-	-	-	384,116,674	-	384,116,674	(12,172,717)	371,943,957
Other comprehensive income (loss)	-	-	-	(39,092,088)	91,176,199	-	29,184,254	81,268,365	-	-	81,268,365	-	81,268,365
Total comprehensive income (loss)	-	-	-	(39,092,088)	91,176,199	-	29,184,254	81,268,365	384,116,674	-	465,385,039	(12,172,717)	453,212,322
Balances at September 30, 2021	₱1,036,401,386	₱477,037,443	(₱3,720,790)	(421,261,012)	₱ 371,035,716	₱-	₱ 554,218,956	₱ 503,993,660	₱ 4,844,574,608	₱-	₱ 6,858,286,307	₱ 2,380,623	₱ 6,860,666,930

	Attributable to Equity Holders of the Parent Company												
	Other Comprehensive Income - Net of Deferred Tax Effect											Non-controlling Interests	Total
	Capital Stock (Note 22)	Additional Paid-In Capital	Treasury Stock	Remeasurement Losses on Retirement Liability	Cumulative Translation Adjustments (Note 10)	Net Unrealized Gain on Available for Sale Financial Assets	Fair Value Reserve of Equity Investments at FVOCI (Note 11)	Retained Earnings (Note 23)			Subtotal		
								Subtotal	Unappropriated	Appropriated			
Balances at January 1, 2020	1,036,401,386	477,037,443	(3,720,790)	(310,518,436)	321,683,554	₱-	536,593,814	547,758,932	2,506,517,848	4,000,000,000	8,563,994,819	40,781,916	8,604,776,735
Net loss	-	-	-	-	-	-	-	-	(891,504,352)	-	(891,504,352)	(20,631,624)	(912,135,976)
Other comprehensive income (loss), as restated	-	-	-	(5,647,075)	(27,748,529)	-	(34,236,718)	(67,632,322)	-	-	(67,632,322)	-	(67,632,322)
Total comprehensive income (loss), as restated	-	-	-	(5,647,075)	(27,748,529)	-	(34,236,718)	(67,632,322)	(891,504,352)	-	(959,136,674)	(20,631,624)	(979,768,298)
Balances at September 30, 2020, as restated	₱1,036,401,386	₱477,037,443	(₱3,720,790)	(₱316,165,511)	₱ 293,935,025	₱-	₱ 502,357,096	₱ 480,126,610	₱ 1,615,013,496	₱4,000,000,000	₱ 7,604,858,145	₱ 20,150,292	₱ 7,625,008,437

EEl CORPORATION AND SUBSIDIARIES**UNAUDITED INTERIM CONSOLIDATED STATEMENTS OF CASH FLOWS****For the nine months ended September 30, 2021 and 2020**

	September 30, 2021	September 30, 2020
CASH FLOWS FROM OPERATING ACTIVITIES		
Income (loss) before income tax	₱ 615,773,972	(₱1,498,833,916)
Adjustments for:		
Interest expense	375,107,233	391,629,781
Depreciation and amortization	462,472,221	552,671,231
Movement in retirement assets and liabilities	(14,426,860)	(6,906,778)
Gain on sale of property and equipment	(824,544)	(7,436,781)
Interest income	(5,221,690)	(11,309,452)
Unrealized foreign exchange loss (gain) - net	7,306,361	34,426,005
Dividend income (Note 11)	(45,787,679)	(15,427,500)
Equity in net earnings of associates	(596,644,119)	(537,250,786)
Operating income (loss) before changes in working capital	797,754,895	(1,098,438,196)
Decrease (increase) in:		
Receivables	547,292,585	982,803,167
Contract assets	(1,438,140,807)	(1,784,264,463)
Due from related parties	(42,287,742)	(288,834)
Inventories	288,606,725	(303,557,615)
Other current assets	864,684,681	(263,183,416)
Other noncurrent assets	(818,731,651)	53,016,522
Increase (decrease) in:		
Due to related parties	1,357,576	(125,748,602)
Accounts payable and other current liabilities	(1,008,140,747)	171,258,867
Contract liabilities	(694,534,390)	426,016,813
Net cash generated from (used in) operations	(1,502,138,875)	(1,942,385,757)
Interest received	5,221,690	11,642,269
Interest paid	(363,172,674)	(389,672,188)
Income tax paid	(6,997,153)	(40,931,178)
Net cash flows used in operating activities	(1,867,087,012)	(2,361,346,854)
CASH FLOWS FROM INVESTING ACTIVITIES		
Proceeds from disposals of:		
Investment properties (Note 13)	66,000	873,500
Property and equipment (Note 12)	84,380,623	571,704,280
Acquisition of property and equipment (Note 12)	(164,079,516)	(456,940,100)
Proceeds from return of investment (Note 10)	478,698,523	387,208,158
Dividends received (Note 11)	45,787,679	15,427,500
Net cash flows provided by investing activities	444,853,309	518,273,338
CASH FLOWS FROM FINANCING ACTIVITIES		
Availment of:		
Bank loans (Note 15)	8,850,000,000	9,557,524,000
Long-term debt, net of transaction cost (Note 17)	1,500,000,000	7,414,510
Payments of:		
Bank loans (Note 15)	(6,671,750,000)	(6,642,000,000)
Long-term debt (Note 17)	(2,213,606,998)	(964,285,713)
Principal portion of lease liabilities	-	-
Net cash flows provided by financing activities	1,464,643,002	1,958,652,797
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS		
	42,409,299	115,579,281
CASH AND CASH EQUIVALENTS AT BEGINNING OF PERIOD	1,332,363,040	1,156,206,459
CASH AND CASH EQUIVALENTS AT END OF PERIOD	₱ 1,374,772,339	₱ 1,271,785,740

EEI CORPORATION AND SUBSIDIARIES

NOTES TO INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

1. Corporate Information and Authorization for Issuance of Consolidated Financial Statements

EEI Corporation (the Parent Company) is a stock corporation incorporated on April 17, 1931 under the laws of the Philippines. On July 15, 1980, the Parent Company's corporate life was extended for another fifty years starting April 17, 1981. Its registered office address is No. 12 Manggahan Street, Bagumbayan, Quezon City.

The Parent Company's shares of stock are publicly traded at the Philippine Stock Exchange (PSE). It is a subsidiary of House of Investments, Inc., which is also incorporated in the Philippines. The ultimate parent company of EEI Corporation is Pan Malayan Management and Investment Corporation (PMMIC).

The Parent Company is engaged in general contracting and construction equipment rental. The Parent Company's subsidiaries, associates and joint ventures are mainly involved in the provision of manpower services, construction, trading of construction equipment and parts, power generation, steel fabrication, scaffoldings rental, and real estate.

The unaudited interim condensed consolidated financial statements were approved and authorized for issue by the Board of Directors on November 12, 2021.

2. Basis of Preparation and Statement of Compliance

The interim condensed consolidated financial statements have been prepared on a historical cost basis, except for equity investments at FVOCI which have been measured at fair value. The accompanying interim condensed consolidated financial statements are presented in Philippine Peso (₱), which is also the Parent Company's functional currency. Except as indicated, all amounts are rounded off to the nearest Peso.

Statement of Compliance

The interim condensed consolidated financial statements have been prepared in compliance with Philippine Accounting Standards (PAS 34), *Interim Financial Reporting*.

The interim condensed consolidated financial statements do not include all the information and disclosures required in the annual consolidated financial statements and should be read in conjunction with the Group's audited consolidated financial statements as at December 31, 2020.

The interim condensed consolidated financial statements of the Group have been prepared for filing with the SEC and in relation to a planned capital raising activity and for inclusion in an offering circular.

Basis of Consolidation

The interim condensed consolidated financial statements as of September 30, 2021 and December 31, 2020 include the Parent Company and the following companies (collectively the Group) that it controls:

	Place of Incorporation	Nature of Business	Functional Currency	Percentage of Ownership			
				September 2021		December 2020	
				Direct	Indirect	Direct	Indirect
EEI Limited (formerly EEI BVI Ltd.)	British Virgin Islands	Holding company	US Dollar	100	–	100	–
Clear Jewel Investments, Ltd. (CJIL)	British Virgin Islands	Holding company	US Dollar	–	100	–	100
Nimaridge Investments, Limited	British Virgin Islands	Holding company	US Dollar	–	100	–	100
EEI (PNG), Ltd	Papua New Guinea	Holding company	US Dollar	–	100	–	100
EEI Corporation (Guam), Inc.	United States of America	Construction	US Dollar	100	–	100	–
EEI Construction and Marine, Inc.	Philippines	Construction	Philippine Peso	100	–	100	–
EEI Realty Corporation (EEI Realty)	Philippines	Real estate	Philippine Peso	100	–	100	–
EEI Subic Corporation	Philippines	Construction	Philippine Peso	100	–	100	–
Equipment Engineers, Inc.(EE)	Philippines	Trading	Philippine Peso	100	–	100	–
JP Systems Asia Inc. (JPSAI)	Philippines	Rental of scaffolding and formworks	Philippine Peso	–	60	–	60
BiotechJP Corp.	Philippines	Manufacturing food and therapeutic food	Philippine Peso	60	–	60	–
Shinbayanhan Heavy Equipment Corp.	Philippines	Rental of construction equipment	Philippine Peso	40	–	40	–
Learn JP Corp.	Philippines	Service for improvement in language proficiency	Philippine Peso	–	60	–	60
EEI Power Corporation (EPC)	Philippines	Power generation	Philippine Peso	89	11	89	11
Gulf Asia International Corporation (GAIC)	Philippines	Manpower services	Philippine Peso	100	–	100	–
GAIC Professional Services Inc. (GAPSI)	Philippines	Manpower services	Philippine Peso	–	100	–	100
GAIC Manpower Services, Inc. (GAMSI)	Philippines	Manpower services	Philippine Peso	–	100	–	100
Bagumbayan Equipment & Industrial Products, Inc.	Philippines	Consultancy services	Philippine Peso	100	–	100	–
Philmark, Inc	Philippines	Construction	Philippine Peso	100	–	100	–
Philrock Construction and Services, Inc.	Philippines	Manpower services	Philippine Peso	100	–	100	–
EEI Energy Solutions Corporation (ESSC)	Philippines	Power generation	Philippine Peso	–	100	–	100
EEI Carga Digital Logistic Corporation*	Philippines	Operate digital logistic platform	Philippine Peso	–	100	–	–

*On May 14, 2021, EEI Carga Digital Logistics Corporation was incorporated as a wholly owned subsidiary of EEI. EEI Carga's primary purpose is to own and operate a digital logistics platform that enables shippers to deliver their products through various transportation options available in the platform. EEI Carga's financial year end is December 31.

The Group operation is not affected by seasonality and cyclicity.

3. **Changes in Accounting Policies**

The accounting policies adopted are consistent with those of the previous financial year, except that the Group has adopted the following new accounting pronouncements starting January 1, 2021. Adoption of these pronouncements did not have any significant impact on the Group's financial statements unless otherwise indicated.

The Group did not early adopt any other standard, interpretation or amendment that has been issued but is not yet effective. The adoption of these pronouncements does not have a significant impact on the Group's consolidated financial statements unless otherwise indicated.

Effective beginning on or after January 1, 2021

- Amendments to PFRS 9, PFRS 7, PFRS 4 and PFRS 16, *Interest Rate Benchmark Reform – Phase 2*

The amendments provide the following temporary reliefs which address the financial reporting effects when an interbank offered rate (IBOR) is replaced with an alternative nearly risk-free interest rate (RFR):

- Practical expedient for changes in the basis for determining the contractual cash flows as a result of IBOR reform
- Relief from discontinuing hedging relationships

- Relief from the separately identifiable requirement when an RFR instrument is designated as a hedge of a risk component

The Group shall also disclose information about:

- The nature and extent of risks to which the entity is exposed arising from financial instruments subject to IBOR reform, and how the entity manages those risks; and
- Their progress in completing the transition to alternative benchmark rates, and how the entity is managing that transition

The amendments are effective for annual reporting periods beginning on or after January 1, 2021 and apply retrospectively, however, the Group is not required to restate prior periods. The amendments have no impact to the interim condensed consolidated financial statements of the Group.

4. Significant Accounting Judgments and Estimates

The preparation of the Group's consolidated financial statements requires management to make judgments, estimates and assumptions that affect the reported amounts of revenue, expenses, assets and liabilities, and the accompanying disclosures.

Except as otherwise stated, the significant accounting policies, judgments, estimates and assumptions used in the preparation of the interim condensed consolidated financial statements are consistent with those used in the annual consolidated financial statements as at and for the year ended December 31, 2020.

Judgments

Provisions and contingencies

The Group is involved in various claims in the ordinary course of business. Management and its legal counsels believe that the Group has substantial legal and factual bases for its position. The Group's management believes that the outcome of these claims will not have a material adverse effect on the Group's financial position or operating results. It is possible, however, that future results of operations could be materially affected by changes in estimates or in the effectiveness of the strategies relating to these claims.

Estimates and Assumptions

The key assumptions concerning the future and other key sources of estimation uncertainty at the reporting date, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year, are described below. The Group based its assumptions and estimates on parameters available when the financial statements were prepared. Existing circumstances and assumptions about future developments, however, may change due to market changes or circumstances arising that are beyond the control of the Group. Such changes are reflected in the assumptions when they occur.

Estimating variable considerations arising from change orders and claims

The Group frequently agrees to change orders that modify the scope of its work previously agreed with customers and regularly submits claims to customers when unanticipated additional costs are incurred because of delays or changes in scope caused by the customers. PFRS 15 requires the Group to recognize, as part of its revenue from construction contracts, the estimated amounts the Group expects to be entitled to and to be received from customers due to these change orders and claims (otherwise known as variable considerations), provided that it is highly probable that a significant reversal of the revenue recognized in connection with these variable considerations will not occur in the future. For these unpriced change orders and claims, the Group uses the "most likely

amount” method to predict the amount to which it will be entitled and expected to be received from the customers. The Group also updates its estimate of the transaction price to reflect any changes in circumstances that would result to changes in amount of variable considerations and corresponding increase or decrease in the contract assets.

The aggregate carrying values of receivables and contract assets arising from construction contracts amounted to ₱12.1 and ₱12.2 billion as of September 30, 2021 and December 31, 2020, respectively (Notes 6 and 7).

Fair value measurement of unquoted equity investments at FVOCI

The Group uses valuation techniques such as discounted cash flow approach and adjusted net asset method to estimate the fair value of investment in Petro Green Energy Corporation (PGEC) and Hermosa Ecozone Development Corporation (HEDC), respectively. These valuation techniques require significant unobservable inputs to calculate the fair value of the Group’s unquoted equity investments at FVOCI. These inputs include forecast cash flows assumptions, discount rates, appraised value of real properties, among others. Changes in assumptions relating to these factors could affect the reported fair value of these unquoted equity financial instruments. For the investment in PGEC, the effects of COVID-19 were reflected in the discount rate used in the discounted cash flow and were not accounted for separately. For the investment in HEDC, the valuation made by the appraisers was based on sales comparison approach. The effects of COVID-19 were reflected in the selling price of comparable listings of real estate properties and were not accounted for separately.

The fair value of unquoted equity investments amounted to ₱1.0 billion as of September 30, 2021 and December 31, 2020 (Note 11).

Realizability of deferred tax assets

The Group reviews the carrying amounts of deferred taxes of each entity in the Group at each reporting date and reduces deferred tax assets to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the deferred tax assets to be utilized.

Classification of creditable withholding tax

The Group classify its creditable withholding tax (CWT) as current when it is expected to be realized (e.g., will be used as tax credit against income taxes due) for at least twelve months after the reporting period. The portion of CWT that is expected to be realized after twelve months after the reporting period is classified as noncurrent. In 2021, the Group classified CWT as non-current as management assessed that it will not be used as tax credits within the next twelve months.

CWT recognized by the Group are disclosed in Notes 9 and 14 to the consolidated financial statements.

5. Cash and Cash Equivalents

This account consists of:

	September 30, 2021 (Unaudited)	December 31, 2020 (Audited)
Cash on hand	₱6,811,601	₱6,661,848
Cash in banks	1,364,806,745	1,322,276,023
Cash equivalents	3,153,993	3,425,169
	₱ 1,374,772,339	₱1,332,363,040

Cash in banks earns interest at the respective bank deposit rates. Cash equivalents are made for varying periods of up to three (3) months depending on the immediate cash requirements of the Group and earn annual interest at the respective short-term investment rates.

6. Receivables - net

This account consists of:

	September 30, 2021 (Unaudited)	December 31, 2020 (Audited)
Trade receivable		
Non-interest bearing		
Billed receivables	P 2,975,392,766	P3,402,093,122
Unbilled receivables	95,812,903	159,121,436
Interest-bearing	10,641,142	20,479,281
Receivable from sale of investment properties	20,712,254	21,280,648
Receivable from EEI RFI	–	38,000,000
Other receivables	47,610,094	55,376,762
	3,150,169,159	3,696,351,249
Less: Allowance for expected credit losses	83,398,126	82,287,632
	P 3,066,771,033	P3,614,063,617

Movements in the allowance for expected credit losses follow:

	September 30, 2021 (Unaudited)			
	Non-interest bearing trade receivables	Interest-bearing trade receivables	Other receivables	Total
Balances at beginning of period	P44,578,717	P200,000	P37,508,915	P82,287,632
Recovery (Note 19)	(1,862,082)		–	(1,862,082)
Reclassification		2,972,576	–	2,972,576
Balances at end of period	P 42,716,635	P3,172,576	P 37,508,915	P 83,398,126

	December 31, 2020 (Audited)			
	Non-interest bearing trade receivables	Interest-bearing trade receivables	Other receivables	Total
Balances at beginning of period	P33,078,046	P200,000	P11,572,962	P44,851,008
Provision	11,500,671	–	25,935,953	37,436,624
Balances at end of period	P44,578,717	P200,000	P37,508,915	P82,287,632

Trade receivables mainly pertain to amounts arising from construction contracts and are generally on a 30-day credit term.

7. Contract Assets and Liabilities

Contract Assets

The Group presents contract receivable and retentions withheld by customer as contract assets as the Group's right for consideration is conditioned on the lapse of the defect and liability period and the

receipt of customer certification that there are no defects on the constructed asset. These are reclassified as receivables upon the lapse of the defect and liability period and final customer acceptance.

The Group's contract assets amounted to ₱10.0 billion and ₱8.6 billion as of September 30, 2021 and December 31, 2020, respectively. The increase in this account is largely caused by construction works already performed by the Parent Company and is primarily due to the improvement in the level of production of the Group for the current periods after COVID-19 restrictions have been lifted and operating activities have resumed.

Details of the Group's contract assets as of September 30, 2021 and December 31, 2020 are shown below:

	September 30, 2021 (Unaudited)		
	Current	Noncurrent	Total
Contract asset	₱ 9,053,792,069	₱ 1,019,431,154	₱ 10,073,223,223
Less: Allowance for expected credit losses	36,176,597	15,154,047	51,330,644
	₱ 9,017,615,472	₱ 1,004,277,107	₱ 10,021,892,579

	December 31, 2020 (Audited)		
	Current	Noncurrent	Total
Contract asset	₱7,642,055,723	₱993,635,397	₱8,635,691,120
Less: Allowance for expected credit losses	36,785,303	15,154,047	51,939,350
	₱7,605,270,420	₱978,481,350	₱8,583,751,770

Movement in the allowance for expected credit losses as of September 30, 2021 and December 31, 2020 follows:

	September 30, 2021 (Unaudited)		
	Current	Noncurrent	Total
Balances as at January 1	₱36,785,303	₱15,154,047	₱51,939,350
Reversal (Note 19)	(608,706)	-	(608,706)
Balances as at September 30	₱ 36,176,597	₱15,154,047	₱ 51,330,644

	December 31, 2020 (Audited)		
	Current	Noncurrent	Total
Balances as at January 1	₱9,072,771	₱226,907	₱9,299,678
Provision	27,712,532	14,927,140	42,639,672
Balances as at December 31	₱36,785,303	₱15,154,047	₱51,939,350

Contract Liabilities

Contract liabilities mainly consist of down payments received in relation to construction contracts that will be recognized as revenue in the future as the Group satisfies its performance obligations. The Group's contract liabilities amounted to ₱1.3 billion and ₱1.8 billion as of September 30, 2021 and December 31, 2020, respectively, after offsetting with contract asset.

	September 30, 2021 (Unaudited)	December 31, 2020 (Audited)
Total contract liabilities	₱ 1,154,339,266	₱1,848,873,656
Less current portion	528,001,371	190,194,001
	₱ 626,337,895	₱1,658,679,655

8. Inventories

This account consists of:

	September 30, 2021 (Unaudited)	December 31, 2020 (Audited)
Construction materials	P 766,379,894	P1,042,419,432
Real estate:		
Land and land development	152,743,786	151,725,741
Subdivision lots and condominium units for sale	38,668,189	36,460,877
Raw land	42,373,466	42,584,391
Merchandise	95,035,864	115,955,903
Spare parts and supplies	73,386,395	72,729,483
	1,168,587,594	1,461,875,827
Less: Allowance for inventory obsolescence		
Construction materials	21,874,203	21,874,203
Merchandise	20,182,906	24,864,414
	42,057,109	46,738,617
	P 1,126,530,485	P1,415,137,210

9. Other Current Assets

This account consists of:

	September 30, 2021 (Unaudited)	December 31, 2020 (Audited)
Advances to suppliers and subcontractors	P722,582,579	P955,316,362
Miscellaneous deposits	118,625,187	117,721,508
Bid bonds	59,822,400	-
Prepaid expenses	47,059,349	50,138,604
Advances to officers and employees	42,915,133	58,475,819
Creditable withholding taxes (CWTs)	-	685,611,138
Others	36,471,153	54,580,948
	1,027,475,801	1,921,844,379
Less: Allowance for impairment	16,458,668	16,458,668
	P1,011,017,133	P1,905,385,711

Miscellaneous deposits mainly represent the Group's refundable rental, utilities and guarantee deposits on various machinery and equipment items.

CWTs pertain to unutilized creditable withholding tax which will be used as tax credit against income taxes due. The Group determines that taxes withheld can be recovered in future periods. In 2021, the Group classified CWT as non-current as management assessed that it will not be used as tax credits within the next twelve months (Note 14). This is accounted for as noncash operating activity in the 2021 interim consolidated statement of cash flows.

Movement in allowance for impairment as of December 31, 2020 is shown below:

	Miscellaneous deposits	Advances to officers and employees	Advances to suppliers and subcontractors	Total
Balances as at January 1	₱3,335,193	₱29,516	₱1,545,329	₱4,910,038
Provisions for ECL	–	–	11,548,630	11,548,630
Balances as at December 31	₱3,335,193	₱29,516	₱13,093,959	₱16,458,668

There is no provision for ECL in 2021.

10. Investments in Associates and Joint Ventures

The investments relate to the following investee companies:

	Place of incorporation	Nature of business	Percentage of ownership	
			September 30, 2021 (Unaudited)	December 31, 2020 (Audited)
<i>Associates</i>				
Al-Rushaid Construction Company Limited (ARCC)	Kingdom of Saudi Arabia	Construction	49	49
PetroSolar Corporation (PSOC)	Philippines	Renewable energy	44	44
<i>Joint ventures</i>				
PetroWind Energy, Inc. (PWEI)	Philippines	Renewable energy	20	20
Shinbayanihan Heavy Equipment Corporation (SHEC)	Philippines	Equipment rental	40	40
BEO Distribution and Marketing Corporation (BEO DMC)	Philippines	Distribution and Marketing	30	30
Shimizu-Fujita-Takenaka-EEI Joint Venture (SFTE)	Philippines	Construction	5	5
Acciona-EEI Joint Venture (AE)	Philippines	Construction	30	30

Details of the Group's material investments in associates and joint ventures follow:

	September 30, 2021 (Unaudited)							
	ARCC	PSOC	PWEI	SHEC	BEO DMC	SFTE	ACCIONA	Total
Acquisition cost:								
Balances as at January 1	₱1,050,087,261	₱690,553,362	₱257,020,000	₱20,800,000	450,000	-	-	₱2,018,910,623
Return of investment	(387,794,523)	-	-	-	-	-	-	(387,794,523)
Balances as at September 30	662,292,738	690,553,362	257,020,000	20,800,000	450,000	-	-	1,631,116,100
Accumulated equity in net earnings (losses):								
Balances as at January 1	268,810,851	393,898,925	165,438,344	(2,048,155)	(285,799)	4,198,492	-	830,012,658
Equity in net earnings (losses)	422,791,789	121,133,927	36,904,963	4,131,362	(43,461)	2,207,836	9,517,703	596,644,119
Dividends	-	(90,904,000)	-	-	-	-	-	(90,904,000)
Balances as at September 30	691,602,640	424,128,852	202,343,307	2,083,207	(329,260)	6,406,328	9,517,703	1,335,752,777
Accumulated share in other comprehensive income (loss)								
Balances as at January 1	(21,943,225)	(181,079)	107,379	-	-	-	-	(22,016,925)
Additions	(6,686,406)	-	-	-	-	-	-	(6,686,406)
Balances as at September 30	(28,629,631)	(181,079)	107,379	-	-	-	-	(28,703,331)
Equity in cumulative translation adjustments	150,222,444	-	-	-	-	-	-	150,222,444
	₱1,475,488,191	₱ 1,114,501,135	₱ 459,470,686	₱22,883,207	₱120,740	₱ 6,406,328	₱9,517,703	₱ 3,088,387,990

	December 31, 2020 (Audited)							
	ARCC	PSOC	PWEI	SHEC	BEO DMC	SFTE	Total	
Acquisition cost:								
Balances as at January 1	₱1,626,046,536	₱690,553,362	₱257,020,000	₱20,800,000	₱-	₱-	₱2,594,419,898	
Additions	-	-	-	-	450,000	-	450,000	
Return of investment	(575,959,275)	-	-	-	-	-	(575,959,275)	
Balances as at December 31	1,050,087,261	690,553,362	257,020,000	20,800,000	450,000	-	2,018,910,623	
Accumulated equity in net earnings (losses):								
Balances as at January 1	(472,029,632)	266,935,700	130,032,138	(792,550)	-	-	(75,854,344)	
Equity in net earnings (losses)	740,840,483	181,963,225	55,406,206	(1,255,605)	(285,799)	4,198,492	980,867,002	
Dividends	-	(55,000,000)	(20,000,000)	-	-	-	(75,000,000)	
Balances as at December 31	268,810,851	393,898,925	165,438,344	(2,048,155)	(285,799)	4,198,492	830,012,658	
Accumulated share in other comprehensive income (loss)								
Balances as at January 1	(7,758,643)	-	-	-	-	-	(7,758,643)	
Additions	(14,184,582)	(181,079)	107,379	-	-	-	(14,258,282)	
Balances as at December 31	(21,943,225)	(181,079)	107,379	-	-	-	(22,016,925)	
Equity in cumulative translation adjustments	63,168,916	-	-	-	-	-	63,168,916	
	₱1,360,123,803	₱1,084,271,208	₱422,565,723	₱18,751,845	₱164,201	₱4,198,492	₱2,890,075,272	

ARCC repaid investment amounting to P387.8 million and P576.0 million as at September 30, 2021 and December 31, 2020, respectively. The transaction did not result to a change in the 49% ownership of EEI Limited over ARCC.

11. Equity Investments at FVOCI

This account consists of:

	September 30, 2021 (Unaudited)	December 31, 2020 (Audited)
Quoted equity investments	P 27,078,908	P23,510,829
Unquoted equity investments	1,038,196,082	1,008,059,405
	P 1,065,274,990	P1,031,570,234

The rollforward analyses of equity investments at FVOCI as of September 30, 2021 and December 31, 2020 follow:

	September 30, 2021 (Unaudited)	December 31, 2020 (Audited)
Beginning of period	P1,031,570,234	P1,055,688,160
Disposals	-	(6,615,933)
Fair value changes	33,704,756	(17,501,993)
End of period	P1,065,274,990	P1,031,570,234

The unquoted equity investments consist of shares of the following companies:

	September 30, 2021 (Unaudited)	December 31, 2020 (Audited)
PetroGreen Energy Corporation	P639,521,555	P560,676,478
Hermosa Ecozone Development Corporation	392,041,624	440,750,024
YGC Corporate Services, Inc.	3,305,447	3,305,447
Brightnote Assets Corporation	2,657,925	2,657,925
Others	669,531	669,531
At end of period	P 1,038,196,082	P1,008,059,405

The Group elected to present the fair value changes of all its equity investments in other comprehensive income because it does not intend to hold these investments for trading.

12. Property and Equipment

This account consists of the following:

	September 30, 2021 (Unaudited)	December 31, 2020 (Audited)
At Cost		
Land, Buildings and Improvements	P 1,288,781,964	P1,261,587,670
Machinery, Tools and Construction Equipment	5,303,559,775	5,440,461,635
Transportation and Service Equipment	1,019,773,073	1,059,135,087
Furniture, Fixtures and Office Equipment	494,574,194	466,558,150
	8,106,689,006	8,227,742,542
Less: Accumulated Depreciation	(4,721,811,756)	(4,559,469,916)
	3,384,877,250	3,668,272,626
Construction in Progress	44,736,390	50,616,279
	P 3,429,613,640	P3,718,888,905

Machinery, tools and construction equipment are directly used in various construction projects of the Group.

Construction in progress mainly pertains to installation of the Parent Company's air quality improvement project at its head office.

As at September 30, 2021 and December 31, 2020, no property and equipment items were pledged as security.

13. Investment Properties

The rollforward analyses of this account follow:

	September 30, 2021 (Unaudited)	December 31, 2020 (Audited)
Cost		
Balances at beginning of period	P14,562,211	P15,231,211
Disposals	(66,000)	(669,000)
Net book value at end of period	P14,496,211	P14,562,211

14. Other Noncurrent Assets

This account consists of:

	September 30, 2021 (Unaudited)	December 31, 2020 (Audited)
CWTs (Note 9)	P 847,045,370	P-
Deferred input VAT	118,903,926	150,221,650
Interest-bearing trade receivables - net of current portion (Note 6)	595,689	2,768,265
Refundable deposits	2,626,475	2,494,246
Others	6,300,446	6,428,675

	975,471,906	161,912,836
Allowance for expected credit loss	(2,233,444)	(7,406,020)
	₱ 973,238,462	₱154,506,816

Movement in allowance for expected credit loss on interest-bearing trade receivables as of September 30, 2021 and December 31, 2020:

	September 30, 2021 (Unaudited)	December 31, 2020 (Audited)
Balances at beginning of period	₱7,406,020	₱9,695,689
Recoveries	(2,200,000)	(2,289,669)
Reclassification	(2,972,576)	-
Balances at end of period	₱2,233,444	₱7,406,020

Deferred input VAT pertains to unamortized input VAT on the purchase of capital goods exceeding ₱1.0 million.

15. Bank Loans

The Group availed of several unsecured short-term bank loans with a number of local banks. These loans will mature within one year with annual interest rates ranging from 2.50% - 3.50% and 3.60% - 5.75% as at September 30, 2021 and December 31, 2020, respectively.

Movements in this account follow:

	September 30, 2021 (Unaudited)	December 31, 2020 (Audited)
Balances at the beginning of period	₱5,015,000,000	₱5,905,000,000
Availment	8,850,000,000	11,602,000,000
Payments	(6,671,750,000)	(12,492,000,000)
Balances at end of period	₱ 7,193,250,000	₱5,015,000,000

16. Accounts Payable and Other Current Liabilities

This account consists of:

	September 30, 2021 Unaudited	December 31, 2020 Audited
Accounts payable	₱4,747,904,684	₱5,568,041,571
Retention payable	457,884,941	396,597,272
Deferred output taxes	291,965,239	426,530,095
Accrued expenses	209,419,182	166,062,058
Withholding taxes and other statutory liabilities	87,262,784	78,682,109
Advances from joint venture partners	32,381,854	32,381,854
Others	73,956,721	74,133,424
	₱5,900,775,405	₱6,742,428,383

Accounts payable are non-interest bearing and generally settled on 30 to 90 days terms.

Retention payable are amounts that the Group deducts from its subcontractors' billings and are usually paid within 12 months.

Deferred output taxes pertain to sale of services on credit. Once collected, the amount will be transferred to output VAT payable.

Accrued expenses mainly consist of accrual for salaries and wages, interest, provisions, accrual for professional fees, outside services, utilities and other expenses that are expected to be settled within one year. Provisions were provided for claims by third parties in the ordinary course of business. As allowed by PAS 37, *Provisions, Contingent Liabilities and Contingent Assets*, only a general description is provided as the disclosure of additional details beyond the present disclosures may prejudice the Group's position and negotiation strategies with respect to these matters.

Other noncurrent liabilities pertain to noncurrent portion of retention payables that are expected to be settled beyond one year from the end of reporting period. As of September 30, 2021, and December 31, 2020, other noncurrent liabilities amounted to ₱198.8 million and ₱273.6 million, respectively.

17. Long-term Debt

This account consists of:

	September 30, 2021 (Unaudited)	December 31, 2020 (Audited)
Fixed-rate corporate promissory notes	₱ 4,643,078,528	₱5,204,857,924
Fixed-rate term loan	191,341,798	343,169,401
	4,834,420,326	5,548,027,325
Less current portion	2,216,146,267	2,302,998,099
	₱ 2,618,274,059	₱3,245,029,226

18. Costs of Sales and Services

This account consists of the following balances for the nine-month periods ended September 30:

	2021 (Unaudited)	2020 (Unaudited)
Cost of services	₱ 10,680,236,717	₱ 11,764,085,592
Cost of sales	304,947,844	145,483,201
	₱ 10,985,184,561	₱ 11,909,568,793

Cost of Services

	2021 (Unaudited)	2020 (Unaudited)
Personnel expenses	₱ 5,315,673,609	₱ 4,061,924,391
Materials	2,497,761,438	4,120,598,221
Equipment costs and others	2,532,723,500	3,180,125,169
Depreciation and amortization	327,567,809	390,053,184
Others	6,510,361	11,384,627
	₱ 10,680,236,717	₱ 11,764,085,592

Cost of Sales

	2021 (Unaudited)	2020 (Unaudited)
Merchandise sales		
Inventories	P 288,857,083	P 123,480,533
Personnel expenses	6,450,018	3,781,562
Others	3,558,727	2,116,755
Real estate sales (Note 8)	6,082,017	16,104,351
	P 304,947,845	P 145,483,201

19. Selling and Administrative Expenses

This account consists of the following balances for the nine-month periods ending September 30:

	2021 (Unaudited)	2020 (Unaudited)
Personnel expenses	P 584,689,519	P 555,809,548
Depreciation and amortization	134,904,413	162,618,047
Repairs and maintenance	52,787,903	35,317,249
Outside services	44,408,318	28,364,109
Travel and transportation	39,741,029	38,573,868
Professional fees	30,699,761	43,783,152
Utilities	29,879,444	29,486,324
Taxes and licenses	18,426,433	22,702,905
Insurance	8,871,571	9,652,314
Rent	6,814,952	10,106,605
Training	6,715,386	14,490,884
Supplies	3,803,318	2,839,057
Food, meals and others	2,825,562	8,070,427
Advertising	2,326,594	5,214,007
Donations	-	10,170,570
Provision (recovery) of allowance for expected credit loss – net (Notes 6, 7 and 14)	(4,670,788)	2,596,604
Others	115,839,230	106,991,039
	P 1,078,062,645	P 1,086,786,709

Others pertain to the various administrative expenses that the Group incurs in support of its day-to-day operations including subscriptions, stock listing fees, COVID vaccines and other charges.

The distribution of the depreciation and amortization expense for the nine-month periods ending September 30 follows:

	2021 (Unaudited)	2020 (Unaudited)
Property and equipment (Note 12)	P 90,109,068	P 116,676,220
Right-of-use asset	44,795,345	45,941,827
	P 134,904,413	P 162,618,047

20. Income Taxes

The components of tax expense as reported in profit or loss and other comprehensive income in the consolidated statements of income and consolidated statements of comprehensive income for the nine-month periods end September 30 are as follows:

	2021 (Unaudited)	2020 (Unaudited)
Current	P 48,381,961	P-
Deferred	195,448,055	(586,697,940)
	P 243,830,016	(P586,697,940)

Republic Act No. 11534 otherwise known as the Corporate Recovery and Tax Incentives for Enterprises Act or CREATE

President Rodrigo Duterte signed into law on March 26, 2021 the Corporate Recovery and Tax Incentives for Enterprises (CREATE) Act to attract more investments and maintain fiscal prudence and stability in the Philippines. Republic Act (RA) 11534 or the CREATE Act introduces reforms to the corporate income tax and incentives systems. It takes effect 15 days after its complete publication in the Official Gazette or in a newspaper of general circulation or April 11, 2021.

The following are the key changes to the Philippine tax law pursuant to the CREATE Act which have an impact on the Group

- Effective July 1, 2020, regular corporate income tax (RCIT) rate is reduced from 30% to 25% for domestic and resident foreign corporations. For domestic corporations with net taxable income not exceeding Php5 million and with total assets not exceeding Php100 million (excluding land on which the business entity's office, plant and equipment are situated) during the taxable year, the RCIT rate is reduced to 20%.
- Minimum corporate income tax (MCIT) rate reduced from 2% to 1% of gross income effective July 1, 2020 to June 30, 2023.
- Imposition of improperly accumulated earnings tax (IAET) is repealed.

As clarified by the Philippine Financial Reporting Standards Council in its Philippine Interpretations Committee Q&A No. 2020-07, the CREATE Act was not considered substantively enacted as of December 31, 2020 even though some of the provisions have retroactive effect to July 1, 2020. The passage of the CREATE Act into law on March 26, 2021 is considered as a non-adjusting subsequent event. Accordingly, current and deferred taxes as of and for the year ended December 31, 2020 continued to be computed and measured using the applicable income tax rates as of December 31, 2020 (i.e., 30% RCIT / 2% MCIT) for financial reporting purposes.

Applying the provisions of the CREATE Act, the Group would have been subjected to lower regular corporate income tax rate of 25% effective July 1, 2020. This resulted in lower provision for current income tax for the year ended December 31, 2020 and lower income tax payable as of December 31, 2020, which was reflected in the Group's 2020 annual income tax return but was only recognized for financial reporting purposes in the Group's 2021 interim consolidated financial statements. The adoption of CREATE also resulted in lower deferred tax assets and liabilities as of December 31, 2020 and provision for deferred tax for the year then which was recognized in the interim condensed consolidated financial statements.

Deferred tax assets – net amounted to ₱1.25 billion and ₱1.47 billion as at September 30, 2021 and December 31, 2020, respectively.

The Group also recognized deferred tax liability of ₱98.1 million and ₱90.4 million pertaining to the accumulated fair value gain on equity investments at FVOCI as of September 30, 2021 and December 31, 2020, respectively.

21. Related Party Transactions

The outstanding balances and transactions with related parties as of September 30, 2021 and December 31, 2020 consist of the following:

(In Thousands of Philippine Peso)		September 30, 2021 (Unaudited)			
		Amount / Volume	Outstanding Receivable/ (Payable)	Terms	Conditions
Parent company	Rendering of janitorial services	₱10,326	₱9,440	Non-interest bearing	Unsecured, no impairment
	Purchase of management services	(3,214)	(1,200)		
Associate	Rendering of services	–	21,598	Non-interest bearing	Unsecured
	Extension of advances	–	(272)	Non-interest bearing	Unsecured
Entities under the common control	Bank deposits	3,264	1,126,346	Interest bearing; 0.125% -0.5625% per annum	Unsecured, no impairment
	Revenue from construction services	44,842	55,709	Non-interest bearing	Unsecured
	Revenue from service contract	10,591	27,710	Non-interest bearing	Unsecured, no impairment
	Rendering of janitorial services	134,397	74,482	Non-interest bearing	Unsecured, no impairment
Other related parties	Revenue from construction services	144	–	Interest bearing, 5% per annum	Unsecured
	Lease of property	(55,848)	–	Non-interest bearing	Unsecured
	Sale of property	342	–	Interest bearing, 5% per annum	Unsecured
	Extension of advances	–	(1,086)	–	–
	Extension of advances	–	2,382	–	–
Due from related parties			₱107,902		
Due to related parties			(₱1,358)		

(In Thousands of Philippine Peso)		December 31, 2020 (Audited)			
		Amount / Volume	Outstanding Receivable/ (Payable)	Terms	Conditions
Parent company	Rendering of janitorial services	₱7,163	₱8,165	Non-interest bearing	Unsecured, no impairment
Associate	Rendering of services	–	33,357	Non-interest bearing	Unsecured
Entities under the common control	Bank deposits	3,946	1,193,073	Interest bearing; 0.20% -0.25% per annum	Unsecured, no impairment
	Revenue from construction services	9,534	99,791	Non-interest bearing	Unsecured
	Extension of advances	–	24,092	Non-interest bearing	Unsecured, no impairment
	Rendering of janitorial services	225,921	6,995	–	–

Other related parties	Lease of property	(70,918)	–	Non-interest bearing	Unsecured
	Sale of property	3,238	38,000	Interest bearing, 5% per annum	Unsecured
	Interest income	5,153	–		
Due from related parties			₱65,614		
Due to related parties			₱–		

- a. In 2019, EPC was contracted by RCBC Realty Corporation, for the Supply of Labor, Tools and Materials and Installation of the Additional Low Voltage Switchgear and Busway System for Phase 2 Electrical System Upgrade which commenced in April 2019 with contract price amounting to ₱260.39 million. The outstanding trade receivables amounted to ₱27.71 million and nil as of September 30, 2021 and December 31, 2020, respectively.
- b. In 2018, the Parent Company was contracted by Malayan Education Systems, Inc. for the General Construction Works, Excavation, Structural, Civil, Architectural, MEPF Works and Attendance of Mapua Makati Building with contract price amounted to ₱891.0 million. The project was completed on February 28, 2021. The outstanding receivables amounted to ₱55.7 million and ₱93.4 million, including retention receivables of ₱55.7 million and ₱90.81 million as of September 30, 2021 and December 31, 2020, respectively
- c. In 2019, the Parent Company was contracted by Malayan Colleges Laguna for the construction of Mapua School basketball court with contract price amounting to ₱38.2 million. The project was completed on July 15, 2020. There is no remaining receivables as of September 30, 2021 and ₱6.4 million as of December 31, 2020.
- d. In 2013, the Parent Company was contracted by PWEI for the construction of 18 units WTG foundations, roadways and temporary landing pad intended for the 36MW Nabas Wind Power Project (NWPP) in Nabas, Aklan for ₱1,100.0 million. The project was completed on April 30, 2015. There is no remaining receivables as of September 30, 2021 and ₱31.1 million as of December 31, 2020.
- e. In 2006, the Parent Company sold parcels of land to EEI-RFI, a trustee of the Parent Company employees retirement fund (the Fund). The Fund is managed by RCBC Trust and Investment Division. The parcels of land sold are located in Manggahan, Quezon City and Bauan, Batangas. The receivables bear interest of 5% per annum in 2021, 2020 and 2019.

Starting January 2007, the Parent Company and EEI-RFI entered into operating lease agreements for the said land and improvements. The lease terms are for one year and renewable every year with 5% increase effective January 1, 2014.

In 2013, the receivable from the EEI-RFI amounting to ₱390.0 million was restructured and reclassified to other noncurrent assets with fixed 5% interest rate per annum. In 2016, the Parent Company and the Fund agreed to extend the term of the payment until April 30, 2021. There are no remaining receivables as of September 30, 2021 and ₱38.0 million as of December 31, 2020. Interest income earned from receivable from EEI-RFI amounted to ₱0.3 million and ₱3.2 million for the periods ended September 30, 2021, December 31, 2020, respectively.

- f. On October 2020, the Parent Company entered into a memorandum of agreement with JPSAI, one of its subsidiaries, which effectively transfers the ownership, management and control of all scaffolding materials and its accessories. The final transaction price is still subject to

reconciliation between both parties. Any transaction arising from this arrangement is eliminated in the consolidated financial statements of the Group.

Outstanding balances as at balance sheet date are unsecured and settlement occurs in cash. There have been no guarantees provided or received for any related party receivables or payables. These mainly consist of advances and reimbursement of expenses. The Group has not recognized any impairment on amounts due from related parties for the nine months period ended September 30, 2021 and the year ended December 31, 2020.

This assessment is undertaken each balance sheet date through a review of the financial position of the related party and the market in which the related party operates.

Identification, review and approval of related party transactions

Material related party transactions (MRPT) refers to any related party transactions, either individually, or in aggregate over a twelve (12)-month period with the same related party, amounting to ten percent (10%) or higher of the Group's total consolidated assets based on its latest audited financial statements.

All material related party transactions shall be reviewed by the Group's Corporate Governance Committee and approved by the BOD with at least 2/3 votes of BOD, with at least a majority vote of the independent directors. In case that the vote of a majority of the independent directors is not secured, the material related party transactions may be ratified by the vote of the stockholders representing at least 2/3 of the outstanding capital stock.

22. **Capital Stock**

The Group's common shares were registered with the Securities and Exchange Commission (SEC) on August 28, 1997. The total number of shares registered with SEC at that time was 2 billion with original issue price amounting to ₱1.0 per share. As of September 30, 2021, and December 31, 2020, the Group had 3,118 and 3,119 shareholders on record, respectively.

Capital Management

The primary objective of the Group's capital management is to ensure that it maintains healthy capital ratios in order to support its business and maximize shareholder value.

The Group manages its capital structure and makes adjustments to it, in light of changes in economic conditions. To maintain or adjust the capital structure, the Group may adjust the dividend payment to shareholders or issue new shares. No changes were made in the objectives, policies or processes as of September 30, 2021 and December 31, 2020.

The Group considers total equity as its capital.

The Group monitors capital using a debt-to-equity ratio, which is total liabilities divided by total equity attributable to equity holders of Parent Company. The Group's policy is to maintain a debt-to-equity ratio lower than 4:1 as at September 30, 2021 and December 31, 2020.

	September 30, 2021 (Unaudited)	December 31, 2020 (Audited)
Total liabilities (a)	20,275,087,565	20,485,085,495
Equity attributable to equity holders of Parent Company (b)	6,858,286,307	6,392,901,268
Debt to Equity Ratio (a/b)	2.96:1	3.20:1

23. Retained Earnings

Under the Tax Code of the Philippines, publicly listed companies are allowed to accumulate retained earnings in excess of capital stock and are exempt from improperly accumulated earnings tax (IAET). With the enactment of CREATE law, IAET had been repealed starting taxable year 2021.

The accumulated earnings of subsidiaries, associates and joint venture which are included in the Group's retained earnings amounted to ₱2.9 billion and ₱2.3 billion as of September 30, 2021 and December 31, 2020, respectively, are not available for dividend declaration. Retained earnings are further restricted for payment of dividends to the extent of cost of treasury shares and deferred tax assets amounting to ₱1.3 billion and ₱1.5 billion as of September 30, 2021 and December 31, 2020, respectively.

Retained earnings available for dividend declaration amounted to ₱0.8 billion and ₱0.9 billion as of September 30, 2021 and December 31, 2020, respectively.

The Group takes into consideration the financing requirements of its construction projects when deciding the amount to be declared as dividends.

24. Segment Information

For management purposes, the Group is organized into business units based on geographical location, which comprises of two main groupings as follows:

1. Domestic - all transactions and contracts entered in the Philippines
2. Foreign - all transactions and contracts entered outside the Philippines
 - EEI Limited - incorporated in British Virgin Islands
 - Clear Jewel Investments, Ltd. - incorporated in British Virgin Islands
 - Nimaridge Investments, Limited - incorporated in British Virgin Islands
 - EEI Corporation (Guam) - incorporated in the United States of America
 - Al Rushaid Construction Company Limited - incorporated in the Kingdom of Saudi Arabia

Management monitors construction revenue and segment net income for the purpose of making decision about resources allocation.

Segment reporting is consistent in all periods presented as there are no changes in the structure of the Group's internal organization that will cause the composition of its reportable segment to change.

In Thousands of Philippine Peso)

	As of September 30, 2021 (Unaudited)				
	Domestic	Foreign	Combined	Elimination	Consolidated
Assets					
Current assets	17,611,218	6,713,317	24,324,535	(8,619,927)	15,704,608
Noncurrent assets	11,739,475	2,746,356	14,485,831	(3,054,685)	11,431,146
Total Assets	29,350,693	9,459,673	38,810,366	(11,674,612)	27,135,754

As of September 30, 2021
(Unaudited)

	Domestic	Foreign	Combined	Elimination	Consolidated
Liabilities					
Current liabilities	17,221,564	3,139,896	20,361,460	(4,410,306)	15,951,154
Noncurrent liabilities	4,438,714	2,089,918	6,528,632	(2,204,699)	4,323,933
Total Liabilities	21,660,278	5,229,814	26,890,092	(6,615,005)	20,275,087
Revenue	12,506,666	8,810,512	21,317,178	(8,933,873)	12,383,305
Direct cost	(11,113,144)	(7,536,795)	(18,649,939)	7,664,754	(10,985,185)
Selling and administrative expense	(1,123,642)	(225,950)	(1,349,592)	271,529	(1,078,063)
Interest expense	(355,362)	(16,582)	(371,944)	(3,163)	(375,107)
Foreign exchange gain (loss)	13,773	-	13,773	-	13,773
Share in equity in net earnings (losses) of associates and joint ventures	173,852	422,792	596,644	-	596,644
Interest and other income – net	93,708	41,143	134,851	(74,444)	60,407
Income before tax	195,851	1,495,120	1,690,971	(1,075,197)	615,774
Provision for income tax	(230,189)	(215,710)	(445,899)	202,069	(243,830)
Net income (loss)	(34,338)	1,279,410	1,245,072	(873,128)	371,944
Net Income Attributable to:					
Equity holders of Parent Company	(22,165)	1,279,410	1,257,245	(873,128)	384,117
Noncontrolling interests	(12,173)	-	(12,173)	-	(12,173)
	(P34,338)	P 1,279,410	P 1,245,072	(P873,128)	P 371,944
Other disclosures:					
Depreciation and amortization	P 462,472	P-	P 462,472	P-	P 462,472
Capital expenditure	108,347	-	108,347	-	108,347
Interest income	19,433	1	19,434	(14,212)	5,222
Investments in associates and joint ventures	P 1,612,900	P 1,475,488	P 3,088,388	P-	3,088,388

December 31, 2020
(Audited)

	Domestic	Foreign	Combined	Elimination	Consolidated
Assets					
Current assets	P15,361,433	P5,215,041	P20,576,474	(P4,638,640)	P15,937,834
Noncurrent assets	14,606,181	1,238,386	15,844,567	(4,889,861)	10,954,706
Total Assets	P29,967,614	P6,453,427	P36,421,041	(9,528,501)	P26,892,540
Liabilities					
Current liabilities	P14,332,584	P2,912,335	P17,244,919	(P2,871,271)	P14,373,648
Noncurrent liabilities	6,129,312	1,198,303	7,327,615	(1,216,177)	6,111,438
Total Liabilities	P20,461,896	P4,110,638	P24,572,534	(P4,087,448)	P20,485,086
Revenue	P14,416,682	P11,093,477	P25,510,159	(P11,628,840)	P13,881,319
Direct cost	(16,574,587)	(8,969,819)	(25,544,406)	9,450,739	(16,093,667)
Selling and administrative expense	(1,750,003)	(252,016)	(2,002,019)	305,407	(1,696,612)
Interest expense	(482,745)	(74,663)	(557,408)	91,165	(466,243)
Foreign exchange gain (loss)	(46,584)	-	(46,584)	-	(46,584)
(Forward)					
Share in equity in net earnings (losses) of associates and joint ventures	966,226	14,641	980,867	-	980,867
Interest and other income – net	136,627	34,730	171,357	(87,994)	83,363
Income before tax	(3,334,384)	1,846,350	(1,488,034)	(1,869,523)	(3,357,557)
Provision for income tax	1,093,397	(201,256)	892,141	393,250	1,285,391
Net income (loss)	(P2,240,987)	P1,645,094	(595,893)	(P1,476,273)	(2,072,166)
Other disclosures:					
Depreciation and amortization	P766,099	P-	P766,099	P-	P766,099
Capital expenditure	489,515	-	489,515	-	489,515
Interest income	28,392	-	28,392	(11,437)	16,955
Investments in associates and joint ventures	1,529,787	1,360,288	2,890,075	-	2,890,075

25. Earnings per Share

The following table presents information necessary to calculate earnings per share:

	2021 (Unaudited)	2020 (Unaudited)
Net income (loss) attributable to equity holders of the Parent Company	₱ 384,116,674	(₱891,504,352)
Weighted average number of common shares	1,036,281,485	1,036,281,485
<u>Earnings (loss) per share - basic/diluted</u>	<u>₱0.3707</u>	<u>(₱0.8603)</u>

The exercise price of unexercised stock options is still higher than the average market price during the year making the options anti-dilutive, hence, no diluted earnings per share is calculated.

The weighted average number of common shares is computed as follows:

	September 30, 2021	September 30, 2020
Number of common shares issued and outstanding	1,036,401,386	1,036,401,386
Less: treasury shares	119,901	119,901
	<u>1,036,281,485</u>	<u>1,036,281,485</u>

EEI CORPORATION AND SUBSIDIARIES
SUPPLEMENTARY INFORMATION AND DISCLOSURES REQUIRED ON
REVISED SRC RULE NO. 68
SEPTEMBER 30, 2021

Philippine Securities and Exchange Commission (SEC) issued the Revised Securities Regulation Code Rule No. 68 (Revised SRC Rule No. 68) which consolidates the two separate rules and labeled in the amendment as “Part I” and “Part II”, respectively. It also prescribed the additional information and schedule requirements for issuers of securities to the public.

Below are the additional information and schedules required by Revised SRC Rule No. 68, that are relevant to the Group. This information is presented for purposes of filing with the SEC and is not required part of the basic financial statements.

Schedule A. Financial Assets

The following is the detailed schedule of equity in investments at FVOCI as at September 30, 2021:

		Number of Shares	Amount Shown in the Statement of Financial Position	Movement Valuation
Name of Issuing Entities				
Quoted:				
	Sta. Elena Golf Club Inc.	2	P 13,000,000	P2,000,000
	Philippine Long Distance Telephone Co.	37,942	8,118,576	1,568,080
	Manila Southwood Golf & Country Club	2	3,000,000	-
	Valle Verde Country Club	2	700,000	(200,000)
	The Orchard Golf and Country Club	1	700,000	200,000
	Canyon Woods	1	70,000	-
	Royale Tagaytay Country Club	1	60,000	-
Related Parties:				
	The Orchard Golf	1	500,000	-
	Sherwoods Hills Golf Club	1	250,000	-
	Fairways & Blue Water Resort Golf	1	250,000	-
	Club Filipino	1	180,000	-
	Forest Hill golf share	1	180,000	-
	Royale NorthWoods	1	121,856	-
	Eagle Ridge Golf & Country Club	1	60,000	-
	PLDT	925	10,333	-
Unquoted:				
	Hermosa Ecozone Development Corp (HEDC)	1,000,000	392,041,623	(48,708,400)
	Brightnote Assets Corporation	1,100,000	2,657,925	-
	YGC Corporate Services, Inc.	12,000	2,509,932	-
	YGC Corporate Services, Inc.	1,389	500,000	-
	Tower Club (Philam Properties Corp.)	1	795,515	-
	Architectural Center Club, Inc. (ACCI)	1	32,000	-
	Philippine Contractors Association	10,000	10,000	-
	Philippine Exporters Trading Corp.	5,000	5,000	-
	Pilipino Telephone Company	150	675	-
Related Party:				
	Petro Green Energy Corporation	205,376,000	639,521,555	78,845,076
	Total	207,543,424	P 1,065,274,990	P 33,704,756

Income earned and accrued from the financial assets amounted to P45.8 million as of September 2021.

Schedule B. Amounts Receivable from Directors, Officers, Employees, Related Parties and Principal Stockholders (Other than Related Parties)

The Group has no advances to officers and employees above P1.0 million as at September 30, 2021.

Schedule C. Amounts Receivable from Related Parties which are Eliminated during the Consolidation of Financial Statements

The following is the schedule of receivables from related parties, which are eliminated in the consolidated financial statements as at September 30, 2021:

Name and Designation of Debtor	Balance at beginning of year	Additions	Amounts Collected	Balance at end of September 30, 2021
EEI Realty Corp	P 847,241	2,319,945	(2,956,055)	211,131
EEI Power Corp.	45,511,910	5,024,355	(49,913,170)	623,095
Gulf Asia International Corp.	29,627	2,164,715	(2,150,417)	43,925
GAIC Manpower Services Inc.	105,071	6,373,351	(6,077,913)	400,509
Philrock Construction & Services, Inc.	41,864,355	-	-	41,864,355
Philmark, Inc.	33,704,595	-	-	33,704,595
Equipment Engineers, Inc.	16,232,679	20,210,292	(10,683,773)	25,759,198
EEI Construction & Marine, Inc.	936,243	5,321,504	(5,859,966)	397,781
Learn JP	37,051	293,775	(53,693)	277,133
JPSAI	27,303,132	31,976,759	(1,467,339)	57,812,552
Biotech	81,671	14,730,217	(19,693)	14,792,195
EEI Energy	-	36,396	-	36,396
EEI Carga	-	178,779	-	178,779
EEI Limited	315,301,023	9,178,034	(323,458,334)	1,020,723
	P481,954,598	P 97,808,122	P (402,640,353)	P 177,122,367

There were no amounts written off during the year.

The following is the schedule of payable to related parties, which are eliminated in the interim condensed consolidated financial statements as at September 30, 2021:

Name and Designation of Creditor	Balance at beginning of year	Additions	Amounts Paid	Balance at end of September 30, 2021
EEI Construction & Marine, Inc.	162,552,323	13,704,978	(66,567,965)	109,689,336
Equipment Engineers, Inc.	78,397,813	94,721,526	(169,007,311)	4,112,028
EEI Subic Corporation	89,079,662	115,267	-	89,194,929
Gulf Asia International Corp.	-	11,960,502	(11,960,502)	-
GAIC Manpower Services Inc.	2,515,375	9,350,817	(11,188,384)	677,808
Bagumbayan Equipment Industrial Products, Inc.	1,643,054	-	-	1,643,054
JP Asia	16,529,644	24,838,704	(40,942,654)	425,694
EEI Realty Corp.	4,845,640	49,180,178	(11,309,903)	42,715,915
Biotech JP	-	60,174,776	-	60,174,776
EEI Power Corp	321,998	44,192,856	(33,419,648)	11,095,206
	P355,885,509	P 308,239,604	P (344,396,367)	P319,728,746

There were no amounts written off during the year.

Schedule D. Long-term Debt

Below is the schedule of long-term debt of the Group as at September 30, 2021:

Type of Obligation	Amount	Current	Noncurrent	Collateral
Floating-rate corporate promissory notes with effective interest of 3.5000% per annum for seven (3) years.	₱2,250,000,000	₱1,000,000,000	₱1,250,000,000	
Floating-rate corporate promissory notes with effective interest of 4.5000% per annum for seven (3) years.	416,666,667	333,333,334	83,333,333	
Floating-rate corporate promissory notes with effective interest of 3.25000% per annum for seven (3) years.	726,411,861	328,492,935	397,918,926	
Floating-rate corporate promissory notes with effective interest of 3.42000% per annum for seven (3) years.	1,250,000,000	500,000,000	750,000,000	
BiotechJP				
Yen-denominated five (5) year term loan, with interest of 0.05% per annum.	18,208,000	18,208,000	-	No Collateral
Yen-denominated four and half (4.5) year term loan, with interest of 0.98% per annum	6,828,000	6,828,000	-	No Collateral
Yen-denominated four and half (5) year term loan, with interest of 0.30% per annum.	8,070,798	6,249,998	1,820,800	No Collateral
USD-denominated, APR 2020 – NOV 2029, with interest of floating rate plus margin (0.075%)	21,675,000	2,550,000	19,125,000	No Collateral
Yen-denominated ten (10) year term loan, with interest of 0.30% per annum	45,520,000	6,828,000	38,692,000	No Collateral
Yen-denominated ten (10) year term loan, with interest of 2.975% per annum	91,040,000	13,656,000	77,384,000	No Collateral
	₱4,834,420,326	₱2,216,146,267	₱2,618,274,059	

Schedule E. Indebtedness to Related Parties (Long Term Loans from Related Companies)

As at September 30, 2021, the Group has no long-term loans from its associates and entities under common control.

Schedule F. Guarantees of Securities of Other Issuers

The Group did not guarantee any guarantees of securities of other issuing entities by the Group as at September 30, 2021.

Schedule G. Capital Stock

Title of issue	Number of shares authorized	Number of shares issued and outstanding as shown under related balance sheet caption	Number of shares reserved for options, warrants, conversion and other rights	Number of shares held by related parties	Directors, Officers and Employees	Others
Common Shares	2,000,000,000	1,036,281,485	35,000,000	573,463,646	3,319,385	459,498,454
Preferred Shares	400,000,000	-	-	-	-	-

EEI CORPORATION**RECONCILIATION OF RETAINED EARNINGS AVAILABLE FOR DIVIDEND
DECLARATION****As of September 30, 2021**

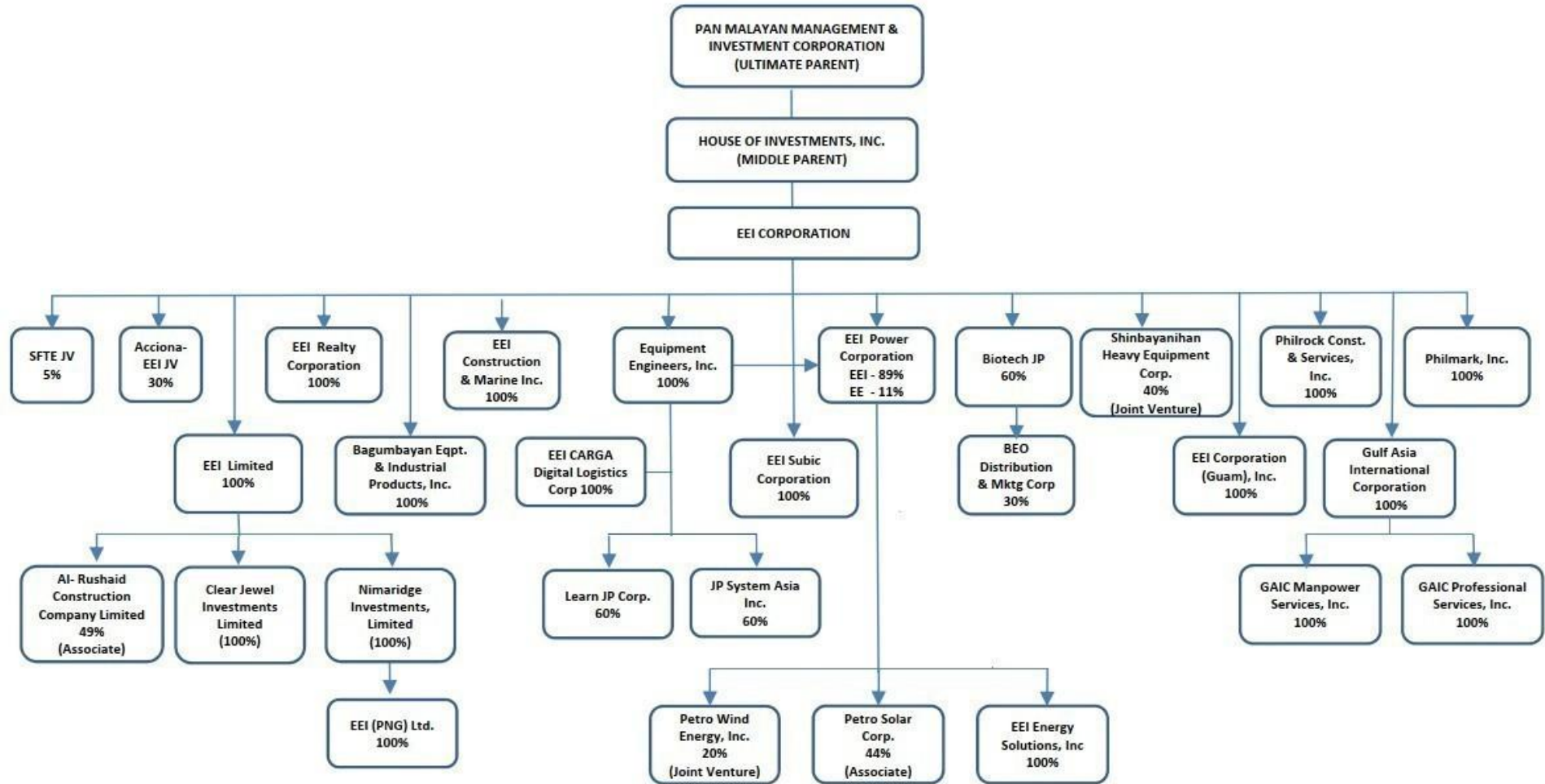
Unappropriated retained earnings, January 1, 2021, as adjusted	₱855,567,516
Add: Net income actually earned/realized during the period	
Add: Non-actual losses	
Depreciation on revaluation increment (after tax)	–
Adjustment due to deviation from PFRS/GAAP - loss	–
Loss on fair value adjustment of investment property (after tax)	–
Movement in deferred tax asset	184,484,681
Less: Non-actual/ unrealized income net of tax	
Net loss during the period closed to Retained Earnings	(207,826,560)
Equity share in net gain of joint venture - net of tax	(15,856,901)
Unrealized foreign exchange gain - net	(15,063,136)
Unrealized actuarial gain - net	–
Fair value adjustment	–
Adjustment due to deviation from PFRS/GAAP gain	–
Other unrealized gain or adjustments to the retained earnings as a result of certain transactions accounted under the PFRS	–
Net loss actually earned during the period	(54,261,916)
Add (Less):	
Dividend declarations during the period	–
Appropriations of retained earnings during the year	–
Reversals of appropriations	–
Effects of prior period adjustments	–
	–
Unappropriated retained earnings available for dividend distribution, September 30, 2021	₱801,305,600

E EI CORPORATION AND SUBSIDIARIES

MAP OF RELATIONSHIPS OF THE COMPANIES WITHIN THE GROUP

Group Structure

Below is a map showing the relationship between and among the Group and its ultimate parent company, subsidiaries, and associates as at September 30, 2021:



E EI CORPORATION AND SUBSIDIARIES
SCHEDULE OF FINANCIAL SOUNDNESS INDICATORS
As at September 30, 2021 and December 31, 2020

Financial Soundness Indicator

Below are the financial ratios that are relevant to the Group as at September 30, 2021 and December 31, 2020 and for the periods then ended.

	September 30, 2021	December 31, 2020
Current asset	15,704,608,176	15,937,833,970
Divide by: Current liabilities	15,951,154,290	14,373,647,508
Current Ratio	0.98	1.11
Net income (loss)	371,943,957	(2,072,166,490)
Add: Depreciation	462,472,221	766,098,997
Sub-total	834,416,178	(1,306,067,493)
Divide by: Total liabilities	20,275,087,565	20,485,085,495
Solvency Ratio	0.04	(0.06)
Total liabilities	20,275,087,565	20,485,085,495
Divide by: Total Equity attributable to equity holders of the Parent Company	6,858,286,307	6,392,901,268
Debt to Equity Ratio	2.96	3.20
Total Assets	27,135,754,495	26,892,540,103
Divide by: Total Equity attributable to equity holders of the Parent Company	6,858,286,307	6,392,901,268
Asset to Equity Ratio	3.96	4.21
Income (Loss) before income tax	615,773,973	(3,357,557,864)
Add: Interest expense	375,107,233	466,242,665
Earnings before interest and taxes	990,881,206	(2,891,315,199)
Divide by: Interest expense	375,107,233	466,242,665
Interest Coverage Ratio	2.64	(6.20)
Net income (loss)	371,943,957	(2,072,166,490)
Divide by: Average total assets	27,014,147,299	27,469,664,833
Return on Assets	1.38%	(7.54%)
Net income (loss)	371,943,957	(2,072,166,490)
Divided by: Average total equity	6,634,060,769	7,506,115,672
Return on Equity	5.61%	(27.61%)

EI CORPORATION AND SUBSIDIARIES**AGING OF TRADE RECEIVABLES**

As at September 30, 2021

(In Thousand Pesos)

	Current	30 Days	60 Days	90 Days	120 Days/ Over	Total
EI Corporation	992,077	740,425	246,477	27,094	411,745	2,417,818
Gulf Asia International Corporation	31,126	10,249	14,681	3,276	28,975	88,307
EI Construction and Marine, Inc.	38,039	24,554	5,488	10,173	46,558	124,812
Equipment Engineers, Inc.	14,506	4,987	70	645	28,376	48,584
EI Power Corporation	31,373	332	20,050	772	203,506	256,033
EI Realty Corporation	27,758	488	37	37	1,224	29,544
Others	717	-	-	-	9,578	10,295
Total	1,135,596	781,035	286,803	41,997	729,962	2,975,393