



ALSONS CONSOLIDATED RESOURCES, INC.

Php 3,000,000,000 Commercial Paper Program

First Tranche: Php 2,000,000,000

Commercial Paper

182 and 364 days Tenor

Issue Price: Discount to face value

Alsons Consolidated Resources, Inc. ("ACR", the "Company" or the "Issuer") is authorized by the Securities and Exchange Commission to issue up to Php 2,000,000,000 worth of Commercial Paper ("CP"), as part of a Php3,000,000,000 CP registration. The CP Program will be issued in one or more tranches with Php 2,000,000,000 Commercial Paper to be issued for the First Tranche of the CP Program. The First Tranche will have the following tenors: 182 days and 364 days for Series O and P, respectively. Series O and P of the First Tranche will carry Discount Rates of 3.25% and 3.75%, respectively, calculated on a true-discount basis. (See "Terms and Description of the CPs – Discount Rate").

The CPs shall be offered to the public (the "Offer") at discount to face value and in one lump sum or in tranches through the Underwriter and the Selling Agents as may be named below subject to certain conditions in the Issue Management and Underwriting Agreement executed between the Issuer and the Issue Manager/Underwriter. The CPs are intended to be listed at the Philippine Dealing & Exchange Corp. (PDEX) for secondary trading of the CPs and upon such listing, all secondary trading may be coursed through eligible PDEX Trading Participants. The Issuer has been assigned a credit rating of A plus by the Philippine Ratings Services Corporation ("PhilRatings" or "PRS") on January 5, 2021. A credit rating is not a recommendation to buy, sell, or hold the securities and may be subject to revision, suspension, or withdrawal at any time by PhilRatings.

Sole Issue Manager, Lead Arranger and Underwriter

Multinational Investment Bancorporation

June 24, 2021

THE SECURITIES AND EXCHANGE COMMISSION HAS NOT APPROVED THESE SECURITIES OR DETERMINED IF THIS PROSPECTUS IS ACCURATE OR COMPLETE. ANY REPRESENTATION TO THE CONTRARY IS A CRIMINAL OFFENSE AND SHOULD BE REPORTED IMMEDIATELY TO THE SECURITIES AND EXCHANGE COMMISSION.

ALSONS CONSOLIDATED RESOURCES, INC.
ALSONS BUILDING, 2286 DON CHINO ROCES AVENUE
MAKATI CITY 1231, PHILIPPINES
+632 8982 3000

ACR is offering the the CPs in an aggregate face value of up to Php 3,000,000,000.00 to be issued in tranches. The First Tranche of the CP Program has an aggregate face value of up to Php2,000,000,000.00 (the “CPs” or the “Offer”). The CPs, which may be issued in lump sum or in tranches, shall have an interest rate fixed prior to issuance.

After the close of the Offer and within three (3) years following the issuance of the CPs, the Company may, at its sole discretion, offer any or all of the remaining balance of the face value of the CPs covered by such registration statement, in one or more subsequent tranches under Rule 12.1.2.5 of the Implementing Rules and Regulations of the Securities Regulation Code. Such registration provides the Company with the ability to take advantage of opportunities in a volatile debt capital market, as these occur, and to issue CPs depending on its financing needs. Subsequent issuances are subject to a rating by PRS.

The CPs will be unsecured obligations of the Company and will rank *pari passu* without any preference amongst themselves and at least *pari passu* with other unsecured and unsubordinated obligations of the Company, present and future, other than obligations preferred by law. The CPs will be effectively subordinated in right of payment to all secured debt of the Company to the extent of the value of the assets securing such debt and all debt that is evidenced by a public instrument under Article 2244(14) of the Civil Code of the Philippines.

The Company expects the net Offer proceeds of the First Tranche to amount to approximately ₱1,878,010,601.87. Such proceeds will be used by the Company to finance its working capital requirements and for general corporate purposes, specifically on settling its maturing short-term obligations. See “Use of Proceeds” on page 35. The Sole Issue Manager, Arranger and Underwriter will receive 0.50% per annum of the aggregate face value of the CPs issued. Such amount shall be inclusive of the underwriting and selling agency fees, if applicable, and shall be deductible from the gross proceeds of the Offering.

The Company was incorporated on December 24, 1974 as Victoria Gold Mining Corporation to engage in the business of exploration of oil, petroleum and other mineral products. The corporate name was changed to Terra Grande Resources, Inc. in March 1995 and to Alsons Consolidated Resources, Inc. in June 1995 to mark the entry of the Alcantara Group. ACR’s primary purpose was consequently changed to that of an investment holding company and oil exploration was relegated as a secondary purpose. The Company’s ultimate parent company is Alsons Corporation, a company incorporated in the Philippines.

ACR's core businesses, conducted through its various subsidiaries and associates, are grouped into main categories consisting of Energy and Power, Property Development, and Other Investments.

ACR's investment in the Energy and Power business is through four holding firms, namely, Conal Holdings Corporation, Alsing Power Holdings, Inc., Alsons Renewable Energy Corporation, and Alsons Thermal Energy Corporation.

The Company is also engaged in property development through its subsidiaries, Alsons Land Corporation and Kamanga Agro-Industrial Economic Development Corporation.

Declaration of dividends is subject to approval by the Board of Directors. Management continuously endeavors to increase ACR's share value through new projects and expansion programs while at the same time provide yearly dividends to its shareholders. On June 8, 2011, the Board of Directors adopted a dividend policy of annually declaring dividends from 20% of the previous year's un-appropriated retained earnings. See "Dividends" on page 79.

Unless otherwise stated, all information contained in this Prospectus has been supplied by the Company. The Company, through its Board, having made all reasonable inquiries, accepts full responsibility for the information contained in this Prospectus and confirms that this Prospectus contains all material information with regard to the Company, its business and operations and the CPs, which as of the date of this Prospectus is material in the context of the Offer; that, to the best of its knowledge and belief as of the date hereof, the information contained in this Prospectus are true and correct and is not misleading in any material respect; that the opinions and intentions expressed herein are honestly held; and, that there are no other facts, the omission of which makes this Prospectus, as a whole or in part, misleading in any material respect. The delivery of this Prospectus shall not, under any circumstances, create any implication that the information contained herein is correct as of any time subsequent to the date hereof.

Multinational Investment Bancorporation, the Sole Issue Manager, Arranger and Underwriter, warrants that it has, to the best of its ability, exercised the level of due diligence required under existing regulations in ascertaining that all material information contained in this Prospectus are true and correct, and that to the best of its knowledge, no material information was omitted, which was necessary in order to make the statements contained in this Prospectus not misleading.

Market data and certain industry information used throughout this Prospectus were obtained from internal surveys, market research, publicly available information and industry publications. Industry publications generally state that the information contained therein has been obtained from sources believed to be reliable, but that the accuracy and completeness of such information is not guaranteed. Similarly, internal surveys, industry forecasts and market research, while believed to be reliable, have not been independently verified and neither the Company nor the Sole Issue Manager, Arranger and Underwriter makes any representation as to the accuracy and completeness of such information.

In making an investment decision, applicants are advised to carefully consider all the information contained in this Prospectus, including the following key points characterizing potential risks in an investment in the CPs:

Risks relating to the Company and its business

- Risk on Foreign Exchange Rate Fluctuations
- Interest Rate Risks
- Liquidity Risks
- Credit Risks
- Risks relating to project cost and completion
- Risk on malfunctions and failures to operate
- Risk of insufficient fund to finance the project
- Risk on failure in operations of the Power plants
- Risk on assurance of successful implementation of business plans and strategies
- Reputational Risk of Directors and Officers of the Company
- Risk on foreign ownership limitations
- Regulatory Risks
- Competitive Risk

- Risk on Stranded Assets

Risks Relating to the Philippines

- Slowdown in the Philippine economy
- Political or social instability
- Natural catastrophe and calamity
- Corona Virus Disease 2019 (COVID-19) Pandemic

Risks Relating to the Commercial Papers

- Liquidity Risk – the Philippine securities markets are substantially smaller, less liquid and more concentrated than the major securities markets
- Price Risk – the CPs' market value moves (either up or down) depending on the change in interest rates
- Retention of Ratings Risk – there is no assurance that the rating of the CPs will be retained throughout the life of the CPs

For a more detailed discussion on the risks in investing, see section on “*Risk Factors*” beginning on page 21 of this Prospectus, which, while not intended to be an exhaustive enumeration of all risks, must be considered in connection with a purchase of the CPs.

This Prospectus includes forward-looking statements. The Company has based these forward-looking statements largely on its current expectation and projections about future events and financial trends affecting its business and operations. Words including, but not limited to “believe”, “may”, “will”, “estimates”, “continues”, “anticipates”, “intends”, “expects” and similar words are intended to identify forward-looking statements. In light of the risks and uncertainties associated with forward-looking statements, investors should be aware that the forward-looking events and circumstances in this Prospectus may or may not occur. The Company's actual results could differ significantly from those anticipated in the Company's forward-looking statements.

The contents of this Prospectus are not to be considered as legal, business or tax advice. Each prospective purchaser of the CPs receiving a copy of this Prospectus acknowledges that he has not relied on the Sole Issue Manager, Arranger and Underwriter or Selling Agents, as applicable, in his investigation of the accuracy of such information or his investment decision. Prospective purchasers should consult their own counsel, accountants or other advisors as to legal, tax, business, financial and related aspects of a purchase of the CPs.

The CPs are offered solely on the basis of the information contained and the representations made in this Prospectus. No dealer, salesman or other person has been authorized by the Company or by the Sole Issue Manager, Arranger and Underwriter to issue any advertisement or to give any information or make any representation in connection with the Offer other than those contained in this Prospectus and, if issued, given or made, such advertisement, information or representation must not be relied upon as having been authorized by the Company or by the Sole Issue Manager, Arranger and Underwriter.

The laws of certain jurisdictions may restrict the distribution of this Prospectus and the offer and sale of the CPs. Persons into whose possession this Prospectus or any of the CPs come must inform themselves about, and observe any such restrictions. Neither the Company, the Issue Manager/Underwriter and the Selling Agents, if any, nor any of its or their respective representatives are making any representation to any prospective purchaser of the CPs of the legality of any investment in the CPs by

such prospective purchaser under applicable legal investment or similar laws or regulations.

The Company is organized under the laws of the Republic of the Philippines. Its principal office is located at Alsons Building, 2286 Chino Roces Avenue, Makati City 1231, Philippines, with telephone number +63 2 8982 3000. Any inquiry regarding this Prospectus should be forwarded to the Company or to Multinational Investment Bancorporation.

ALL REGISTRATION REQUIREMENTS HAVE BEEN MET AND ALL INFORMATION CONTAINED HEREIN ARE TRUE AND CURRENT.

ALSONS CONSOLIDATED RESOURCES, INC.

By:

PHILIP EDWARD B. SAGUN
Deputy Chief Financial Officer

SUBSCRIBED AND SWORN to before me this JUN 23 2021 day of PASIG CITY,
Philippines, affiants exhibiting to me their respective _____,
issued respectively on _____ in _____.

Doc. No. 522 ;
Page No. 106 ;
Book No. 4 ;
Series of 2021.

JOSE MA. JASON J. FRANCISCO
Appointment No. 135 (2019-2020)
Notary Public for Pasig City
Until June 30, 2021 (B.M. No. 3795)
Weremote Pk., 2/F, Bldg. C, Metrowalk
Meralco Ave., Brgy. Ugong, Pasig City
Roll No. 62594; 04/29/2013
PTR No. 7204673; 01/04/2021; Pasig City
IBP Lifetime No. 013055; 01/05/2015
MCLE No. VI-0018262; 02/06/2019

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DEFINITION OF TERMS

| | |
|---------------------------|--|
| ACES..... | Aces Technical Services Corporation |
| ACR or Company..... | Alsons Consolidated Resources, Inc. |
| Alsing..... | Alsing Power Holdings, Inc. one of the four holding firms of Alsons under its Energy and Power business |
| ADIC or ALDEVINCO..... | Alsons Development and Investment Corporation |
| Alsons..... | Alsons Consolidated Resources, Inc. |
| AREC..... | Alsons Renewable Energy Corporation, one of the four holding firms of Alsons under its Energy and Power business |
| ATEC..... | Alsons Thermal Energy Corporation, one of the four holding firms of Alsons under its Energy and Power business |
| Banking Day..... | A day (except Saturdays, Sundays and holidays) on which banks in the Philippines are open for business |
| BIR..... | Bureau of Internal Revenue |
| BOO..... | “Build-Operate-Own” agreement |
| BSP..... | Bangko Sentral ng Pilipinas, the central bank of the Philippines |
| BVAL | Bloomberg Valuation benchmark reference rates as reported in the Bloomberg system |
| Conal or CHC | Conal Holdings Corporation, one of the four holding firms of Alsons under its Energy and Power business |
| Corporation Code..... | Batas Pambansa Blg. 68, otherwise known as “The Corporation Code of the Philippines” as amended by Republic Act No. 11232, otherwise known as the “Revised Corporation Code of the Philippines”. |
| CPs..... | The Commercial Papers which are evidence of indebtedness registered with the SEC with maturity of three hundred and sixty five (365) days or less |
| CP Holder..... | A purchaser of the CPs |
| CP Program | The Php3,000,000,000 registration which will be issued in one or more tranches |

| | |
|---|--|
| CSP..... | Competitive Selection Process |
| DENR..... | Philippine Department of Environment and Natural Resources |
| Directors..... | The members of the Board of Directors of the Company |
| Eagle Ridge | The Eagle Ridge Golf & Residential Estate |
| ECA..... | Energy Conversion Agreement |
| EPC..... | Engineering, Procurement and Construction is a form of arrangement where the EPC Contractor is responsible for all the activities from design, procurement, construction to handover to the Owner |
| ERC..... | Energy Regulatory Commission |
| First Tranche..... | The first issuance of the Commercial Paper |
| Government..... | The Government of the Republic of the Philippines |
| GRT..... | Gross receipts tax |
| Issue Date..... | A date at which the CPs or a portion thereof shall be issued by the Issuer, which date shall be set by the Issuer in consultation with the Sole Issue Manager, Arranger and Underwriter. For the avoidance of doubt, an Issue Date shall at any time be a date which is within the validity of the SEC Permit to Sell. |
| Issuer | Alsons Consolidated Resources, Inc. |
| Kalaong..... | Kalaong Hydro Power Corporation |
| Listing Date..... | The date at which the CP shall be listed with PDEX |
| MPC..... | Mapalad Power Corporation |
| NPC..... | National Power Corporation |
| O & M..... | Operation and Maintenance |
| Offer..... | Up to Php1,000,000,000 worth of Commercial Paper |
| Offer Price..... | Discount to face value |
| Offtake Agreement / Power Supply Agreement/ Power Sales Agreement | A contract between two parties, one which generates electricity (the seller) and one which is looking to purchase electricity (the buyer) |

| | |
|--------------------------------------|--|
| / PSA..... | |
| Php or P..... | Philippine Pesos, the lawful currency of the Republic of the Philippines |
| PDEX..... | Philippine Dealing & Exchange Corp. |
| PDTC..... | The Philippine Depository and Trust Corporation |
| PEZA..... | Philippine Economic Zone Authority |
| PFRS..... | Philippine Financial Reporting Standards |
| Philratings..... | Philippine Ratings Services Corporation |
| Prospectus..... | This Prospectus together with all its annexes, appendices and amendments, if any |
| Sarangani Energy..... | Sarangani Energy Corporation |
| SEC..... | The Philippine Securities and Exchange Commission |
| SEC Permit to Sell..... | The Certificate of Permit to Offer Securities for Sale issued by the SEC authorizing the Company to offer for sale and sell the CPs to the public |
| Siguil..... | Siguil Hydro Power Corporation |
| Subsequent Issuance..... | Issuances subsequent to the Initial Issuance |
| Sole Issue Manager and Arranger..... | Multinational Investment Bancorporation |
| SPPC..... | Southern Philippines Power Corporation |
| SRC..... | Republic Act No. 8799, otherwise known as “The Securities Regulation Code” |
| SRPI..... | San Ramon Power, Inc. |
| TDF | Term Deposit Facility. The TDF is a key liquidity absorption facility, commonly used by Central Banks for liquidity management. Due to the BSP’s inability to issue its own debt instruments, the TDF will be tasked to withdraw a large part of the structural liquidity from the financial system to bring market rates closer to the BSP policy rate. |
| TTC..... | Toyota Tsusho Corporation |

| | |
|--|---|
| Underwriter and Issue Manager | Multinational Investment Bancorporation |
| Underwriting Agreement..... | The agreement entered into by and between the Company and the Underwriter, indicating the terms and conditions of the Offer and providing that the Offer shall be fully underwritten by the Underwriter |
| VAT..... | Value Added Tax |
| WMPC..... | Western Mindanao Power Corporation |

EXECUTIVE SUMMARY

The following summary does not purport to be complete and is taken from and qualified in its entirety by the more detailed information including the Company's financial statements and notes relating thereto, appearing elsewhere in this Prospectus. For a discussion of certain matters that should be considered in evaluating any investment in the CPs, see the section entitled "Risk Factors" beginning on page 21 of this Prospectus.

OVERVIEW OF THE COMPANY

The Company was incorporated on December 24, 1974 as Victoria Gold Mining Corporation to engage in the business of exploration of oil, petroleum and other mineral products. The corporate name was changed to Terra Grande Resources, Inc. in March 1995 and to Alsons Consolidated Resources, Inc. in June 1995 to mark the entry of the Alcantara Group. ACR's primary purpose was consequently changed to that of an investment holding company and oil exploration was relegated as a secondary purpose. The Alcantara Group owns 79.97% of the outstanding common shares of ACR through Alsons Corporation (41.21%), Alsons Power Holdings Corporation (19.87%) and Alsons Development and Investment Corporation (18.89%).

ACR's core businesses, conducted through its various subsidiaries and associates, are grouped into main categories consisting of Energy and Power, Property Development, and Other Investments.

ACR's investment in the Energy and Power business is through four holding firms, namely, Conal Holdings Corporation, Alsing Power Holdings, Inc., Alsons Renewable Energy Corporation, and Alsons Thermal Energy Corporation.

The Company has four operating power generation subsidiaries, namely, Western Mindanao Power Corporation ("WMPC"), Southern Philippines Power Corporation ("SPPC"), Mapalad Power Corporation ("MPC"), and Sarangani Energy Corporation ("Sarangani"), all of which are located in Mindanao. ACR, through its subsidiaries, is also conducting feasibility studies on renewable energy projects. Sarangani Energy's 210MW coal-fired power plants are located in Maasim, Sarangani Province. Its first section of 105MW began commercial operations in April 2016, while its second section of another 105MW or Phase 2 started commercial operations on October 10, 2019.

ACR has also started construction of its first renewable energy project under Siguil Hydro Power Corporation, which will operate a 14.5MW run-of-river electricity generating facility located at the Siguil River basin in Maasim, Sarangani. ACR expects commercial operations to begin in 2022. The Company likewise began site development and clearing works for SRPI's 105MW coal-fired power plant project, which could supply power to Zamboanga City and other parts of the Zamboanga Peninsula, with commercial operations expected to begin in 2024.

The Company is also engaged in property development through its subsidiaries, Alsons Land Corporation and Kamanga Agro-Industrial Economic Development Corporation.

COMPETITIVE STRENGTHS

The Company believes that its strengths lie in the following:

- In-depth knowledge of the Mindanao region
- Experienced management team
- Proven track record in developing and operating greenfield power projects
- Enhanced competitiveness and sustainable growth
- Focused strategies

Additional information on the Company's Competitive Strengths may be found in the *"The Company"* beginning on page 53.

BUSINESS STRATEGY

ACR's expansion strategy is driven by the needs of the Mindanao grid and is supported by long-term offtake agreements. The Company will position its diesel plants to perform roles that are not effectively and efficiently served by coal fired power plants. In addition, ACR will develop its pipeline of hydro power projects to round up its generation mix with renewable sources.

ACR's expansion will:

- Allow it to provide a complete power solution to the Mindanao grid
- Mitigate fuel-type specific risks such as volatilities in fuel costs and regulatory concerns linked to certain fuel types
- Enhance competitiveness of ACR in the Mindanao Electricity Market
- Diversify revenue and cash flow source.

RISKS OF INVESTING

Before making an investment decision, investors should carefully consider the risks associated with an investment in the CPs. These risks include:

Risks relating to the Company and its business

- Risk on Foreign Exchange Rate Fluctuations
- Interest Rate Risks
- Liquidity Risks
- Credit Risks
- Risks relating to project cost and completion
- Risk on malfunctions and failures to operate
- Risk of insufficient fund to finance the project
- Risk on failure in operations of the Power plants
- Risk on assurance of successful implementation of business plans and strategies
- Reputational Risk of Directors and Officers of the Company
- Risk on foreign ownership limitations
- Regulatory Risks

- Competitive Risk
- Risk on Stranded Assets

Risks Relating to the Philippines

- Slowdown in the Philippine economy
- Political or social instability
- The occurrences of natural catastrophe and calamity
- Corona Virus Disease 2019 (COVID-19) Pandemic

Risks Relating to the Commercial Papers

- Liquidity Risk – the Philippine securities markets are substantially smaller, less liquid and more concentrated than major securities markets
- Price Risk – the CPs market value moves (either up or down) depending on the change in interest rates
- Retention of Ratings Risk – there is no assurance that the rating of the CPs will be retained throughout the life of the CPs

For a more detailed discussion on the risks in investing, see section on “*Risk Factors*” beginning on page 21 of this Prospectus, which, while not intended to be an exhaustive enumeration of all risks, must be considered in connection with a purchase of the CPs.

CORPORATE INFORMATION

The Company’s principal office is located at Alsons Building, 2286 Chino Roces Avenue, Makati City 1231, Philippines with telephone number +632 8982 3000.

SUMMARY FINANCIAL INFORMATION

The selected financial information set forth in the following table has been derived from the Company's Interim Financial Statements as of March 31, 2021 and 2020 (with comparative Audited Consolidated Balance sheet as of December 31, 2020).. These should be read in conjunction with the financial statements and notes thereto contained in this Prospectus and the section entitled "Management's Discussion and Analysis of Financial Condition" and other financial information included herein.

The Company's financial statements were prepared by SyCip Gorres Velayo & Co. (SGV) a member practice of Ernst & Young Global, in accordance with PFRS. The summary financial information set out below does not purport to project the results of operations or financial condition of the Company for any future period or date.

Income Statement

| CONSOLIDATED INCOME STATEMENT DATA (in Php millions) | | | |
|--|----------------------|------------|------------|
| | March 31 (unaudited) | | |
| | 2021 | 2020 | 2019 |
| Revenues | 2,160 | 2,212 | 1,226 |
| Cost and Expenses | (1,762) | (1,891) | 1,136 |
| Other Income/ (Charges) | 16 | 18 | 22 |
| Income Before Income Tax | 413 | 339 | 112 |
| Provision for (Benefit From) Income Tax | 34 | 28 | 8 |
| Net Income | 379 | 310 | 104 |

Balance Sheet

| | | |
|-------------------------------------|---------------|---------------|
| ASSETS | | |
| Current Assets | 10,374 | 9,393 |
| Noncurrent Assets | 36,771 | 37,022 |
| Total Assets | 47,145 | 46,415 |
| | | |
| LIABILITIES AND EQUITY | | |
| Current Liabilities | 9,174 | 8,847 |
| Noncurrent Liabilities | 21,888 | 21,864 |
| Total Liabilities | 31,062 | 30,710 |
| Total Equity | 16,083 | 15,704 |
| Total Liabilities and Equity | 47,145 | 46,415 |

THE OFFER

The following do not purport to be a complete listing of all the rights, obligations and privileges of the CPs. Some rights, obligations or privileges may be further limited or restricted by other documents and subject to final documentation. Prospective note holders are enjoined to perform their own independent investigation and analysis of the Issuer and the Commercial Papers. Each prospective note holder must rely on its own appraisal of the Issuer and the proposed financing and its own independent verification of the information contained herein and any other investigation it may deem appropriate for the purpose of determining whether to participate in the proposed financing and must not rely solely on any statement or the significance, adequacy or accuracy of any information contained herein. The information and data contained herein are not a substitute for the prospective note holder's independent evaluation and analysis.

The following overview should be read as an introduction to, and is qualified in its entirety by reference to, the more detailed information appearing elsewhere in this Prospectus. This overview may not contain all of the information that prospective investors should consider before deciding to invest in the CP. Accordingly, any decision by a prospective investor to invest in the CPs should be based on a consideration of this Prospectus as a whole, which provides the material rights, obligations and privileges of a CP Holder. Should there be any inconsistency between the summary below and the final documentation, the final documentation shall prevail.

The following are the terms and conditions of the First Tranche:

| | |
|---|---|
| Issuer | : Alsons Consolidated Resources Inc. |
| Sole Issue Manager, and Arranger, and Underwriter | : Multinational Investment Bancorporation |
| Instrument | : Registered Commercial Paper |
| Issue Size | : ₱2,000,000,000.00 to be issued in one lump sum or multiple tranches, at the determination of the Issuer in consultation with the Issue Manager and Underwriter/Arranger. |
| Use of Proceeds | : Working Capital and other General Corporate Purposes. |
| Tenor / Initial Issuance | : The tenor of the initial issuance shall be as follows: Series O: One Hundred Eighty Two (182) days from Issue Date Series P: Three Hundred Sixty Four (364) days from Issue Date |
| Denomination | : For Series O: Minimum of Pesos: Five Million (Php5,000,000.00) face value and increments of Pesos: One Hundred Thousand (Php100,000.00) For Series P: Minimum of Pesos: Five Hundred Thousand (Php500,000.00) face value and increments of Pesos: One Hundred Thousand |

| | |
|--|---|
| (Php100,000.00) | |
| Issue Price | : Discount to Face Value |
| Issue Date | : In one or more dates to be set by the Issuer in consultation with the Sole Issue Manager, and Arranger and Underwriter on a “when and as needed” basis. The target issue date for the Initial Issuance of the First Tranche is Q2 2021. For the avoidance of doubt, an Issue Date shall at any time be any date which is within the validity of the SEC Permit to Sell. |
| Discount Rate for Initial Issuance | : Benchmark Rate + Spread |
| Discount Rate for Subsequent Issuance/s | : The discount rate for the subsequent issuance/s shall be set by the issuer in consultation with the arranger which may be determined based on the corresponding Benchmark Rate plus Spread |
| Minimum Denomination for Secondary Trading | : Minimum of Pesos: One Hundred Thousand (Php 100,000) face value and increments of Pesos: Ten Thousand (Php 10,000) |
| Benchmark Rate | : The higher of the three-day average PHP BVAL benchmark rate of the corresponding tenor or the closest tenor of the Term Deposit Facility of the Bangko Sentral ng Pilipinas or its successor benchmark. The corresponding benchmark rates are as follows: Series O: PHP BVAL 6M, or its successor benchmark rate Series P: PHP BVAL 12M, or its successor benchmark rate |
| Tenor of Subsequent Issuance/s | : The tenor of succeeding issues may range from thirty (30) days up to the maximum tenor allowed by the Securities and Exchange Commission (SEC) under the relevant provisions of the Securities Regulation Code (SRC) |
| Interest Computation | : The Interest/Discount Rate and Rollover/Discount Rate will be calculated on a true-discount basis |
| Principal Repayment | : The principal amount of the CPs will be repaid in full at their respective Maturity Dates, unless the investor provides written instruction to rollover the entire amount or a portion thereof. If such principal repayment is due on a day that is not a business day, the principal repayment date shall be made on the immediately succeeding business day. No additional interest will be paid in such case. |
| Status | : The CPs will constitute direct, unconditional, unsubordinated, general and unsecured obligations of the Issuer ranking at least |

| | |
|---|---|
| | <p>pari passu in all respects and without preference or priority (except for any statutory preference or priority applicable in the winding-up of the Issuer) with all other outstanding unsecured and unsubordinated obligations (contingent or otherwise, present and future of the Issuer.</p> |
| Form | <p>: The CPs shall be issued scripless and will be maintained in electronic form with the Registrar to be appointed for the purpose</p> |
| Taxation | <p>: Interest paid on the CPs shall be subject to a 20% final withholding tax.</p> <p>A CP Holder who is exempt from or is not subject to the aforesaid withholding tax shall be required to submit a tax exemption certificate and other applicable documents.</p> |
| Registrar | <p>: Philippine Depository & Trust Corp.</p> |
| Paying Agent | <p>: Philippine Depository & Trust Corp.</p> |
| Facility Agent | <p>: AB Capital and Investment Corporation – Trust Department</p> <p>The Facility Agent has no direct relations with the Issuer.</p> |
| Secondary Trading | <p>: The CPs are intended to be listed at the Philippine Dealing & Exchange Corp. (PDEX) for secondary trading of the CPs and upon such listing, all secondary trading may be coursed through eligible PDEX Trading Participants.</p> |
| Market Maker | <p>: Multinational Investment Bancorporation</p> |
| Manner of Purchase | <p>: The CPs will be available for sale from the Sole Underwriter and Selling Agents, if any, subject to minimum purchase amount and denomination.</p> |
| Acceptance / Rejection of the Application | <p>: The Issuer and the Sole Issue Manager, Arranger and Underwriter reserve the right to accept or reject any application for CPs. In case of over-subscription, the Issuer and the Sole Issue Manager, Arranger and Underwriter reserve the right to allocate the CPs available to the investors in a manner they deem appropriate.</p> |
| Delivery of CP | <p>: Delivery of the CPs will be made upon full payment of the Offer Price to the Sole Underwriter and/or Selling Agents</p> |
| Liabilities | <p>: The Company as the CP issuer is liable and responsible for any and all obligations arising from the sale of the CP as provided under pertinent sections of the Negotiable Instruments Law, the SRC</p> |

| | |
|---------------|---|
| | and applicable laws of the Philippines as well as in the Underwriting Agreement and related agreements. In addition, the Issuer is responsible for complying with all reportorial requirements of the SEC in connection with the issuance of the CP. |
| Credit Rating | <p>: The Issuer has a rating of PRS A plus as assigned by Philratings effective January 5, 2021.</p> <p>Philratings assigned an issuer credit rating of PRS A plus (corp.) for Alsons Consolidated Resources, Inc. based on the following considerations:</p> <ul style="list-style-type: none"> (i) the development projects in Mindanao that are supportive of the growth of the region's power industry; (ii) the Company's ability to establish joint ventures with strong partners for particular projects; (iii) its planned expansion projects which will further diversify its generation mix; (iv) its improving profitability, albeit with the need to improve on its liquidity position; (v) the challenges it encountered in securing bilateral contracts for its diesel power plants; and (vi) the increasing economic and market uncertainty caused by the COVID-19 pandemic. |
| Security | : Negative pledge on the Company's existing and future assets, except (i) to secure statutory obligations, (ii) to enable the Company to continue to enter into its usual transactions in the ordinary course of business, (iii) those imposed by law or arising out of pledges or deposits under workmen's compensation laws or other social security or retirement benefits or similar legislation, and (iv) those created for the purpose of paying current taxes, assessments or other governmental charges which are not delinquent or remain payable without any penalty, or the validity of which is contested in good faith by appropriate proceedings upon stay of execution of the enforcement thereof. |
| Cross Default | : The Company shall be considered to be in default in case the Company fails to pay or defaults in the payment of any installment of the principal or interest relative to, or fails to comply with or to perform, any other material obligation, or commits a breach or violation of any of the material terms, conditions or stipulations, of any agreement, contract or document with any persons to which the Company is a party or privy, whether executed prior to or after the date hereof, or under which the Company has agreed to act as guarantor, surety or accommodation party, which, under |

the terms of such agreement, contract, document, guaranty or suretyship, including any agreement similar or analogous thereto, shall constitute a material default thereunder after allowing for all applicable grace periods. No default will occur under this clause if the aggregate amount the Company fails to pay is less than Php 35 million (or its equivalent in any other currency or currencies)".

Other Terms and Conditions

- :
1. The CPs will not be convertible to any other security or equity of the Issuer.
 2. The Issuer will not set up any sinking fund for the redemption of the CPs.
 3. Substitution of the CP with another type of security will not be permitted.

Other terms and conditions as may be agreed upon among the Issuer, the Sole Issue Manager, Arranger and Underwriter.

RISK FACTORS

GENERAL RISK WARNING

The price of securities can and does fluctuate, and any individual security may experience upward or downward movements, and may even become valueless. There is an inherent risk that losses may be incurred rather than profit made as a result of buying and selling securities. Past performance is not a guide to future performance.

There is an extra risk of losing money when securities are issued by smaller companies. There may be a big difference between the buying price and the selling price of these securities.

Investors deal in a range of investments each of which may carry a different level of risk.

PRUDENCE REQUIRED

The risk disclosure does not purport to disclose all the risks and other significant aspects of investing in these securities. Investors should undertake independent research and study on the trading of these securities before commencing any trading activity. Investors may request publicly-available information on the CPs and the Company from the SEC and PDEX.

PROFESSIONAL ADVICE

An investor should seek professional advice if he or she is uncertain of, or has not understood, any aspect of the securities to invest in or the nature of risks involved in trading of securities, especially high risk securities.

RISK FACTORS

An investment in the CPs described in this Prospectus involves a certain degree of risk. A prospective purchaser of the CPs should carefully consider the following factors, in addition to the other information contained in this Prospectus, in deciding whether to invest in the CPs. This Prospectus contains forward-looking statements that involve risks and uncertainties. ACR adopts what it considers conservative financial and operational controls and policies to manage its business risks. The Company's actual results may differ significantly from the results discussed in this Prospectus. Factors that might cause such differences, thereby making the offering speculative or risky, may be summarized into those that pertain to the business and operations of ACR in particular, and those that pertain to the over-all political, economic, and business environment, in general. These risk factors and the manner by which these risks shall be managed are presented below. The risk factors discussed in this section are of equal importance and are only separated into categories for easy reference.

Investors should carefully consider all the information contained in this Prospectus including the risk factors described below, before deciding to invest in the CPs. The Company's business, financial condition and results of operations could be materially adversely affected by any of these risk factors.

RISKS RELATING TO THE COMPANY AND ITS BUSINESS

The following discussion is not intended to be a comprehensive description of all applicable risk considerations, and is not in any way meant to disclose all risk considerations or other significant aspects of participation in the CPs. Prospective participants are encouraged to make their own independent legal, financial, and business examination of the Company.

Through prudent management and cautious investment decisions, ACR constantly strive to minimize risks that can weaken its financial position. However, certain risks are inherent to specific industries and are not within the direct control of the Company.

Some of the risks that the Company and its subsidiaries may be exposed to are the following:

1. Risk on Foreign Exchange Rate Fluctuations

The Company's exposure is primarily associated with fluctuations in the value of the Peso against the U.S Dollar and other foreign currency. The spare parts and insurance of SPPC and WMPC are denominated in U.S. Dollars.

Risk Mitigation:

The Company keeps a portion of its short-term investments in foreign currency to serve as a hedge in foreign exchange fluctuations.

2. Interest Rate Risks

The Company's interest rate risks management policy centers on reducing overall interest expense and minimizing other costs of borrowing. Changes in market interest rates would have material impact on the Company's interest-bearing obligations, specifically on those with floating interest rates.

Risk Mitigation:

ACR and its subsidiaries manage their interest rate risks by averaging its debt portfolio and by optimizing the mix of fixed and variable interest rates. Other measures are employed to avert risk include pre-payment of debts and re-financing of loans as the opportunities arise. Moreover, utilization of existing credit facilities has been kept to a minimum.

3. Liquidity Risks

Liquidity risk arises from the possibility that the Company encounter difficulties in raising funds to meet or settle its obligations at a reasonable price. In addition, the Company may be unable to refinance its outstanding debt, and any future financing arrangements entered into by the Company may be less favorable than the current ones.

Risk Mitigation:

The Company and its subsidiaries carefully manage their liquidity position to be able to finance their working capital, debt service, and capital expenditure requirements. Sufficient levels of cash and short-term money market placements are maintained to meet maturing obligations. Management regularly monitors and forecasts its cash commitments, matches debt payments with cash generated

from the assets being financed, and negotiates with creditors on possible re-financing of existing loans to avail of better terms and conditions.

4. Credit Risks

Credit risk is the risk that a counterparty will not meet its obligation under a financial instrument or a customer contract, leading to non-collection of earned revenues and financial losses.

Risk Mitigation:

ACR and subsidiaries transact only with companies and institutions that are in a sound financial position and have demonstrated good credit standing. The power companies' receivables are from various electric cooperatives and the collection of which has been current and up to-date except for SPPC's long-outstanding receivable from NPC consisting of US\$7,336,536.91 and P96,255,433.46 plus interest from April 25, 2005 to April 25, 2010, which arose from a decision by the Energy Regulatory Commission (ERC) that NPC has appealed to the Supreme Court. On November 23, 2016, the Supreme Court Second Division issued a resolution that denied NPC's motion for reconsideration with finality. On the other hand, Receivables of the property companies come from installment sales of industrial/residential lots and housing units. Receivable balances are monitored regularly and allowance provisions are reviewed to ensure limited exposure to bad debts.

5. Risks relating to project cost and completion

Possibility of cost overrun may happen due to change orders. In addition, the Company may encounter slippage in the project schedule. If any of these happen, the Company may not be able to achieve its financial targets, which are linked to the successful completion of its future and ongoing projects.

Risk Mitigation:

The Company is confident that project schedule slippage would be minimized during the construction since the agreed subcontractors are reputable local companies with good track record.

Since possibility of cost overrun may happen due to change in orders, the project team ensures adherence to provisions and scope of work specified in the EPC Contract. Thorough review of terms of reference will be undertaken by the project team to minimize change orders. If there is a change in order, there will be disruptions in the construction. However, since EPC contractors have conducted 3D model and walk through during the pre-construction phase, the team can easily detect and resolve construction issues, thus minimizing delays.

6. Risk on malfunctions and failures to operate

The Company's financial performance is highly dependent on the successful operation of its power plants, which are subject to several operational risks such as plant safety, fire, explosion, mechanical failure, electrical failure and instrumentation and control Failure.

Effects and Risk Mitigation:

- Fire and Explosion :

ACR's power plant areas are exposed to the risk of fire especially its conveying system, transformers and steam turbines. Since fire would disrupt the normal operations of the Company and damage the Company's properties, ACR may encounter financial losses resulting from incidents of fire.

To mitigate this risk, the Company ensures that power plant areas have adequate fire detection and sprinkler system installed. Also, vacuum trucks are used to prevent accumulation of inputs in the conveyor areas. Sufficient spare parts are also maintained to make sure that faulty parts are replaced on time and prevent risk of malfunction, which could result in incidents of fire.

Another risk that the machines and equipment of the power plants are exposed to, particularly the boiler and switchgear, is the risk of explosion. Boiler explosion could happen if too much fuel is fed to the boiler, which then gassifies and causes an explosion. To mitigate this, the Company has a boiler protection system which will trip the plant before such condition forms. Switchgear explosion could happen if there is short circuit in the switchgear. One of the functions of switchgear is protection, which is interruption of short-circuit and overload fault currents while maintaining service to unaffected circuits. Switchgear also provides isolation of circuits from power supplies and a regular thermographic survey is done to all switchgears. Also, all of ACR's power plants are adequately insured to cover the risk of fire.

- Plant safety:

Power plants are much safer than they once were however this does not imply that the plant employees will not encounter hazards. With the Company's proper operation and maintenance procedures this reduces accidents and mitigates their effects. Furthermore, the power plants are strategically located in order to avoid any disturbances and ensure efficient work flow. For example, during Sarangani Phase 2 construction, the construction may pose as a disturbance to the existing operations, ACR manages this risk by proper segregation of components for Sarangani Phase 2. Also, permitting system on common facilities was jointly developed by Project Team and O&M.

- Mechanical Failure:

One of the main causes of disruption in daily operations in a power plant is mechanical failure of plant and equipment. Some of the causes of mechanical failure are the boiler, turbine, major pump or valve, fans, coal conveying system, and raw water supply system and these and the potential consequences of these failures can be crucial. However, with the expert engineering assistance, solution and design system, monitoring system for early indication of possible failure, and daily inspections of the equipment and ensures that there are adequate spare parts.

The boiler and cooling water (CW) chemical dosing systems have redundant dosing pumps thus contracts of chemical supply are in place to always have adequate inventory at site. Moreover, the water/steam system has online analysers for monitoring the quality 24/7 and a water laboratory with a 365 day coverage. For example, when the lower part of Sarangani Phase 1 boiler was experiencing tube erosion causing two boiler tube leaks/forced outages, the proposed

long term solution/design change was installed allowing the boiler normal operation from annual scheduled outage to the next scheduled outage.

As for turbine failures, these are considered a very rare occurrence on steam turbines. The turbine/generator has an online vibration monitoring system and they have its own protection system. During scheduled outages, inspection of steam turbine (ST) blades will be done.

For the Boiler Feed, Condensate and Cooling Water pumps, an example of this would be Sarangani Phase 1 where it has 2 x 100% capacity. This means that if one pump has mechanical failure, the plant can still operate on 100% capacity. Pumps will have adequate spares (bearings, mechanical seals etc.), and possible repair shops have been identified.

Delays in the operations could also happen when there are mechanical failures and there are no adequate spare parts. To mitigate this, the Company ensures that its supplies and spares are adequate at all times by setting a certain period when the inventory is restocked. The inventory is always monitored and buffers are set in order to give allowance to unexpected requirements.

- **Electrical Failure:**

The objective of electric systems is to guarantee uninterrupted operation of a facility's lighting, process, and environmental systems. Electrical failures may interrupt the Company's processes, and thus could hinder its ability to efficiently run its operations. In the case of ACR's power plants, the areas which are highly exposed to risk of electrical failure include fan motors, feed water, condensate and cooling water pumps, Electrostatic Precipitator (ESP) and switchgear. To mitigate these types of risk the Company has maintenance and conditioning monitoring program for early detection of any electrical fault. If problem arises on ESP transformers / electrical systems, the Company has ESP vendor to inspect the site and rectify the problems.

A sample of a mitigant on electric failure risk would be Sarangani's 6kV, 480V and 220V switchgear. The company makes sure that they are mostly situated at the Main Control Room (MCR) switchgear rooms which are well ventilated, dust free and protected by FM200 system. Furthermore, Sarangani is also conducting regular thermographic inspections of all switchgear systems for early detection of any hot spots and lost connections. During the scheduled annual outages, maintenance will be done, as per Original Equipment Manufacturer (OEM) recommendations and at the same time Sarangani is planning to purchase spare switchgear equipment over the next 3 years.

- **Instrumentation and Control Failure:**

The plant areas which are highly exposed to risk of instrumentation and control failure include the Distributed Control System (DCS) and Programmable Logic Controller (PLC) system. This failure could also disrupt the normal operations of the Company, and thus, ACR mitigates this risk by ensuring that adequate spares for any part of the DCS are available and that there's a dedicated DCS engineer to monitor the system's performance on a daily basis.

Instrument failures and malfunction is the most common cause of plant disturbance where a single instrument failure can cause equipment, system or plant trip. To prevent this, the

company has planned maintenance & calibration program for all the instruments and control valves.

Presented below are the insurance providers of the power plants:

Diesel Power Plants

| Type | WMPC | MPC |
|------------------------|----------------------------------|--|
| Industrial All Risk | UCPB General Insurance | 1. Charter Ping An Insurance 2. Asia Insurance 3. UCPB General Insurance |
| Public Liability | Pioneer Insurance & Surety Corp. | 1. QBE Seaboard Insurance Phils., Inc. |
| Fuel Stocks | UCPB General Insurance | 1. Charter Ping An Insurance 2. New India Assurance Co., Ltd |
| Sabotage and Terrorism | UCPB General Insurance | 1. Charter Ping An Insurance |

Coal Power Plants

| Type | Provider |
|---|--|
| a.) Sarangani Phase 1 | |
| i. Political Violence and BI | Charter Ping-An Insurance Corporation |
| ii. Comprehensive General Liability | Charter Ping-An Insurance Corporation |
| iii. Industrial All Risk | Malayan Insurance Co. Inc., UCPB General Insurance Co., Inc. and Charter Ping-An Insurance Corporation |
| iv. Terminal Operators Liability | Charter Ping-An Insurance Corporation |
| v. Marine Open Policy | Charter Ping-An Insurance Corporation |
| vi. Fire | Charter Ping-An Insurance Corporation |
| | |
| b.) Sarangani Phase 2 | |
| i. Construction/Erection All Risk with Delayed Start-up (DSU) | Malayan Insurance Co. Inc., UCPB General Insurance Co., Inc. and Charter Ping-An Insurance Corporation |
| ii. Marine Cargo Insurance with DSU | UCPB Gen |
| iii. Sabotage and Terrorism (Political Violence) with DSU | Charter Ping An |
| iv. Construction Comprehensive General Liability | Charter Ping An |

7. Risk of insufficient funds to finance the project

Loss or Low Revenue and Net Income and inability to collect revenues in a timely manner may affect the Company's ability to finance its ongoing projects.

Risk Mitigation:

Low revenues and inability to collect in a timely manner may affect the Company's ability to finance its ongoing projects. This is mitigated by the Company's efforts to generate and collect revenues more efficiently. The Company also ensures that their operational risks are minimized to keep their production steady.

In addition, ACR's shareholders have enough funds and bank lines to fund possible shortages to finance the projects.

8. Risk on failure in operations of the Power plants

Failures in the operation of the power plants may impact the Company's financial performance as it may disrupt operations and may therefore entail loss in revenues.

Risk Mitigation:

To mitigate such risk, the Company ensures adherence to its business plans and strategies, which are further discussed in the succeeding risk item. Also, if there's any disruption in any of the power plants, the other power plants can support its operations. This prevents failure in operations, and therefore, minimizes exposure to such risk.

9. Risk on assurance of successful implementation of business plans and strategies

The Company may be exposed to various operational and financial risks that could hinder the implementation of its business plans and strategies. The inability to achieve its business plans and strategies may result in a delay in the operations of the Company.

Risk Mitigation:

Focused Strategy

ACR's expansion plans and growth aspirations are founded on a set of focused strategies that will enable it to manage the risks and challenges associated with the power generation business.

As in the past, the Company's expansion strategy is firmly anchored on the needs of the Mindanao Grid and is supported by offtake agreements to ensure the long-term sustainability of its business. Furthermore, ACR's power plants are strategically positioned to serve the key load centers of Sarangani, Zamboanga and Iligan.

ACR anticipates a surplus of baseload capacity and has managed this risk by virtually fully contracting its capacity. Any uncontracted capacity will be sold to the Mindanao WESM once it starts operating. By being adequately contracted, ACR will be less affected by the impending oversupply in the Mindanao grid.

ACR's diesel plants will also be positioned to perform roles that are not effectively and efficiently served by coal fired power plants such as service intermediate and peaking capacities, as well as provide ancillary services.

To round up its strategy, ACR has also embarked on a renewable energy expansion program that would involve the construction of several hydropower projects.

Development of greenfield power projects

ACR's growth story hinges on the successful construction and operation of greenfield power projects. The development of greenfield power projects involves substantial risks that could result in delays, cost overruns, or construction not being up to original plans or specifications. Such risks include the inability to secure adequate financing, inability to negotiate acceptable offtake agreements, as well as unforeseen engineering and environmental problems, among others.

Any such delays, cost overruns, or construction deviations from original plans could have a material adverse effect on the business, financial condition, results of operation and future growth prospects of ACR.

Aside from its own developed expertise and proven success in developing greenfield power projects, project risks are mitigated by the presence of committed project sponsors and partners, project contracts that have been crafted in accordance with international project finance standards, strong project management support from owner's engineer, power supply agreements and experienced O&M service providers.

10. Reputational Risk of Directors and Officers of the Company

Any reputational damage involving ACR's Directors and Officers may affect the Company's performance. Reputational issues may result in loss of customers' and creditors' confidence, and since the Company's ability to continue operating efficiently depends on its relationship with its customers and creditors, such issues could result in financial losses.

Risk Mitigation:

Any reputational damage involving ACR's Directors and Officers may affect the Company's performance. This is mitigated by the fact that the founders have been in the business for several years with unblemished record, and that the independent directors and officers are selected through a stringent vetting process.

11. Risk on foreign ownership limitations

The Company may be exposed to risk on foreign ownership limitations, which is set at 40% as the Company owns land directly and uses natural resources indirectly via its subsidiaries. This means that foreigners cannot own more than 40% of the Company. Should the Company hit the limit, it could no longer accept additional foreign investments. ACR's current foreign ownership is at 1.13%, a relatively small percentage compared to the 40% limit.

Risk Mitigation:

ACR's foreign ownership is currently at 1.13%. The Company is constantly monitoring the ownership of ACR shares, and it has no prospects of increasing foreign ownership.

12. Regulatory Risks

The Company's business and financial condition may be adversely affected by amendments in the Electric Power Industry Reform Act, and its Implementing Rules and Regulations. Continued compliance with, and any amendments in, regulatory, safety, health and environmental laws and regulations may have an adverse impact on the Company's operating costs.

In addition, Licenses, permits, and operating agreements necessary for the Company's operations may not be acquired, sustained, renewed or extended.

ACR's operating subsidiaries are required to comply with environmental regulations. The failure of these subsidiaries to comply with the relevant environmental regulations could result in administrative, civil and criminal proceedings initiated by the Government, as well as civil proceedings by environmental groups and other individuals, which could result in substantial fines and penalties against the Company, as well as orders that could limit or halt its operations.

There can be no assurance that the Company will not become involved in litigation or other proceedings, or be held responsible in any such future litigation or proceedings relating to safety, health and environmental matters in the future, and the costs of which could be material and could materially and adversely affect the Company's cash flow, results of operations and financial condition.

Risk Mitigation:

To mitigate regulatory risks, ACR exerts proactive effort to make sure all existing and upcoming changes in regulations are met. The Company ensures their continued compliance with, and any amendments in, regulatory, safety, health and environmental laws and regulations, regardless of the operating costs entailed by it.

Environmental, health and safety policies are an integral part of ACR's power generation plants. The existing diesel power plants conduct regular monitoring of waste water, source emission, ambient air, noise, aquatic biota, ground and surface water, community health, hazardous waste, resource usage and conservation, solid waste generation and disposal and legal requirements compliance. Notable is that WMPC is a recipient of recognitions and awards for being one of the safest workplaces in the region. The power plant is monitored and verified by the Multi-Partite Monitoring Team which is composed of the stakeholders including DENR, DOST, relevant local government units, NGOs and members of academia.

For the Sarangani Energy Corporation coal plants, technology mitigates most pollutants, except carbon emission. To mitigate the effects of carbon emission, ACR instituted a carbon sink program, where ACR has committed to plant 1.8 million seedlings over 3,750 hectares of land. To date, ACR has planted 1.17 million seedlings covering 2,600 hectares of land. ACR is the only power generation company that has an extensive forest-based carbon mitigation program

13. Competitive Risk

The Company is confronted by increased competition in the power industry, including those resulting from legislative, regulatory, and industry restructuring efforts.

The Government has sought to implement measures designed to enhance the competitive landscape of the power market, particularly for the unregulated sectors of the industry. These measures include the privatization of NPC-owned and controlled power generation assets, the establishment of the WESM and the Retail Competition and Open Access (RCOA). With increased competition, ACR could also come under pressure to review or renegotiate the terms of offtake agreements with customers, which may adversely affect ACR's financial performance and results of operations. To the extent that distribution utilities or industrial off-takers decide to purchase power from other generation companies instead of purchasing from ACR, the ability of ACR to generate the required revenues would be adversely affected.

Risk Mitigation:

The Company is confronted by increased competition in the power industry, which this could result in an uncertain revenue stream and a possible reduction in market share. To combat such risk, ACR focused on strong marketing and finding a niche in the market.

ACR ensured that its power capacities are contracted under long-term power supply agreements with various customers in the Mindanao Grid. This insulates ACR from the effects of a potential oversupply situation. Furthermore, ACR's strategy of locating its plants within the service areas of their major electric distribution company customers also improves their competitiveness as this could result in lower transmission costs for the distribution utilities.

The Company believes that its experience in developing, building, financing, and operating generating plants, its familiarity with the region, and the location of its current and future generation facilities are strong competitive advantages that mitigate threats from increased competition.

14. Risk on Stranded Assets

Stranded assets are fuel supply and generation resources which once had value or generates income but has suffered from premature write-downs or devaluations. This is due to several factors such as new regulations, falling cost of renewables, litigations, transformation and innovation. These factors may pose risk to firms and affect the company. Uncertainties in the market, adoption of new health and environmental laws, future laws may also affect the Company and may restrict operations and refinancing to the Company's power plant and certain capital expenditures or operating expenditure may be difficult to fully recover. The Company may be exposed to stranded asset risks wherein assets lose their value as a result of the transition to a cheaper and cleaner

Risk Mitigation:

ACR has embarked on a renewable energy expansion program that would involve the construction of several hydropower projects. The Company is also considering putting up a solar farm as well. This solar plant would have a maximum capacity of 50 MW, and is estimated to cost around \$1.2M per MW. ACR's plan is to reach a level of balanced generation mix where it can serve the complete power

requirements of its customers (i.e. baseload, intermediate, peaking, back-up as well as ancillary). Apart from enhancing its market position, this strategy, will in turn diversify its revenue mix, as well as minimize potential risks that may arise.

ACR's diesel plants will also be positioned to perform roles that are not effectively and efficiently served by coal fired power plants such as service intermediate and peaking capacities, as well as provide ancillary services. ACR continues to explore opportunities to relocate the diesel generating assets to Visayas Region. It is expected to have the relocated assets operational by January 2023 and December 2023 respectively.

RISK RELATING TO THE PHILIPPINES

A slowdown in the Philippine economy could adversely affect the Company.

Results of operations of the Company have generally been influenced, and will continue to be influenced by the performance of the Philippine economy. Consequently, the Company's income and results of operations depend, to a significant extent, on the performance of the Philippine economy.

In the past, the Philippines has experienced periods of slow or negative growth, high inflation, significant devaluation of the Philippine Peso and debt restructuring, and has been significantly affected by economic volatilities in the Asia-Pacific region. The Company cannot assure prospective investors that one or more of these factors will not negatively impact Philippine consumers' purchasing power, which could materially and adversely affect the Company's financial condition and results of operations.

In addition, global financial, credit and currency markets have, since the second half of 2007, experienced, and may continue to experience, significant dislocations and liquidity disruptions. There is significant uncertainty as to the potential for a continued downturn in the U.S. and the global economy, which would be likely to cause economic conditions in the Philippines to deteriorate.

A slowdown in the Philippine economy may adversely affect consumer sentiment and lead to a reduction in demand for the Company's products. There is also no assurance that current or future Government administrations will adopt economic policies conducive to sustaining economic growth.

Political or social instability could adversely affect the financial results of the Company.

The Philippines has experienced political and military instability. In the past decade, political instability has been observed headlined by impeachment proceedings against former presidents Joseph Estrada and Gloria Macapagal-Arroyo, and public and military protests arising from alleged misconduct by previous administrations. There is no assurance that acts of election-related violence will not occur in the future and such events have the potential to negatively impact the Philippine economy. An unstable political environment, whether due to the imposition of emergency executive rule, martial law or widespread popular demonstrations or rioting, could negatively affect the general economic conditions and operating environment in the Philippines, which could have a material adverse effect on the Company's business, financial condition and results of operations.

The occurrence of natural catastrophes may materially disrupt the Company's operations.

The Philippines has experienced a number of major natural catastrophes over the years, including droughts, typhoons, volcanic eruptions and earthquakes, which may materially disrupt and adversely affect the business operations of the Company. While The Company maintains a comprehensive business insurance against natural catastrophes, there can be no assurance that it will be adequately compensated for all damages and economic losses resulting from natural catastrophes.

Corona Virus Disease 2019 (COVID-19) Pandemic:

On March 8, 2020, President Rodrigo R. Duterte, recognizing that COVID-19 constitutes a threat to national security and prompting a whole-of-government approach in addressing the outbreak, declared a state of public health emergency throughout the entire Philippines through Proclamation 922.

On March 16, 2020, to prevent the sharp rise of COVID-19 cases in the country, the President placed the entire Luzon under Enhanced Community Quarantine (ECQ) until April 14, 2020. On April 7, 2020, upon the recommendation of the Inter-Agency Task Force on Emerging Infectious Diseases (IATF EID), the President extended the ECQ until April 30, 2020.

The general community quarantine (GCQ) was introduced on May 1, 2020 and is generally less stringent than ECQ. The Philippines has extended community quarantine restrictions of varying levels nationwide.

The economic narrative on the COVID-19 outbreak revolves around two causal mechanisms: the impact of the fear factor on behavior, reflected in a decline in demand for travel-related services, discretionary consumption, and the production and regional supply chains. Our power plants continue to deliver the required uninterrupted energy supply. As such, the impact on the business will be minimal.

The ECQ that has been declared as a result of the pandemic resulted in a drop in peak demand for power in Mindanao of between 20% and 25% as commercial customers, mainly made of shopping malls and similar establishments stopped operating. Industrial demand however is less affected and we expect this to continue driving demand for our output. Most of the Company's customers have industrial loads that are producing basic commodities that are essential and are in fact counter-cyclical in nature. These include canneries of fish and fruit products and other producers of food products. Demand for and consumption of power among the Company's customers dropped slightly to just below the 2019 levels. The revenues were not adversely affected given that their respective collection efficiencies were maintained. The Company's projection assumes that the demand for power will recover within 2021.

To help soften the impact of the ECQ, the government also ordered distribution utilities, power generation companies, fuel suppliers, and other entities involved in the power supply chain to give a 30-day payment extension of all bills falling due within the ECQ. This deferred amount will be repaid in four (4) equal monthly installments or as negotiated with DU. As for suppliers, the company has not encountered any problems with them.

In light of COVID-19, an Emergency Task Force on COVID-19 was formed to ensure there will be continuity of work in case of lockdown. A selected group of team is working to handle issues on employees' health and safety, communications, technology support and legal compliance. The team will regularly update the guidelines and ensure the adherence to the same.

Limited workforce

- Work from Home (WFH) Scheme for head office and mix of WFH and On Site on a 14 day rotation for plant personnel
- Manpower support through advance salary and 13th month pay, food and transportation allowance

The following illustrates how the company is dealing with the current situation.

O&M Personnel

How to Sustain and Maintain COVID free O&M personnel

1. Continue close monitoring of personnel health/condition
2. Maintain provision of PPEs and preventive medical supplies to all personnel
3. Strict adherence to guidelines and protocols for COVID-19 prevention.
4. Continue provision of meals and accommodation for personnel working straight 15-days-duty and 15-days-off.

Possible/In case of infection of some O&M personnel.

1. Identify potential replacements and start immediately training/cross-training or developmental assignment.
2. Simulate/draft a type of shifting schedule of operation at reduced number of personnel and or groups.

Inventory of operating supplies and consumables

1. Fuel inventory – good for 3 months
2. Chemicals, Lube Oil, other supplies – good for 1.5 months

MITIGATION OF RISKS RELATED TO THE COUNTRY

In general, the Company believes that the risk factors discussed herein are mitigated by its competitive strengths and business strategies, as well as its strong corporate governance structure and its seasoned management team. The Company continuously monitors and studies its existing and probable exposure to various risk in order to be able to mitigate these risks more proactively.

RISKS RELATING TO THE COMMERCIAL PAPERS

Liquidity Risk

The Philippine securities markets are substantially smaller, less liquid and more concentrated than the major securities markets. The Company cannot guarantee that the market for the CPs will always be active or liquid. Even if the CPs are listed in the PDEX, trading in securities such as the CPs may be subject to extreme volatility at times, in response to fluctuating interest rates, developments in local and international capital markets and the overall market for debt securities among other factors. There is no assurance that the CPs may be easily disposed of at prices and volumes and at instances best deemed appropriate by their holders.

Price Risk

The CP's market value may move (either up or down) depending on the change in interest rates in the market. The CPs when sold in the secondary market may be worth more if interest rates drop. Conversely, if the prevailing interest rates rise, the CPs may be worth less when sold in the secondary market. In such instance, an investor faces possible loss if he decides to sell.

Retention of Ratings Risk

There is no assurance that the rating of the Issuer will be retained throughout the life of the CPs. The rating is not a recommendation to buy, sell, or hold securities and may be subject to revision, suspension, or withdrawal at any time by the assigning rating organization.

MITIGATION OF RISKS RELATING TO THE COMMERCIAL PAPERS

In general, the Company believes that the risk factors discussed herein are mitigated by its competitive strengths and business strategies.

USE OF PROCEEDS

The Company's net proceeds from the Offer is expected to be approximately **Php 1,896,601,210.10** after deducting the applicable fees and expenses.

Expenses related to the Offer, all of which will be for the account of the Company, are broken down as follows:

Estimated Net Proceeds from the CP Issuance

| Sample Computation | |
|--|---------------------------|
| Face Value of the Offer | ₱ 2,000,000,000.00 |
| Discount (indicative based on 3.75% and 364 days assuming true discount computation) | (73,063,026.90) |
| Gross Proceeds | 1,926,936,973.10 |
| Less: | |
| SEC Filing and Legal Research Fees | (1,073,155.00) |
| Documentary Stamp Tax (maximum assuming P500 million issued for one year) | (15,000,000.00) |
| Underwriting and Selling Fees (maximum) | (10,000,000.00) |
| Issue Management Fee | (2,500,000.00) |
| Transaction Counsel Fees | (400,000) |
| Independent Counsel Fees | (200,000) |
| Facility Agency Fees** | (100,000) |
| Philratings credit rating report fees | (832,608.00) |
| PDTC Registry fees*/** | (150,000.00) |
| PDEX listing maintenance fees*/** | (50,000.00) |
| Estimated Costs of Printing and Publication | (30,000.00) |
| Total expenses | (30,335,763.00) |
| Net Proceeds | 1,896,601,210.10 |

* PDTC and PDEX fees are estimates

** The fees are payable annually for as long as CPs under the program remain outstanding

In the event that the actual expenses relating to the Offer differ from the above estimates, the actual net proceeds to the Company from the Offer may be higher or lower than the expected net proceeds set forth above. Any increase or decrease in the net proceeds to the Company shall be addressed by making a corresponding increase or decrease, as the case may be, to the Company's provision for working capital requirements.

The Company intends to use the proceeds from the Offer for working capital and general corporate purposes. Specifically, to fund the redemption of ACR's Commercial Papers maturing in September 2021 and to settle its maturing short-term obligations in the 3rd quarter of 2021.

Presented below is a list of the Company's Commercial Papers maturing in 2021.

Maturing Commercial Papers of ACR

| MATURITY DATE | FUNDER | TENOR | MATURITY VALUE (Php) |
|--------------------|-----------------|----------|-----------------------|
| September 13, 2021 | Various Funders | 364 days | 581,500,000.00 |
| Total | | | 581,500,000.00 |

Payout of Short-Term Obligations of ACR

Presented below is a list of the Company's short-term loans maturing in the second and third quarter of 2021.

| FUNDER | MATURITY DATE | RATE | PRINCIPAL VALUE |
|---------------------|---------------|-------|-------------------------|
| Other Non-FI Funder | 07/19/2021 | 3.75% | 25,000,000.00 |
| PCCI TIG | 07/21/2021 | 3.50% | 80,000,000.00 |
| Other Non-FI Funder | 07/29/2021 | 3.50% | 8,488,870.34 |
| Other Non-FI Funder | 07/29/2021 | 3.50% | 5,892,735.83 |
| Other Non-FI Funder | 07/29/2021 | 3.50% | 23,966,382.05 |
| Other Non-FI Funder | 07/29/2021 | 3.50% | 27,823,963.62 |
| Other Non-FI Funder | 07/29/2021 | 3.50% | 30,323,968.75 |
| PCCI TIG | 07/29/2021 | 3.25% | 20,000,000.00 |
| Other Non-FI Funder | 08/03/2021 | 3.50% | 26,939,510.51 |
| Other Non-FI Funder | 08/03/2021 | 3.50% | 9,432,232.04 |
| Other Non-FI Funder | 08/05/2021 | 3.50% | 40,000,000.00 |
| Other Non-FI Funder | 08/06/2021 | 3.25% | 5,877,304.10 |
| Other Non-FI Funder | 08/09/2021 | 3.25% | 5,832,983.65 |
| PCCI TIG | 08/10/2021 | 3.50% | 21,000,000.00 |
| PCCI TIG | 08/10/2021 | 3.50% | 9,000,000.00 |
| PCCI TIG | 08/10/2021 | 3.25% | 20,000,000.00 |
| Sterling Bank Trust | 08/10/2021 | 3.25% | 140,000,000.00 |
| RCBC Trust | 08/17/2021 | 3.50% | 68,000,000.00 |
| RCBC Trust | 08/18/2021 | 3.50% | 304,800,000.00 |
| Sterling Bank Trust | 08/19/2021 | 3.50% | 28,200,000.00 |
| PCCI TIG | 08/19/2021 | 3.50% | 66,900,000.00 |
| RCBC Trust | 08/20/2021 | 3.50% | 50,000,000.00 |
| PCCI TIG | 08/23/2021 | 3.50% | 20,000,000.00 |
| PCCI TIG | 08/24/2021 | 3.50% | 27,500,000.00 |
| Other Non-FI Funder | 08/25/2021 | 3.25% | 20,000,000.00 |
| PCCI TIG | 08/25/2021 | 3.50% | 65,000,000.00 |
| RCBC Trust | 08/27/2021 | 3.25% | 105,000,000.00 |
| Sterling Bank Trust | 09/03/2021 | 3.25% | 57,000,000.00 |
| | | | |
| TOTAL | | | 1,311,977,950.89 |

Other Non-FI Funders refer to institutions who lent to the Company via promissory notes. These companies are not financial institutions.

The above mentioned short-term obligations were used for the Company's funding for Sindangan and Siguil Hydro implementation costs and redemption of matured Commercial Papers in December 2020 and March 2021.

The CP allocation above represents the Company's best estimate of the use of proceeds as this time. While the CP proceeds have not been deployed and for the remaining balance, the Company intends to invest the funds from the Issuance in short-term marketable securities until the disbursement schedule is finalized.

| | |
|----------------------------------|-----------------------------|
| Summary | |
| Proceeds from CP Issuance | Php 1,896,601,210.10 |
| Maturing Commercial Paper | Php 581,500,000.00 |
| Short-term obligation | Php 1,311,977,950.89 |
| Total Obligations | Php 1,893,477,950.89 |

ACR's primary sources of income are dividends declared by its operating subsidiaries. ACR and its subsidiaries follow a dividend policy of annually declaring dividends from 20% of the previous year's unappropriated retained earnings. For a more detailed discussion on the Dividends, please see page 79.

The Company's issuance of CP is also opportunistic. Access in the CP will depend on the interest environment during the time of issuance.

No portion of the proceeds will be used to acquire major assets or finance the acquisition of other business nor will the proceeds be used to reimburse any officer, director, employee or shareholder for service rendered, assets previously transferred, and money loaned or advanced or otherwise. In addition, no portion of the proceeds will be used by the Company's subsidiaries.

The Sole Issue Manager, Arranger and Underwriter shall not receive any amount from the proceeds other than the underwriting, issue management and selling fees.

The foregoing discussion represents a best estimate of the use of proceeds of the Offer based on the Company's current plans and anticipated expenditures. In the event that there is any change in the Company's disbursement plan, including force majeure, the Company will carefully evaluate the situation and may reallocate the proceeds and/or hold such funds on short term deposit whichever is better for the Company's and its shareholders' interest taken as whole. In such event, the Company will issue an announcement if there is any material change in the above proposed use of proceeds.

In the event of any significant deviation, material adjustment or reallocation in the planned use of proceeds, the Company will secure the approval of its Board of Directors for such deviation, adjustment or reallocation and promptly make the appropriate disclosures to the SEC and the PDEx.

DETERMINATION OF THE OFFER PRICE

The CPs shall be issued at a discount to face value.

Below is an illustration of the computation of the Offer Price for an Issuance:

Offer Price Computation

| | Series O | Series P |
|-----------------------|--------------|-------------|
| Tenor (in Days) | 182 | 364 |
| Discount Rate | 3.250% | 3.750% |
| Cost Breakdown | | |
| Face Value | 5,000,000.00 | 500,000.00 |
| Discount | (80,824.78) | (18,265.76) |
| Tax on Discount | 16,164.96 | 3,653.15 |
| Cost | 4,935,340.17 | 485,387.39 |
| Offer Price | 98.71% | 97.08% |

The rates indicated are for illustrative purposes only and are subject to change once the discount rates are finalized. They were computed based on the discount rate formula, which sets the base rate as a) the three-day average BVAL Reference Rate of the corresponding tenor; or b) the weighted average accepted yield of the closest tenor of the Term Deposit Facility of the BSP whichever is higher as of the pricing date.

PLAN OF DISTRIBUTION

The Company plans to issue the CPs in one lump sum or several tranches, through the designated issue manager, underwriter and selling agents, if any. The first tranche of the CPs shall be issued in the 3rd quarter of 2021.

ISSUE MANAGER/UNDERWRITER AND UNDERWRITING OBLIGATION

The Company has engaged Multinational Investment Bancorporation as its Underwriter pursuant to an Underwriting Agreement (the “Underwriting Agreement”). The Underwriter has agreed to act as the Underwriter for the Offer and as such, distribute and sell the CPs at the Offer Price, and has committed to underwrite the first and all the subsequent tranches of the CPs worth up to Php3,000,000,000 on a best-effort basis, in either case subject to the satisfaction of certain conditions and in consideration for certain fees and expenses. There is no breakdown of Commercial Papers for particular series for distribution. Any unsold portion would be sold at a future date, since the issuance is under a three-year registration.

The Underwriter is duly licensed by the SEC to engage in distribution of securities to the public. The Underwriter may, from time to time, engage in transactions with and perform services in the ordinary course of business with the Company and its related companies. There is no appointed syndicate of sub-underwriters.

Multinational Investment Bancorporation is the oldest existing independent investment house in the Philippines. It provides a full range of investment banking services that include debt and equity underwriting, loan syndication and financial advisory services for mergers and acquisitions, corporate reorganization and financial restructuring.

The Underwriter has no direct relations with the Company in terms of ownership. The Underwriter has no right to designate or nominate any member of the Board of the Company.

The Underwriter has no contract or other arrangement with the Issuer by which the former may put back to the issuer any unsold securities of the offering.

SALE AND DISTRIBUTION

The distribution and sale of the CPs shall be undertaken by the Underwriter Selling Agents, as applicable, who shall sell and distribute the CPs to third party buyers/investors. Nothing herein shall limit the rights of the Underwriter and each Selling Agent as applicable, from purchasing the CPs for its own account. There are no persons to whom the CPs are allocated or designated. No CPs are designated to be sold to specified persons and shall be offered to the public at large and without preference. The allocation to the investors will depend on their orders which will be subject to scaling done in case of oversubscription.

Unless otherwise terminated, the engagement of the Sole Issue Manager, Arranger and Underwriter and Selling Agents shall subsist so long as the SEC Permit to Sell remains valid.

For the First Tranche, the Company has not appointed any Selling Agent.

FEES AND COMMISSIONS

The Company will pay the Underwriter a fee of 0.50% per annum on the aggregate face value of the CPs issued, which is inclusive of the underwriting and the selling agency fees, as applicable. The fees shall be deductible from the gross proceeds of the Offer on Issue Date.

The Company paid the Issue Manager a flat fee of Pesos: Two Million Five Hundred Thousand (Php 2,500,000.00). As the Issue Manager for the Offer, MIB has agreed to perform services which include conducting due diligence on the Company, evaluating the marketability of the Offering, assisting in the preparation of the prospectus and other required documents, coordinating the activities of all third parties appointed for the Offer, arranging and managing necessary marketing activities and such other services as may be mutually agreed between ACR and MIB.

OFFER PERIOD

The Offer Period shall commence upon or immediately after issuance by the SEC of the Permit to Sell, and will end 15 working days after the start of the offer period or earlier as deemed appropriate by the Issuer.

DESCRIPTION OF THE SECURITIES TO BE REGISTERED

| | |
|---|--|
| Instrument | : Registered Commercial Paper |
| Issue Size of the First Tranche | : Php 2,000,000,000.00 face value to be issued in one lump sum or multiple tranches, at the determination of the Issuer in consultation with the Issue Manager and Underwriter/Arranger. |
| Issue or Offer Price | : Discount to face value of the CPs |
| Use of Proceeds | : Working Capital and other General Corporate Purposes |
| Bonded Indebtedness. | : The company currently has Php581,500,000.00 in bonded debt. The issuance of the CPs will create an additional bonded debt of up to Php2,000,000,000.00. |
| Discount Rate for Initial Issuance | : The sum of the Base Rate and the Credit Spread determined prior to each Issue Date (the “Rate Setting Date”) The following are the discount rates for the Initial Issuance: Series O: 3.25% Series P: 3.75% |
| Discount Rate for Subsequent Issuance/s | : The interest/discount rate for the subsequent issuance/s shall be set by the Issuer in consultation with the Sole Arranger which may be determined based on the corresponding Benchmark Rate plus Spread |
| Base Rate | : The Base Rate is the higher of a) the three-day average BVAL Reference Rate of the corresponding tenor, or b) the rate of the closest tenor of the Term Deposit Facility of the Bangko Sentral ng Pilipinas or its successor benchmark. The BVAL Reference Rate for each series is as follows: Series O: BVAL 6Mos Series P: BVAL 12 Mos In the event that the BVAL Reference Rates are replaced by a different calculation methodology, the applicable replacement reference rates shall apply. |
| Tenor of the Initial Issuance | : Up to three hundred sixty (364) days; provided portions of the issuance of the CPs may, as determined by the Issuer in consultation with the Sole Issue Manager, Arranger and Underwriter, have the following tenor/term. The day count |

| | |
|---------------------------------|---|
| | convention is Actual/360. |
| | Series O: 182 days |
| | Series P: 364 days |
| Tenor for Subsequent Issuance/s | : The tenor of succeeding issues may range from thirty (30) days up to the maximum tenor allowed by the Securities and Exchange Commission (SEC) under the relevant provisions of the Securities Regulation Code (SRC) |
| Denomination | : For Series O: Minimum of Pesos: Five Million (Php5,000,000.00) face value and increments of Pesos: One Hundred Thousand (Php100,000.00) For Series P: Minimum of Pesos: Five Hundred Thousand (Php500,000.00) face value and increments of Pesos: One Hundred Thousand (Php100,000.00) |
| Issue Date | : The CPs may be issued in either lump sum or tranches on a when and as needed basis in consultation with the Issuer upon approval by the SEC and issuance of the Permit to Sell any time within three (3) years following the RS Effectivity Date. |
| Interest Computation | : The Interest/Discount Rate and Rollover Interest / Discount Rate will be calculated on a true-discount basis. |
| Principal Repayment | : The principal amount of the CPs will be repaid in full at their respective Maturity Dates, unless the investor provides written instruction to rollover the entire amount or a portion thereof. If such principal repayments is due on a day that is not a business day, the principal repayment date shall be made on the immediately succeeding business day. No additional interest will be paid in such case. |
| Status | : The CPs will constitute direct, unconditional, unsubordinated, general and unsecured obligations of the Issuer ranking at least pari passu in all respects and without preference or priority (except for any statutory preference or priority applicable in the winding-up of the Issuer) with all other outstanding unsecured and unsubordinated obligations (contingent or otherwise, present and future) of the Issuer. |

| | |
|--------------------------|---|
| Form | : The CPs shall be issued scripless and will be maintained in electronic form with the Registrar to be appointed for this purpose. |
| Taxation on the Discount | : Interest paid on the CPs shall be subject to a 20% final withholding tax. |
| | A CP holder who is exempt from or is not subject to the aforesaid withholding tax shall be required to submit a tax exemption certificate and other applicable documents. |
| Registrar | : Philippine Depository & Trust Corporation |
| Paying Agent | : Philippine Depository & Trust Corporation |
| Facility Agent | : AB Capital and Investment Corporation – Trust Department |

The Facility Agent has no direct relations with the issuer.

The Facility Agent is required under the Facility Agency Agreement to act on behalf of the CP Holders in calling for and/or attending meetings of the CP Holders.

A meeting of CP Holders may be called at any time and from time to time pursuant to the provisions of the Schedule 2 of the Facility Agency Agreement for the purpose of taking any action authorized to be taken by or on behalf of the CP Holders of any specified aggregate principal amount of CPs under any other provisions of this Agreement or under any other applicable law.

The Facility Agent may at any time call a meeting of the CP Holders on its own accord or upon the request by the Issuer or CP Holders holding at least twenty percent (20%) of the aggregate outstanding principal amount of the CPs to take any action specified in Clause 1 of this Schedule 2, to be held at such time and at such place as the Facility Agent shall determine. Notice of every meeting of CP Holders, setting forth the time and the place of such meeting in Metro Manila and the purpose of such meeting in reasonable detail, shall be sent to the Issuer and to each of the CP Holders and published in two (2) newspapers of general circulation in Metro Manila, Philippines not earlier than forty-five (45) days nor later than fifteen (15) days prior to the date of the meeting; Provided, that all reasonable costs and expenses incurred by the Facility Agent for the proper dissemination of required information on the requested meeting shall be paid or reimbursed, as applicable, by the Issuer

within five (5) Business Days from receipt of the duly supported billing statement.

The above discussion is qualified by the more detailed information as contained in the Facility Agency Agreement. The said Agreement is available for inspection at the Facility Agent's office by the CP Holders upon their request.

Other Material Provisions Giving
or Limiting the Rights of CP
Holders

In a CP Holders Meeting, the presence of the Majority CP Holders personally or by proxy shall be necessary to constitute a quorum to do business at any meeting of the CP Holders.

The Facility Agent shall, by an instrument in writing, appoint a temporary chairman and secretary of the meeting from among the CP Holders then present or represented during the meeting, unless the meeting shall have been called by the Issuer or by the CP Holders as provided in Clause 3 of this Schedule, in which case the Issuer or the CP Holders calling the meeting, as the case may be, shall in like manner appoint a temporary chairman and secretary of the meeting from among the CP Holders then present or represented during the meeting. Any meeting of the CP Holders duly called pursuant to the provisions of this Section may be adjourned from time to time for a period or periods not to exceed in the aggregate one (1) year from the date for which the meeting shall originally have been called, and the meeting so adjourned may be held on another date without further notice. Any such adjournment may be ordered by persons representing a majority of the aggregate principal amount of the CPs represented at the meeting and entitled to vote, whether or not a quorum shall be present at the meeting.

To be entitled to vote at any meeting of the CP Holders, a person must be a registered holder of the CPs or a person appointed by an instrument in writing as proxy by any such CP Holder as of the date of such meeting. The only persons who shall be entitled to be present or to speak at any meeting of the CP Holders shall be the persons entitled to vote at such meeting and any representative of the Issuer and its counsel.

All matters presented for resolution by the CP Holders in a meeting duly called for the purpose shall be decided or approved by the affirmative vote of the majority of the CP Holders present or represented in a meeting at which there is a quorum, except as otherwise provided in this Agreement. Any resolution of the CP Holders which has been duly approved with the required number of votes of the CP Holders as herein provided shall be binding upon all the CP Holders and the Facility Agent as if the votes were unanimous.

| | |
|--|--|
| | <p>Notwithstanding any other provisions of this Agreement, the Facility Agent may make such reasonable regulations as it may deem advisable for any meeting of the CP Holders, in regard to proof of ownership of CPs, the appointment of proxies by registered holders of CPs, the appointment and duties of inspectors of votes, the submission and examination of proxies, certificates and other evidences of the right to vote, and such other matters concerning the conduct of the meeting as it shall deem fit.</p> <p>Wherever in this Agreement it is provided that the holders of a specified percentage of the aggregate outstanding principal amount of CPs may take any action (including the making of any demand or request, the giving of any notice or consent, or the taking of any other action), the fact that at the time of taking any such action the holders of such specified percentage have joined therein may be evidenced by:</p> <ul style="list-style-type: none"> - any instrument executed by the CP Holders in person or by the agent or proxy appointed in writing; - the duly authenticated record of voting in favor thereof at the meeting of the CP Holders duly called and held in accordance with this clause; or - a combination of such instruments and any such record of meeting of the CP Holders. |
| Secondary Trading | : The CPs are intended to be listed at the PDEX for secondary trading of the CPs and upon such listing, all secondary trading may be coursed through eligible PDEX Trading Participants. However, there can be no assurance that listing the CPs will materially affect their liquidity on the secondary market. |
| Minimum Denomination for Secondary Trading | : Minimum of Pesos: One Hundred Thousand (Php100,000.00) face value and increments of Pesos: Ten Thousand (Php10,000.00). |
| | Secondary market trading and settlement are governed by the relevant rules of PDEX and are subject to the applicable fees of PDEX and the Registry, all of which shall be for the account of the investors. |
| Market Maker | : Multinational Investment Bancorporation |
| Manner of Purchase | : The CPs will be available for sale from the Underwriter / Arranger and Selling Agents, if any, subject to minimum purchase amount and denomination. |
| Acceptance/Rejection of the Application | : The Issuer and the Issue Manager and Underwriter/Arranger reserves the right to accept or reject any application for CPs. In case of over-subscription, the Issuer and the Issue Manager and |

| | |
|----------------|---|
| | Underwriter/Arranger reserve the right to allocate the CPs available to the investors in a manner they deem appropriate. |
| Delivery of CP | : Delivery of the CPs will be made upon full payment of the Offer Price to the Underwriter/Arranger and/or Selling Agents |
| Liabilities | : The Company as the CP issuer is liable and responsible for any and all obligations arising from the sale of the CP as provided under pertinent sections of the Negotiable Instruments Law, the SRC and applicable laws of the Philippines as well as the Underwriting Agreement and related agreements. In addition, the Issuer is responsible for complying with all reportorial requirements of the SEC in connection with the issuance of the CP. |
| Credit Rating | : The Issuer has a rating of PRS A plus as assigned by Philratings effective January 5, 2021. Philratings assigned an issuer credit rating of PRS A plus (corp.) for Alsons Consolidated Resources, Inc. based on the following considerations: (i) the development projects in Mindanao that are supportive of the growth of the region's power industry; (ii) the Company's ability to establish joint ventures with strong partners for particular projects; (iii) its planned expansion projects which will further diversify its generation mix; (iv) its improving profitability, albeit with the need to improve on its liquidity position; (v) the challenges it encountered in securing bilateral contracts for its diesel power plants; and (vi) the increasing economic and market uncertainty caused by the COVID-19 pandemic. |
| Security | : Negative pledge on the Company's existing and future assets, except (i) to secure statutory obligations, (ii) to enable the Company to continue to enter into its usual transactions in the ordinary course of business, (iii) those imposed by law or arising out of pledges or deposits under workmen's compensation laws or other social security or retirement benefits or similar legislation, and (iv) those created for the purpose of paying current taxes, assessments or other governmental charges which are not delinquent or remain payable without any penalty, or the validity of which is contested in good faith by |

| | |
|----------------------------|--|
| | appropriate proceedings upon stay of execution of the enforcement thereof. |
| Cross Default | <p>: The Company shall be considered to be in default in case the Company fails to pay or defaults in the payment of any installment of the principal or interest relative to, or fails to comply with or to perform, any other material obligation, or commits a breach or violation of any of the material terms, conditions or stipulations, of any agreement, contract or document with any persons to which the Company is a party or privy, whether executed prior to or after the date hereof, or under which the Company has agreed to act as guarantor, surety or accommodation party, which, under the terms of such agreement, contract, document, guaranty or suretyship, including any agreement similar or analogous thereto, shall constitute a material default thereunder after allowing for all applicable grace periods. No default will occur under this clause if the aggregate amount the Company fails to pay is less than Php 35 million (or its equivalent in any other currency or currencies)”.</p> |
| Other Terms and Conditions | <p>: The CPs will not be convertible to any other security or equity of the Issuer.</p> <p>The Issuer will not set up any sinking fund for the redemption of the CPs.</p> <p>Substitution of the CP with another type of security will not be permitted.</p> <p>Other terms and conditions as may be agreed upon among the Issuer, the Issue Manager and Underwriter/Arranger.</p> |
| Loan Covenants | <p>: On November 25, 2015, ACR entered into a fixed rate corporate notes facility with various noteholders with aggregate principal amount of P7,500 million divided into two (2) tranches: (a) Tranche A with principal amount of P5,600 million and (b) Tranche B with principal amount of P1,900 million. Proceeds of the loan shall be used to prepay ACR’s existing long-term debts and finance the investments in power-related assets.</p> <p>On November 23, 2020, ACR entered into a fixed rate corporate notes facility with various noteholders with aggregate principal amount of P6,000 million. The proceeds of the loan was to i) refinance the outstanding principal balance of its existing Fixed Rate Corporate Notes, ii) partly finance the Company’s investments in renewable energy projects, and iii) for general corporate purpose.</p> <p>ACR shall maintain certain financial ratios such as the Company shall at all times maintain a Debt Service Coverage Ratio of 1.1x</p> |

and a maximum Debt-to-Equity Ratio of 3.0x. ACR is in compliance with the debt covenants.

Throughout the term of the loan, the interest reserve account is required to have a balance of not less than the aggregate amount of interest falling due within the next interest period which is equivalent to one-year interest period as defined in the loan agreement. As at December 31, 2020 and 2019, the remaining balance of interest reserve account amounted to P173 million and P230 million, respectively. Interest income earned from interest reserve account amounted to P3.5 million, P15 million and P8 million in 2020, 2019 and 2018, respectively.

INTEREST OF NAMED EXPERTS AND COUNSEL

The validity of the CPs and tax matters pertaining thereto were passed upon by Avenida and Diaz Law Office (AD), the third party transaction counsel. AD has no shareholdings or any interest, direct or indirect, in the Company, or any right, whether legally enforceable or not to nominate persons or to subscribe to the securities of the Company in accordance with the standards on independence required in the Code of Professional Responsibility and as prescribed by the Supreme Court of the Philippines.

The Philippine Depository & Trust Corporation, the Registrar and Paying Agent, has no direct and indirect interest in the Company.

The financial statements of the Company for the periods ended December 31, 2020, 2019, and 2018 appearing in this Prospectus have been audited by SyCip Gorres Velayo & Co., independent auditor, as set forth in their report thereon appearing elsewhere herein. The partner-in-charge for the periods ended December 31, 2020, 2019, and 2018 is Mr. Martin C. Guantes, CPA.

Acuña & Francisco Law (AF) is the legal counsel for the Company. AF has no shareholdings or any interest, direct or indirect, in the Company, or any right, whether legally enforceable or not to nominate persons or to subscribe to the securities of the Company.

Atty. Mariel Jasmin M. Molon is the legal counsel for the Underwriter. Atty. Molon has no shareholdings or any interest, direct or indirect, in the Company.

There is no arrangement that experts shall receive a direct or indirect interest in the Company or was a promoter, underwriter, voting trustee, director, officer, or employee of Company.

INDUSTRY OVERVIEW

The information and data contained in this section have been taken from sources in the public domain. The Company does not have any knowledge that the information herein is inaccurate in any material respect. Neither the Company nor the Sole Issue Manager, Arranger and Underwriter nor any of their respective affiliates or advisors has independently verified the information included in this section.

OPERATING ENVIRONMENT¹

Mindanao is the second biggest island of the country.

Mindanao has a high potential for agro-industrial development. It is endowed with eight major river basins, namely: Agusan, Tagoloan, Cagayan de Oro, Tagum, Libuganon, Davao, Buayan-Malungon, Agus and the Mindanao River – all of which could supply water for irrigation and other related needs.

One-third of the Mindanao land area is devoted to agriculture. Mindanao supplies over 40 percent of the country's food requirements and contributes more than 30 percent to national food trade. It is also the country's major producer of rubber, pineapple, banana and coffee.

Mindanao can also be developed into a top tourist destination given the cultural diversity of its people and its resource-rich environment. Its tourism industry represents about 17 percent of the national tourist traffic.

Mindanao is endowed with rich mineral resources. The CARAGA and Davao regions contribute the most to the national output with more than eight percent each. Eastern Mindanao, North Central Mindanao, Zamboanga Peninsula, and Southeastern Mindanao are considered high-interest mining areas, with rich deposits of gold, copper, iron, chromium, nickel, cobalt and manganese.

Mindanao also has vast potential for renewable energy sources. Substantial volumes of agricultural residues are a potential source of biomass energy; Siargao Island and Davao Oriental are ideal sites for ocean energy generation; while Surigao is a potential site for wind power.

Power Situation

Energy security is crucial to the continued growth of industries in Mindanao.

The experiences of the region in the early part of the decade is a testament to that. Then, it had high dependency on hydropower which at the time contributed over half of the power generated which in turn made climate change a real threat to Mindanao's energy security. In particular, increasing incidence of El Niño have reduced water levels and hampered power supply. The situation has been aggravated by the degradation of Mindanao's watersheds like Lake Lanao, which is the primary source for the Agus Hydro- Electric Power Plants. However, the relative importance of hydro to the supply mix had decreased in recent years due to the operation of new power plants that utilize other sources of energy.

Mindanao has gone a long way from then and it has promptly caught up in terms of supply, now with the highest reserve margin percentage among the three grids. On the demand side, sales and

¹ Source: National Economic Development Authority's Mindanao Strategic Development Framework 2010 - 2020

consumption recorded a sustained accelerated growth of 8.2% in 2018 on a per-grid basis, higher compared with 4% a year ago as all sectors grew on the back of an adequate and more stable supply of power.

As shown in the table below, in 2019, the capacities in Mindanao rose significantly compared to previous years after the entry of new power plants coming from base-load coal (118.5 MW SEC U2 and a total of 450 MW from GNPOWER Kauswagan U1, U2, and U3), solar (25 MW ground mounted solar PVs ADG), and hydro (8 MW Run-of-Rivertype HEPP ASIGA).

2019 vs. 2018 Installed and Dependable Capacity, Mindanao (in MW)

| Fuel Type | Mindanao | | | | | |
|--------------|--------------------|--------------|------------|---------------------|--------------|------------|
| | Installed Capacity | | | Dependable Capacity | | |
| | 2019 | 2018 | Diff. | 2019 | 2018 | Diff. |
| Coal | 2,089 | 1,521 | 568 | 1,874 | 1,355 | 519 |
| Oil Based | 936 | 942 | (6) | 771 | 778 | (7) |
| Natural Gas | 0 | 0 | - | 0 | 0 | - |
| Geothermal | 108 | 108 | 0 | 103 | 100 | 3 |
| Hydro | 1,147 | 1,134 | 13 | 991 | 978 | 13 |
| Biomass | 73 | 51 | 22 | 25 | 14 | 11 |
| Solar | 84 | 59 | 25 | 67 | 44 | 23 |
| Wind | 0 | 0 | - | 0 | 0 | - |
| TOTAL | 4,436 | 3,815 | 621 | 3,832 | 3,269 | 563 |

Source: DOE List of Existing Power Plants, December 2019 & 2018

POWER GENERATION

As mentioned earlier, Mindanao, was susceptible to weather phenomenon particularly El Niño during the early part of the decade. With it persisting through 2018, its effect can still be observed as evidenced by the drop in the total power generated by hydro sources as shown on the table below. However, this decline was offset by the increase in generation output from new sources, primarily large coal fired power plants.

2018 and 2017 Comparative Gross Generation, Mindanao

| MINDANAO GRID | | | | | | |
|-------------------------|---------------|-------------|---------------|-------------|------------|---------------|
| Plant Type | 2018 | | 2017 | | Difference | |
| | GWh | % Share | GWh | % Share | GWh | % Growth Rate |
| Coal | 7,785 | 61% | 6,271 | 53.1% | 1,514 | 24.14% |
| Oil-based | 633 | 5% | 867 | 7.3% | (234) | (26.99%) |
| Geothermal | 826 | 6.5% | 797 | 6.8% | 29 | 3.64% |
| Hydro | 3,366 | 26.4% | 3,791 | 32.1% | (425) | (11.21%) |
| Biomass | 72 | 0.6% | 0 | 0.0% | 72 | - |
| Solar | 88 | 0.7% | 78 | 0.7% | 10 | 12.82% |
| Total Generation | 12,770 | 100% | 11,804 | 100% | 966 | 8.18% |

Source: DOE Power Statistics 2018 and 2017

Significant Events ²

Mindanao also has improved in terms of having lesser Red and Yellow alert notices since 2018, compared to the previous years due to the development of additional stable capacity from large coal-fired power plants in the grid. There were only two recorded major incidents in the Mindanao grid that cause a partial blackout namely the transmission line tripping on 8 November 2018 that affected areas in Zamboanga peninsula as well as the provinces of Lanao and Misamis Oriental and the 6.3 magnitude earthquake that hit North Cotabato in October 16, 2019 which caused interruptions in at least six electric cooperatives.

²https://www.doe.gov.ph/sites/default/files/pdf/electric_power/2018_power_situation_report.pdf
<https://www.pna.gov.ph/articles/1083460>

THE COMPANY

Company Overview

ACR is a Philippines-based investment holding company. The Company is engaged in the business of exploration of oil, petroleum and other mineral products. The Company's business, conducted through its subsidiaries and associates, is grouped into various categories, such as Energy and Power, Property Development and Other Investments. ACR's investment in Energy and Power business is through four holding firms namely, Conal Holdings Corporation, Alsing Power Holdings, Inc., Alsons Renewable Energy Corporation and Alsons Thermal Energy Corporation. ACR is engaged in the Property Development business through its subsidiary, Alsons Land Corporation (ALC). ALC is engaged in an approximately 72-hole golf course development with a residential component called the Eagle Ridge Golf and Residential Estate. ACR, through ACR Mining Corporation (ACR Mining), is engaged in the acquisition of interest in Manat Mining Claims³.

History

ACR was incorporated on December 24, 1974 as Victoria Gold Mining Corporation to engage in the business of exploration of oil, petroleum and other mineral products. The corporate name was changed to Terra Grande Resources, Inc. (Tegre) in March 1995.

In 1994, the Alcantara Group, through Alsons Power Holdings Corporation (APHC), acquired a 55.80% interest in Tegre through a swap of APHC's 50.78% stake in Northern Mindanao Power Corporation (NPMC). The Securities and Exchange Commission formally approved the stock swap on March 4, 1995 together with the increase in the Company's authorized capital stock from P1 billion to P3 billion.

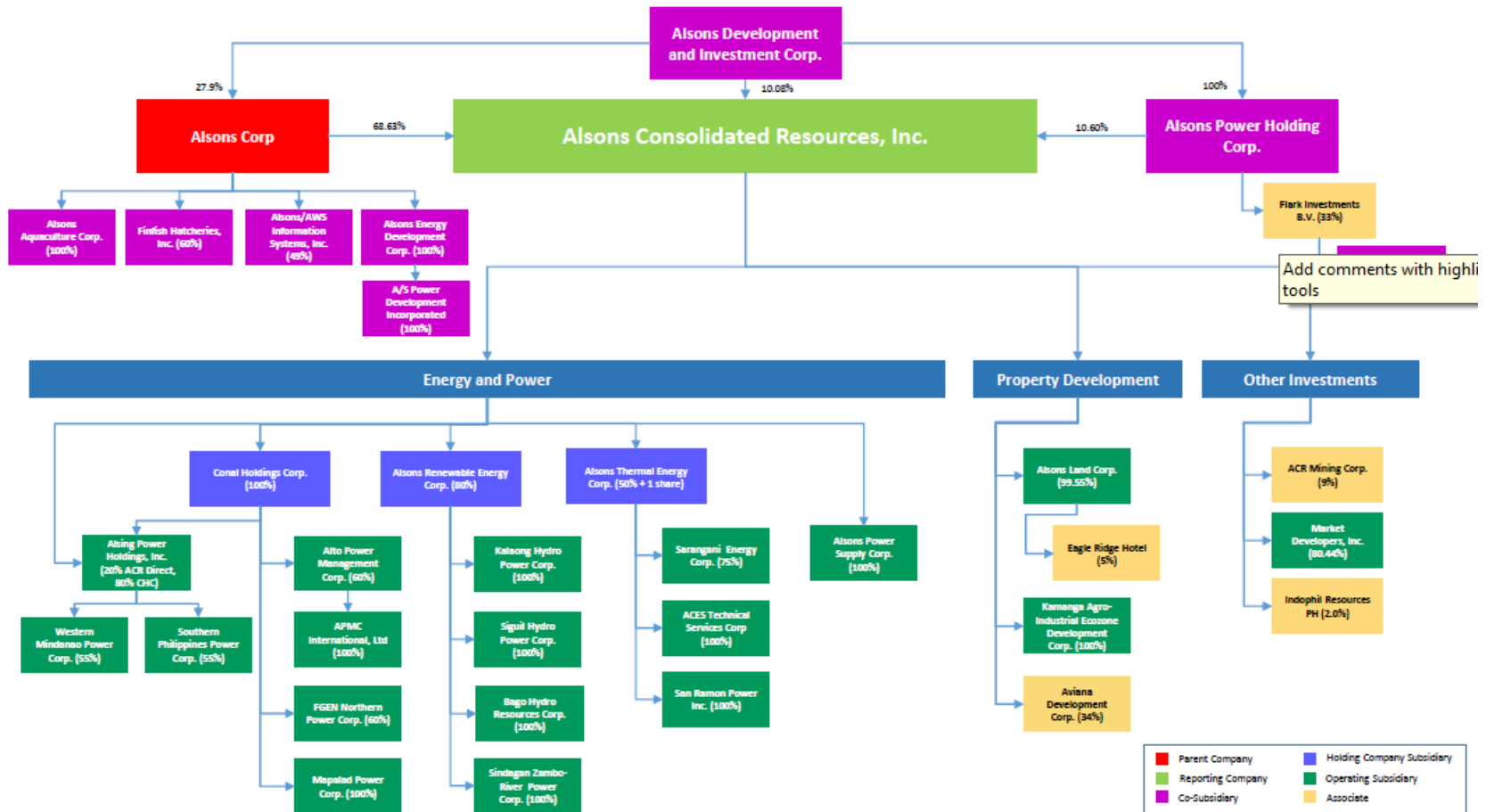
The corporate name was changed to Alsons Consolidated Resources, Inc. in June 1995 to mark the entry of the Alcantara Group. The Company's primary purpose was subsequently changed to that of an investment holding company, and oil exploration was relegated to a secondary purpose.

On October 10, 1996, the Company completed its reorganization through a series of stock swaps. As a result of this reorganization, some of the Alcantara Group's established businesses became majority or minority owned subsidiaries of ACR and the Company's authorized capital was further increased from P3 billion to P12 billion.

ACR's core businesses, conducted through its various subsidiaries and associates, can be grouped into the following main categories: a) Energy and Power, b) Property Development, and c) Other Investments. A description of the general nature and scope of these businesses is presented below:

³ <http://markets.ft.com/data/equities/tearsheet/profile?s=ACR:PHS>

Corporate Structure



Business Segments

Energy and Power

ACR's investment in the Energy and Power business is through four holding firms namely, Conal Holdings Corporation (Conal or CHC) and Alsing Power Holdings, Inc. (Alsing), Alsons Renewable Energy Corporation (AREC) and Alsons Thermal Energy Corporation (ATEC).

The four holding firms:

1. Conal owns all of ACR's diesel plants operating power generation businesses, namely: (1) Alsing Power Holdings, Inc. at 80%, (2) Alto Power Management Corporation at 60%, and (3) Mapalad Power Corporation at 100%.
2. Alsing, in turn, owns 55% of: (a) Western Mindanao Power Corporation; and (b) Southern Philippines Power Corporation. Further, ACR directly owns 20% of Alsing.
3. AREC, which was organized on September 18, 2014 is ACR's vehicle for developing renewable energy (RE) projects. AREC currently holds 100% equity in the following subsidiaries: Siguil Hydro Power Corporation ("Siguil"), Kalaong Hydro Power Corporation ("Kalaong"), Bago Hydro Resources Corporation and Sindangan Zambo-River Power Corporation, all in the business of renewable energy.
4. ATEC was organized on November 23, 2015, as a holding company for ACR's coal-fired thermal power assets. ACR transferred its ownership in Sarangani Energy Corporation (Sarangani Energy) to ATEC on October 13, 2016.

ACR also formed Aces Technical Services Corporation (ACES), a wholly-owned subsidiary, on July 7, 2011, and it serves as the operations and maintenance provider of Sarangani Energy and San Ramon Power, Inc. (SRPI). ACR transferred its ownership in ACES and SRPI to ATEC on October 12, 2016, and May 24, 2017, respectively.

On June 3, 2017, the Company signed an agreement with Global Business Power Corporation (GBP) for GBP to acquire a 50% less one share stake in ATEC. The Philippine Competition Commission approved the transaction on September 25, 2017, and the Deed of Absolute Sale was signed on November 27, 2017. The partnership combines ACR's distinct knowledge of the Mindanao power market, development thru long years of experience as the island's first independent power producer and with GBP's track record as the leading power producer in the Visayas. The Company believes that this endeavor will greatly benefit power consumers particularly in light of the planned interconnection of the Mindanao and Visayas grids. The partnership will also give ACR the opportunity to pursue with greater strength its energy-based projects, particularly its renewable power generating plants in Mindanao and Western Visayas. This will also allow ACR to accelerate its foray and entry in other energy-related enterprises in Southern Philippines, including the smaller islands with promising growth in power demands.

ACR also has a majority-owned subsidiary, Alto Power International Limited (APIL), which develops power plant projects outside the country.

The four (4) operating power generation subsidiaries, WMPC, SPPC, MPC, and Sarangani Energy are all located in Mindanao.

The four operating power plants:

1. WMPC operates a 100-megawatt (MW) diesel-fired electricity generating facility in Zamboanga City as a merchant plant after its 18-year “Build-Operate-Own” (BOO) arrangement with the National Power Corporation (NPC) expired in December 2015.
2. SPPC owns a 55 MW diesel-fired electricity generating facility located in Alabel, Sarangani Province, 13 kilometers east of General Santos City. SPPC’s 18-year BOO arrangement with NPC expired on April 28, 2016.
3. MPC rehabilitated the 103MW bunker-fired Iligan Diesel Power Plants (IDPPs) I and II, which Conal acquired from the Iligan City Government and started operating these plants on February 27, 2013. MPC currently functions as a merchant plant and serves various electric cooperatives in Mindanao.
4. Sarangani Energy’s 210MW coal-fired power plants are located in Maasim, Sarangani Province. Its first section of 105MW began commercial operations in April 2016, while its second section of another 105MW or Phase 2 started commercial operations on October 10, 2019.

ACR has also started construction of its first renewable energy project under Siguil Hydro Power Corporation, which will operate a 14.5MW run-of-river electricity generating facility located at the Siguil River basin in Maasim, Sarangani. The construction phase of this project is in full swing and the company expects commercial operations to begin in the second quarter of 2022. The Company likewise began site development and clearing works for SRPI’s 105MW coal-fired power plant project, which could supply power to Zamboanga City and other parts of the Zamboanga Peninsula, with commercial operations expected to begin in 2024.

AREC organized and incorporated Bago and Sindangan on February 26, 2018 and August 21, 2018, respectively, as wholly owned subsidiaries. Bago and Sindangan were incorporated primarily to develop and invest in energy projects including but not limited to the exploration, development and utilization of renewable energy resources. Bago’s 42 MW Hydro Power Plant Project is in Negros Occidental while Sindangan’s 22MW Hydro Power Project is in Siayan and Duminag, Zamboanga Del Norte. These projects are expected to augment power supply in the provinces of Negros Occidental and Zamboanga Del Norte, respectively, once they are completed. As at March 31, 2021, Bago and Sindangan have not yet started commercial operation.

Property Development

ACR is also engaged in the Real Estate Development and Project Management through its subsidiary, Alsons Land Corporation or ALC. ALC continues to enhance its real estate portfolio thru investments in projects with immediate development potential. These include residential, commercial, mixed-use, and township and estate projects that have trading income activities (sale), high value recurring income businesses (rentals), Joint Venture arrangements and Asset Management opportunities.

Launched in November 25, 1994, ALC was involved in the development of Eagle Ridge Residential Estates, and the Eagle Ridge Golf and Country Club, in Cavite. The latter Club boasts of 72 holes in 4 golf courses, each designed by a world-class golf legend.

ACR also entered into a Joint Venture Agreement with Ayala Land Incorporated (ALI) to develop a 26-hectare world-class estate in Lanang, Davao City, Mindanao. The estate is set to be transformed into a master-planned, mixed-use community that will include residential low to mid-rise towers, commercial lots, offices, an events venue and a waterside cove with some retail components. A world-class medical facility will soon rise within the estate. The sustainable estate is set to be Davao's prime waterside community, encapsulating a life of fluidity and ease within a vibrant locality and a buoyant economy south of the country; a paramount destination for the best in home, business and lifestyle in Mindanao.

ALC continues to grow its residential business when it embarked on the expansion of its Campo Verde subdivision in Batangas, a joint venture project with Sunfields Realty Development, Inc. The initial project, which is an 11-hectare property located inside the Lima Technology Center, is close to selling out. This project is an hour away from Makati via the South Luzon Expressway and the Southern Tagalog Arterial Road Tollway. Campo Verde offers three (3) distinct Spanish-themed homes that are ideal for young to growing families. The model house choices range from: Condesa, with a lot area of 90 square meters and floor area of 36 square meters; Duquesa, with a lot size of 100 square meters and a floor area of 50 square meters; and Reina, with 120 square meter-lot and a floor area of 80 square meters.

Through ALC, ACR is also developing the Kamanga Agro-Industrial Economic Zone in the Municipality of Maasim, Province of Sarangani, where the power plant of Sarangani Energy is located. This "Ecozone" is accredited with the Philippine Economic Zone Authority (PEZA) as an agricultural and light-industry zone. Enterprises will be encouraged to set up their businesses in, or relocate to, this Ecozone to enjoy incentives prescribed by law through the PEZA. Kamanga Agro-Industrial Ecozone Development Corporation (KAIEDC) has successfully closed an agreement in December 2019 for the sale of 28-hectare property to a locator.

Other Investments

In 2007, ACR infused capital in ACR Mining amounting to P195 million, which was acquiring 75% interest in a joint venture between Alsons Development and Investment Corporation (ADIC or ALDEVINCO), and Southern Exploration (SECO). This joint venture was organized to explore and develop the Manat Mining Claims situated in the provinces of Davao del Norte and Compostela Valley.

ACR Mining was formerly known as ACR Management Corporation. Its initial activity involved the acquisition of ADIC's interest in a mining claim, referred to as the Manat Mining Claims. Covered by Mineral Production Sharing Agreement (MPSA) Serial no. 094-97-XL for 25 years up to year 2022, the mining claim has a total area of 1,547.32 hectares. It is located in the Municipality of Nabunturan, province of Compostela Valley and in the Municipality of Maco, Province of Davao del Norte. Previous exploration work identified three mineralized structures: Pagtulian, Katungbuan/Taglayag, and Magas. Detailed work on the Magas Vien Zone (MVZ) so far revealed an estimate inferred resource of 2.7 million tons containing: 2.8 g/t gold, 26 g/t silver, 0.09% copper, 0.85% lead, and 1.58% zinc. On May 24, 2015, the Board of Directors approved and declared ACR Mining as property dividend of record date of June 5, 2015. The SEC approved the Certificate of Filing the Notice of property Dividend on August 11, 2015. The Bureau of Internal Revenue issued its Certificate Authorizing Registration on February 22, 2016.

The Declaration of Mining Project Feasibility was submitted to the Mines and Geosciences Bureau on October 2012. As of today, the Manat MPSA is in exploration phase development.

Business Segments Contribution to Revenues

As presented in the table below, the recurring income of ACR comes from power plant operations. Its investments in property development contributes only less than 1% of its total Revenues and is considered only a portfolio investment.

| Business Segment | (Amounts in Thousand PhP) | | | % to Total | | |
|----------------------|---------------------------|-------------|-------------|------------|------|------|
| | 2020 | 2019 | 2018 | 2020 | 2019 | 2018 |
| Energy and Power | P 9,464,453 | P 6,783,110 | P 6,637,810 | 100% | 100% | 100% |
| Property Development | 6,337 | 12,986 | 28,461 | 0% | 0% | 0% |
| Total | P 9,470,790 | P 6,796,096 | P 6,666,271 | 100% | 100% | 100% |

The Company had no income from foreign sources for the past 3 years.

Material Partly- Owned Subsidiaries

The tables below show details of materially partly owned subsidiaries of ACR either directly or indirectly.

| Business Segment | Principal Activity | Proportion Ownership Interest and Voting Rights Held by Non-controlling interest | | |
|------------------|--------------------|--|-------|--------|
| | | 2020 | 2019 | 2018 |
| SPPC | Power Generation | 45.0% | 45.0% | 45.0% |
| WMPC | Power Generation | 45.0% | 45.0% | 45.0% |
| ATEC | Holding Company | 50.0% | 50.0% | 100.0% |
| Sarangani Energy | Power Generation | 62.5% | 62.5% | 25.0% |

The summarized financial information in respect of the subsidiaries that have material non-controlling interests is set out below. The summarized financial information below represents amounts before intra-group eliminations.

Summarized statements of comprehensive income for the years ended December 31, 2020 and 2019 are shown below.

2020

| | Power And Energy | Property Development | Other Investments | Total | Eliminations | Consolidated |
|--|------------------|----------------------|-------------------|-------------|--------------|--------------|
| (Amounts in Thousands) | | | | | | |
| Earnings Information | | | | | | |
| Revenues | | | | | | |
| External customer | P9,509,894 | P9,700 | P- | P 9,519,594 | (P48,804) | P9,470,790 |
| Inter-segment | - | 1,161 | 733,929 | 735,090 | (735,090) | - |
| Total revenues | 9,509,894 | 10,861 | 733,929 | 10,254,684 | (783,894) | 9,470,790 |
| Interest income | 30,166 | 707 | 11,561 | 42,434 | (468) | 41,966 |
| Finance charges | 1,550,847 | - | 534,274 | 2,085,121 | 25,445 | 2,110,566 |
| Provision for income tax | 293,424 | - | 3,177 | 296,601 | (3,265) | 293,336 |
| Net income (loss) | 2,475,054 | (21,366) | 122,387 | 2,576,075 | (708,145) | 1,867,930 |
| Other Information | | | | | | |
| Investments in associates and due from related parties | 420,344 | 902,040 | 7,876,006 | 9,198,390 | (5,275,120) | 3,923,270 |
| Segment assets | 37,689,926 | 2,404,891 | 15,837,636 | 55,932,453 | (9,517,706) | 46,414,747 |
| Segment liabilities | 26,337,574 | 699,382 | 8,421,939 | 35,458,895 | (4,748,559) | 30,710,336 |
| Depreciation | 1,669,929 | 670 | 1,916 | 1,672,515 | 44,560 | 1,717,075 |
| Cash Flow Information | | | | | | |
| Net cash flows from (used in): | | | | | | |
| Operating activities | 5,373,879 | 289,183 | (1,433,380) | 4,229,682 | 1,039,646 | 5,269,328 |
| Investing activities | (1,773,497) | (95,128) | 407,052 | (1,461,573) | (320,959) | (1,782,532) |
| Financing activities | (3,365,175) | (1,175) | 492,311 | (2,874,039) | (724,177) | (3,598,216) |

2019

| | Power And Energy | Property Development | Other Investments | Total | Eliminations | Consolidated |
|--|------------------------|-------------------------|----------------------|-------------|--------------|--------------|
| <i>(Amounts in Thousands)</i> | | | | | | |
| Earnings Information | | | | | | |
| Revenues | | | | | | |
| External customer | P6,781,110 | P12,986 | P- | P6,796,096 | P- | P6,796,096 |
| Inter-segment | 261,187 | 5,098 | 420,732 | 687,017 | (687,017) | - |
| Total revenues | 7,042,297 | 18,084 | 420,732 | 7,481,113 | (687,017) | 6,796,096 |
| Interest income | 74,374 | 851 | 43,964 | 119,189 | (996) | 118,193 |
| Finance charges | 737,904 | - | 561,729 | 1,299,633 | (218,619) | 1,081,014 |
| Provision for (benefit from) income tax | 141,766 | 497 | (23,347) | 118,916 | (51,880) | 67,036 |
| Net income (loss) | 1,306,099 | (14,518) | (189,616) | 1,101,965 | (127,812) | 974,153 |
| Other Information | | | | | | |
| Investments in associates and due from related parties | 696,388 | 826,832 | 6,462,431 | 7,985,651 | (4,387,767) | 3,597,884 |
| Segment assets | 37,434,694 | 2,046,803 | 14,686,837 | 54,168,334 | (8,559,120) | 45,609,214 |
| Segment liabilities | 27,052,718 | 319,802 | 7,261,921 | 34,634,441 | (3,879,924) | 30,754,517 |
| Depreciation | 1,028,507 | 897 | 1,586 | 1,030,990 | 45,844 | 1,076,834 |
| Cash Flow Information | | | | | | |
| Net cash flows from (used in): | | | | | | |
| Operating activities | 2,316,549 | 28,642 | (199,750) | 2,145,441 | 230,501 | 2,375,942 |
| Investing activities | (2,255,429) | (2,555) | 56,207 | (2,201,777) | (881,698) | (3,083,475) |
| Financing activities | (683,303) | 433 | 119,399 | (563,471) | 620,736 | 57,265 |

Power Plants

Overview of the Power Plants

The four (4) operating power generation subsidiaries, WMPC, SPPC, MPC, and Sarangani Energy are all located in Mindanao.

Presented below is a table summarizing relevant information about the Power Plants.

| Power Plant | Parent Company | Status | Expected Life | Date of Construction | Start of Commercial Operation | Location | Capacity (MW) |
|-------------|----------------------|-------------|---------------|---|--|--|---------------|
| WMPC | Alsing Power Holding | Operational | 18 years | 1996-1997 | December 1997 | Malasugat, Sangali Zamboanga City | 100 |
| MPC | Conal Holding Corp | Operational | 30 years | 1992-1993 | July 1993 (MPC 1) December 1993 (MPC 2) | Sitio Mapalad, Dalipuga, Iligan City | 103 |
| SEC Phase 1 | ATEC | Operating | 25 years | 04 June 2012 (LNTP) 28 December 2012 (NTP) | April 29, 2016 | Barangay Kamanga, Maasim, Sarangani Province | 105 |
| SEC Phase 2 | ATEC | Operational | 25 years | 14 July 2016 (LNTP) 14 October 2016 (NTP) | October 10, 2019 | Barangay Kamanga, Maasim, Sarangani Province | 105 |

Status of publicly-announced new projects

1. The Siguil Hydro Power Corporation, which will operate 14.5 MW run-of-river electricity generating facility located at the Siguil River basin in Maasim, Sarangani. The construction phase of this project is in full swing and the company expects commercial operations to begin in the second quarter of 2022. The other hydro projects currently in the pipeline include the 22 MW Siayan (Sindangan) hydro plant in Zamboanga del Norte; and the 42 MW Bago Hydro plant in Negros Occidental.
2. The 105MW SRPI power plant in Zamboanga City received its environmental compliance certificate from the Department of Environment and Natural Resources in March 2012. The Company has begun site preparation and clearing works. The total project cost is estimated at P16 billion. SRPI is still negotiating with various banks to finance the project. Once in operation, the SRPI coal-fired power plant would be able to service Zamboanga City and other nearby areas and target to go online by 2024.

The Company has no existing patents, trademarks, copyrights, licenses, franchises, concessions and royalty agreements.

Life of Power Plant

Start of Commercial Operations:

- SARANGANI Phase 1 started commercial operation on April 29, 2016.
- SARANGANI Phase 2 started commercial operations on October 10, 2019.
- MPC started commercial operation on 2013.
- WMPC started commercial operation on 1997.
- SPPC started commercial operation on 1998.

Expected Life:

- **SARANGANI** -The design life of both units, as per the respective EPC contracts, is 35 years.
- **WMPC** - the expected life is 40 years from start of commercial operations
- **MPC** – the expected life is 20 years from 2013, based on running hours
- **SPPC**- The expected life is 20 years from 2017, based on running hours.

After the expected life of the power plants, the Company conducts a plant study in order to extend the life of the power plants, especially if the plants are still required to be operational. This study takes into account the condition of equipment and facilities, the running and operating conditions over the previous designed life of the plant, licensing conditions, among other considerations. The purpose of the study is to produce a recommendation on whether it is viable to refurbish equipment and continue the plants' operations. The company sticks to their set scheduled maintenance regime and refurbish and replace equipment, as determined by inspections, condition monitoring and obsolescence. These enhancements will then extend the useful life of a power plant.

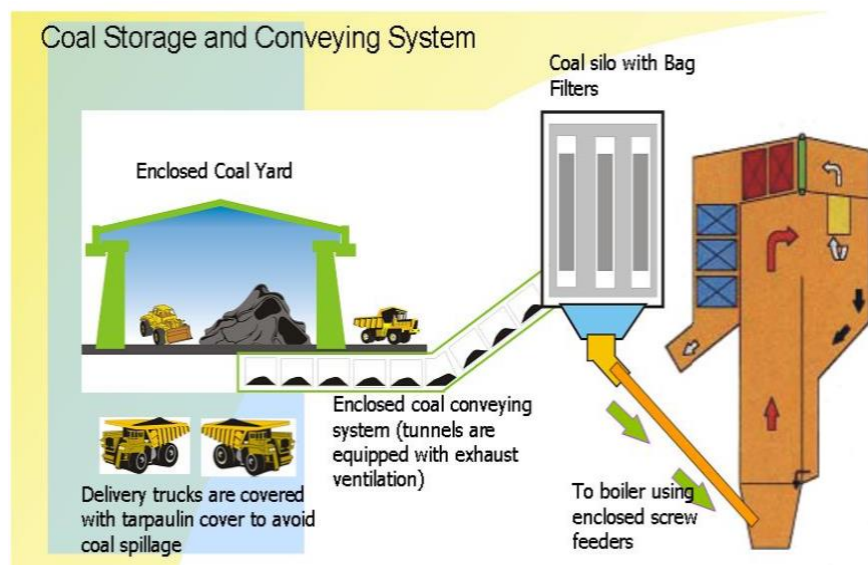
Process Flow

From the four (4) operating power plant, only Sarangani is a coal-fired power plant. WMPC, MPC and SPPC are all diesel power plants.

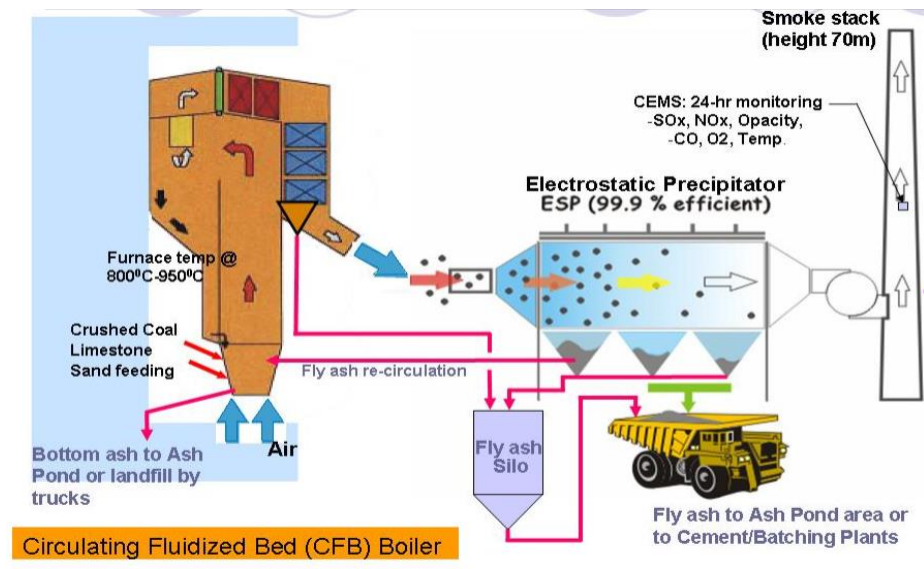
| Operating Power Plants | Type of Power Plant |
|------------------------|------------------------|
| SARANGANI | Coal-Fired Power Plant |
| WMPC | Diesel Power Plant |
| SPPC | Diesel Power Plant |
| MPC | Diesel Power Plant |

Coal Fired Thermal Power Plant⁴:

Coal is burnt in the boiler furnace to produce heat. Carbon in the coal and Oxygen in the air combine to produce Carbon Dioxide and heat. The heat from combustion of the coal boils water in the boiler to produce steam. The steam is then piped to a turbine. The high pressure steam impinges and expands across a number of sets of blades in the turbine. The impulse and the thrust created rotates the turbine. The steam is then condensed and pumped back into the boiler to repeat the cycle. After, rotation of the turbine rotates the generator rotor to produce electricity based of Faraday's Principle of electromagnetic induction.



⁴ <http://www.brighthubengineering.com/power-plants/18082-coal-fired-thermal-power-plant-the-basic-steps-and-facts/>



Diesel-Fired Power Plant⁵

A diesel engine is a type of internal combustion engine. An internal combustion engine transforms the chemical energy in fuel to mechanical rotational energy. To release the chemical energy in diesel effectively, an atomized form of the fuel is made to contact with high temperature and high pressure air. In diesel engines, this energy is effectively transferred as mechanical rotational energy. The operation of a diesel engine is all about producing high temperature and high pressure air continuously.

Piston, connecting rod, crank and cylinder form a mechanism called slider-crank mechanism. Here the linear motion of the piston is transformed to a rotary motion at the crank.

During the motion of the piston, the top most point it can reach is called Top dead centre (TDC) and the bottom most position the piston can reach is called as Bottom dead centre (BDC). In an IC engine, this mechanism is properly supported in an engine block. Cylinder head, valves and fuel injector are fitted above the engine block.

When the piston moves downwards, inlet valves open and fresh air from outside is sucked in, or, in other words, the engine breathes. This stroke is called as suction stroke.

During the return stroke, inlet and exhaust valves are closed and the air inside the cylinder gets compressed. During the compression stroke, the piston does work on the air. So the temperature and pressure of the air will rise to a level which is higher than the self ignition value of the diesel.

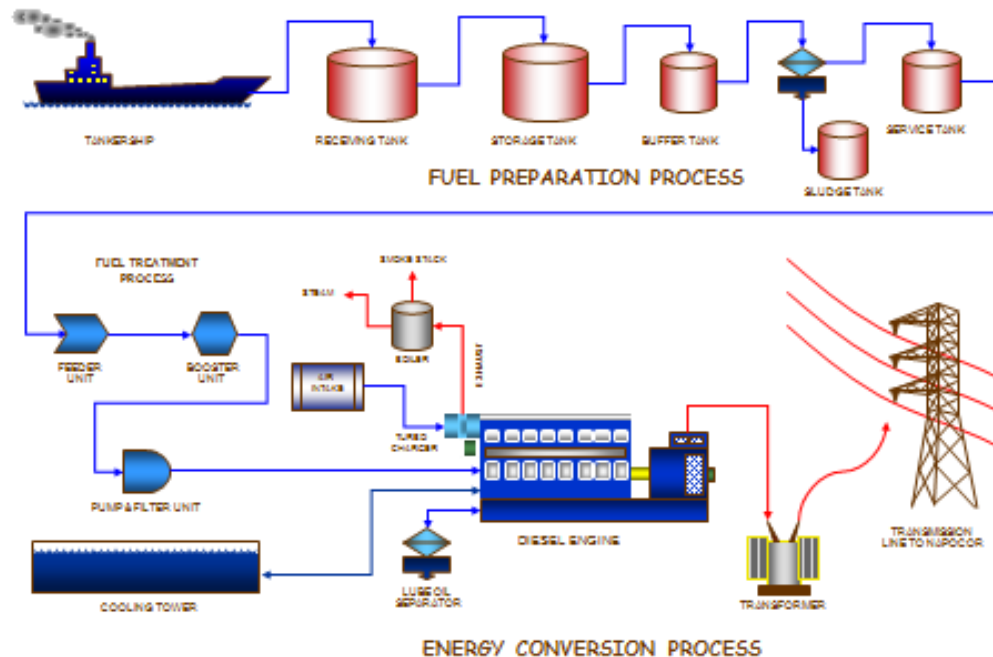
An atomized form of diesel is injected into this compressed air. The fuel gets evaporated and undergoes an uncontrolled spontaneous explosion. As a result, the pressure and temperature rise to high level values.

⁵ <http://www.learnengineering.org/2014/10/Diesel-engine-Working.html>

The high energy fluid pushes the piston downwards. The hot air does work on the piston and energy in the fluid is converted to the mechanical energy of the piston. This is the only stroke where the piston absorbs power from the fluid.

Due to inertia of the system, the piston moves upwards again. This time the exhaust valves open and the exhaust are rejected. Again the suction stroke happens.

This cycle, which has a total 4 strokes, is repeated over and over for continuous power production.



Distribution of Power to Customers (Distribution Utilities)

Power is generated in the power plants, following the process flow explained above. After which, power is transmitted through the grid to the Distribution Utilities. It is then the distribution utilities who will transmit the power to the end users.

Sources and Availability of Raw Materials and Supplies

SPPC has not renewed Fuel Supply Agreement with Pilipinas Shell Petroleum that expired last September 1, 2019 as the plant ceased operations. MPC and WMPC each signed a Fuel Supply Agreement with Phoenix Petroleum Corporation for the supply of approximately 4 to 8 million liters of fuel per month for each plant. MPC's and WMPC's agreement is valid until April 6, 2021 and December 31, 2021, respectively.

WMPC and MPC has an agreement with Pilipinas Shell Petroleum Corporation for the supply of its lubricating oil, while SPPC's contract was terminated in 2018.

Wärtsilä Corporation of Finland supplies the engine parts and major maintenance services needed by the diesel plants.

Sarangani Energy Corporation has a fuel and transport agreement with Toyota Tsusho Corporation for low sulphur coal, or sub-bituminous coal, which is sourced from Kalimantan, Indonesia with net calorific value of 3,630 to 5,450 Kcal per kilogram and its price based on GlobalCoal New Castle Index. The agreement is valid for 10 years from April 29, 2016 until 2026. The company is also procuring low sulphur coal via spot market or short term contracts with flexible pricing options with price based on Global Coal New Castle Index, Indonesian Coal Index and or Fixed Price arrangements.

ACR is not expected to be dependent upon any one or limited number of suppliers for essential raw materials, energy or other items.

Related Party Transactions

Parties are considered to be related if one party has the ability to control the other party or exercise significant influence over the other party in making financial and operating decisions. Related parties include (a) enterprises that directly, or indirectly through one or more intermediaries, control or are controlled by, or are under common control with, the Group; (b) associates; and (c) individuals owning, directly or indirectly, an interest in the voting power of the Group that gives them significant influence over the Group and close members of the family of any such individual. In considering each possible related party relationship, attention is directed to the substance of the relationships, and not merely to the legal form.

All related party transactions shall be disclosed to the Group's Audit Committee ("the Committee") of the BOD and all transactions will be reviewed and approved by the Committee to ensure that a conflict of interest does not exist, a proper assessment of such transaction is made, and all necessary information is properly documented. Material related party transaction shall mean any individual related party transaction, or series of related party transactions over twelve (12) months, and with the same related party, amounting to, or exceeding, individually, or in the aggregate, the materiality threshold. Materiality threshold shall mean ten percent (10%) of the total assets of any of the parties to a transaction, based on that party's latest audited financial statements, and if the transaction is a material related party transaction, and one of the related parties is a parent of the other, the total assets shall pertain to the parent's total consolidated assets.

Transactions with related parties pertain mainly to cash advances and reimbursements of expenses.

Outstanding related party balances are generally settled in cash.

The table below shows the details of the Group's transactions with related parties.

| Related Party | | Advances | Due from Related Parties (Note 8) | Terms | Conditions |
|---------------------------------------|------|--------------|---|---|-----------------------------|
| Major stockholders | 2020 | ₱242,020,657 | ₱1,430,686,098 | Payable upon demand, noninterest-bearing | Unsecured, no impairment |
| | 2019 | ₱213,682,148 | ₱1,188,665,441 | | |
| Subsidiaries of major stockholders | 2020 | 9,561,270 | 150,033,232 | Payable upon demand, noninterest-bearing | Unsecured, no impairment |
| | 2019 | 93,797,324 | 140,471,962 | | |
| Affiliates | 2020 | 43,418,939 | 114,025,101 | Payable upon demand, noninterest-bearing | Unsecured, no impairment |
| | 2019 | 12,781,762 | 70,606,162 | | |
| Total | 2020 | ₱295,000,866 | ₱1,694,744,431 | | |
| | 2019 | ₱320,261,234 | ₱1,399,743,565 | | |

Compensation of key management personnel amounted to Php87 million, Php89 million, and Php91 million in 2020, 2019, and 2018, respectively, representing short-term employee benefits.

The Related Party Transactions can be found in Note20 of the Company's Audited Consolidated Financial Statements for the interim period ended December 31, 2020.

Customers

WMPC and MPC have secured, or are securing PSAs with various distribution utilities, and are currently moderately contracted. SPPC has no current PSA, but is exploring opportunities for relocating its engines to other locations. Sarangani Energy, on the other hand, has secured 25-year PSAs.

Presented below is a summary of the PSAs of the power plants.

| Power Plant/Asset | Off-taker | Location | Contracted Capacity | No. of Years | Start Date | End Date |
|----------------------|---|---------------------|------------------------|-----------------|----------------------|----------------------|
| MPC | Cagayan Electric Power and Light Company (CEPALCO) | Cagayan De Oro | 30 | 10 years | June 24, 2016 | June 23, 2026 |
| WMPC | Zamboanga City Electric Cooperative Inc. (ZAMCELCO) | Zamboanga | 50 | 10 years | December 13, 2015 | December 12, 2025 |
| | Cagayan Electric Power and Light Company (CEPALCO)* | Cagayan | 1 | 10 years | December 13, 2015 | December 12, 2025 |
| | National Grid Corporation of the Philippines (NGCP) – Ancillary Services Procurement Agreement (ASPA) | GRID | 50 | 5 years | April 26, 2019 | April 25, 2024 |
| SEC 1 | South Cotabato Electric Cooperative II (SOCOTECO 2) | General Santos | 70 | 25 | April 29, 2016 | April 28, 2041 |
| | Agusan del Norte Electric Cooperative (ANECO) | Agusan del Norte | 10 | 25 | April 29, 2016 | April 28, 2041 |
| | Agusan del Sur Electric Cooperative (ASELCO) | Agusan del Sur | 10 | 25 | April 29, 2016 | April 28, 2041 |

| | | | | | | |
|--------------|--|---------------------|----|----|------------------|-----------------|
| | Davao Del Norte Electric Cooperative, Inc. (DANECO) | Davao del Norte | 15 | 25 | October 10, 2019 | October 9, 2044 |
| SEC 2 | Cagayan Electric Power and Light Company, Inc. (CEPALCO) | Cagayan De Oro | 20 | 25 | October 10, 2019 | October 9, 2044 |
| | Cotabato Electric Cooperative Inc (COTELCO) | Cotabato City | 10 | 25 | October 10, 2019 | October 9, 2044 |
| | Davao del Sur Electric Cooperative (DASURECO) | Davao del Sur | 15 | 25 | October 10, 2019 | October 9, 2044 |
| | Iligan Light and Power Inc. (ILPI) | Iligan City | 15 | 25 | April 29, 2016 | April 28, 2041 |
| | South Cotabato I Electric Cooperative (SOCOTECO I) | South Cotabato | 10 | 25 | October 10, 2019 | October 9, 2044 |
| | Zamboanga del Sur I Electric Cooperative Inc (ZAMSURECO I) | Zamboanga del Sur | 5 | 25 | October 10, 2019 | October 9, 2044 |
| | Zamboanga del Norte Electric Cooperative Inc. (ZANECO) | Zamboanga del Norte | 5 | 25 | October 10, 2019 | October 9, 2044 |
| SRPI | Zamboanga City Electric Cooperative Inc. (ZAMCELCO) | Zamboanga City | 85 | 25 | n/a | n/a |

Alto Power Management Corp. (APMC), a subsidiary of ACR, provides the plant and operation management services to SPPC, WMPC and MPC. Also, APMC International Ltd., a wholly owned subsidiary of APMC, provided operations and maintenance management services to PT Makassar Power Indonesia until April 2016.

The Property Development and other businesses of ACR are not dependent on a single or few customers and the loss of one or a few customers will have no material adverse effect on the Company and its subsidiaries.

Marketing Process

ACR follows the marketing process for its prospective customers

1. ACR gathers customer data which include demand, supply, load profile, forecasts, suppliers, rates.
2. ACR simulates the technical and commercial/rate impacts of the coming in of its supply. If deemed acceptable, ACR proceeds to the next step.
3. ACR offers supply with the proposed tariff to management and Board of Directors
4. Series of negotiations and meetings with customer/s is conducted
5. ACR undergoes a Competitive Selection Process (CSP)
6. Contract is awarded to the winning bidder.

Location of the Power Plants

ACR's power plants are strategically located to cater to the power requirements of its key areas in Mindanao.

The first three power plants of ACR, namely WMPC, SPPC and MPC, are strategically located to serve key load centers in Mindanao and provide adequate generation where it is needed most. The long-term Energy Conversion Agreements of these plants assured ACR of a steady revenue stream. Today, ACR continues to operate power plants through bilateral contracts with various distribution utilities.

Mindful of the need to strategically position the baseload plants in key load centers and also recognizing the inherent advantage of expanding in areas where we are already present, the Company decided to establish the Sarangani 210MW Coal-Fired Power Plant of Sarangani Energy Corporation in Maasim, Sarangani and the Zamboanga 105MW Coal-Fired Power Plant of San Ramon Power Incorporated in Zamboanga City. These coal-fired power plants are equipped with the latest state of the art thermal power generation technology.



Beyond the baseload expansion of ACR, the Company is looking towards the future and investing in renewable energy projects. ACR has identified hydropower resources in Mindanao and Negros Occidental that can be implemented under the Renewable Energy Act.

Properties

The Company's energy and power operations are located in four different sites. WMPC's own power plant is on a 9-hectare property in Sitio Malasugat, Sangali, Zamboanga City. SPPC's operations are conducted on a 16-hectare property located in Alabel, Sarangani Province, and 13 kilometers east of the city proper of General Santos. CHC's Plants 1 and 2, which are operated by MPC, are in an 8-hectare property in the Municipality of Lugait, Misamis Oriental, and in the City of Iligan. WMPC and SPPC fully own their respective properties. The power plants in Lugait, Misamis Oriental and City of Iligan were acquired by virtue of a Deed of Sale between the City of Iligan and CHC dated February 27, 2013. The lots on which the power plants of CHC are located were acquired by MPC from Alsons Development and Investment Corporation by virtue of the deed of sales dated November 21, 2013. Sarangani Energy Corporation is located in the Municipality of Maasim, Sarangani Province. The real estate assets of KAIEDC are located in Maasim Sarangani Province.

The power assets were used as collateral in various loans, specifically: (1) CHC power plant and the real estate owned by MPC, were used as collateral for loans for the rehabilitation of the MPC power plants; and (2) Sarangani Energy's real estate and coal-fired power plants are mortgaged to its various lender banks.

ALC, the Company's property development company, has properties in the Province of Batangas, in the Municipality of Cabuyao in the Province of Laguna, and along Chino Roces Avenue (formerly Pasong Tamo Extension), Makati City. Its Batangas property currently has residential developments.

The Company maintains its corporate headquarters at the Alsons Building, Makati City, which is owned by ALC.

All of these properties are in good condition.

Property, Plant and Equipment (Consolidated)

| | <i>(Amounts in Thousand Pesos)</i> | December 31, 2020 | December 31, 2019 |
|--------------|--|------------------------------|------------------------------|
| Lease | Main Engine, Plant Structures, and Others | P30,770,855 | P 30,678,044 |
| | Plant Mechanical, Switchyard and Desulfurization Equipment | 7,244,961 | 7,239,101 |
| | Land, Buildings and Leasehold Improvements | 575,255 | 574,094 |
| | Machinery and Other equipment | 1,427,079 | 1,398,804 |
| | Construction in Progress | 2,065,409 | 810,204 |
| | Right of Use | 35,274 | 35,274 |
| | Total | 42,118,833 | 40,735,476 |
| | Less: Accumulated Depreciation and Amortization | (13,323,061) | (11,638,510) |
| | Net Book Value | 28,795,772 | 29,096,966 |

Commitments

On December 1, 2011, the Group entered into a 5 year lease agreement with Alphaland Development Inc. commencing on February 1, 2012 up to January 31, 2017 for office space. Upon expiration, the lease was renewed for another five years.

Set out below, are the amounts recognized in the Company's consolidated statements of income:

| | 2020 | 2019 | 2018 |
|---|-------------------|------------|-----------|
| Depreciation expense of right-of-use assets | 11,440,263 | 11,440,263 | – |
| Interest expense on lease liability | 1,832,902 | 2,418,712 | – |
| Included under "General and administrative expenses" (Note 23): | | | |
| Rent expense - short-term leases | 1,646,892 | 1,877,508 | – |
| Rent expense - PAS 17 | – | – | 3,382,420 |
| | 14,920,057 | 15,736,483 | 3,382,420 |

| | 2019 | 2018 | 2017 |
|---|--------------------|------------|------------|
| Depreciation expense of right-of-use assets | ₱11,440,263 | ₱– | ₱– |
| Interest expense on lease liability | 2,418,712 | – | – |
| Included under "General and administrative expenses" (Note 23): | | | |
| Rent expense - short-term leases | 1,877,508 | – | – |
| Rent expense - PAS 17 | – | 3,382,420 | 5,169,041 |
| | ₱15,736,483 | ₱3,382,420 | ₱5,169,041 |

Total cash outflow for leases amounted to P11 million and P15 million in 2020 and 2019, respectively. Recoverable deposits related to the lease agreement amounted to P4.48 million and P4.49 million as of December 31, 2020 and 2019, respectively.

Future Plans to Acquire Properties

KAIEDC is finalizing the purchase of 36.7 hectares of raw land in Maasim, Sarangani Province. The total purchase price, around PHP 200M, shall be financed from internally generated funds.

ALC intends to purchase a commercial lot inside Azuela Cove. The acquisition cost around PHP151M, shall be funded through a combination of proceeds from pre-selling and bank loan.

Investment Acquisition

On October 9, 2015, the Board of Directors approved the subscription to Non-Voting Preferred Shares in ALDEVINCO amounting to P2.2 billion. The preferred shares are entitled to receive out of the unrestricted retained earnings of the ALDEVINCO, cumulative dividends at the rate of 4% per annum of the par value of the Preferred Shares, before any dividends shall be paid to holders of the Common Shares. In 2018, ALDEVINCO declared dividends amounting to P264 million covering the years 2016 to 2018.

On August 27, 2019, the Board of Indophil Resources Phils, Inc. (IRPI) approved the equity call to all existing shareholders amounting to P52.50 per share. On September 30, 2019, ACR participated and paid IRPI P2,977,452 for the additional 56,715 common shares.

Research and Development

ACR and its subsidiaries do not allocate specific amounts or a fixed percentage for research and development. All research, if any, are done by its subsidiaries and affiliates on a per project basis. The allocation for such activities may vary depending on the nature of the project.

Employees

As of March 13, 2021, ACR and its 50% or more directly or indirectly-owned subsidiaries had a manpower complement of 482 employees, broken down as follows: 37 executives/managers, 130 supervisors and 315 associates. The Company believes that changes in manpower complement will be minimal for the next twelve months. The employees of the Company and its subsidiaries are not unionized. None of the employees are on strike, or have been in the past three (3) years, or are threatening to strike.

Future Plans

The second phase of 105MW of the 210 MW Sarangani Energy power plant has started commercial operations on October 10, 2019. The group is currently building a ₱4.5 billion 14.5 – mega-watt (MW) run-of-river hydroelectric power plant at the Siguil River basin in Maasim, Sarangani Province – the company's first foray into renewable energy. The President of the Philippines personally inaugurated the plant and also attended the launching of the Siguil Hydro Power Corporation's 14.5 MW project. This hydro project is the beginning of ACR's venture into renewable energy projects. The Siguil Hydro power plant is expected to begin commercial operations in 2022.

On top of the hydroelectric power plant, the Company is considering putting up a solar farm as well. This solar plant would have a maximum capacity of 50 MW, and is estimated to cost around \$1.2M per MW.

Another project in the company's pipeline is the ₱16 billion 105-MW San Ramon Power, Inc. baseload coal-fired power plant in Zamboanga City, which is slated to begin operations in 2024.

The Company is also looking to expand operations in Indonesia, particularly in Sulawesi province, because of its proximity to Mindanao, but the plans are still in very early stages.

ACR continues to explore opportunities to relocate the diesel generating assets to Visayas Region. It is expected to have the relocated assets operational by January 2023 and December 2023 respectively.

For the long-term the company is slated to focus on renewables with at least seven more run-of-river hydroelectric plants in various stages of development. The next two hydro facilities in the pipeline are the 22 MW Siayan (Sindangan) Hydro plant in Zamboanga del Norte and the 42 MW Bago Hydro plant in Negros Occidental- the company's first power venture outside of Mindanao.

Competition

A shift in the market forces has prompted a slowdown in sales for the Eagle Ridge Estates. Economic and affordable housing developments of Filinvest, Camella Homes, and Amaia have gained a foothold in the region.

While several power generation companies have either commenced construction of coal-fired power stations or announced plans to build them, Sarangani Energy has secured its position in the market by entering into Power Sales Agreements (PSAs) with various distribution utilities. Having secured the approval of the Energy Regulatory Commission of these PSAs, Sarangani Energy is assured of the market for its capacity.

The diesel power plants of WMPC and MPC are moderately contracted. These plants offer distribution utilities ideal peaking and insurance capacities due to their competitive pricing and proven performance over years of reliable operations. SPPC, on the other hand, has no current PSA, but the Company is exploring opportunities for relocating its engines to other locations. MPC is likewise considering relocating its available unutilized engines to other locations.

List of other Merchant plants

| Merchant plants | Capacity (MW) | | Owner |
|--|---------------|------------|---------------------------|
| | Installed | Dependable | |
| Therma South, Inc. 1 | 150 | 130.0 | Aboitiz Power Corporation |
| Therma South, Inc. II | 150 | 130.0 | Aboitiz Power Corporation |
| Therma Marine, Inc. I | 100.3 | 96.0 | Aboitiz Power Corporation |
| Therma Marine, Inc. II | 100.3 | 96.0 | Aboitiz Power Corporation |
| FDC Misamis Power Corporation (unit 1 & 2) | 270 | 240 | FDC Utilities |

| Company | Description |
|---------------------------|--|
| Aboitiz Power Corporation | <ul style="list-style-type: none"> - Provides hydroelectric power generation - Market cap: 211.928 billion - Therma South, Inc. (TSI), a wholly-owned subsidiary of AboitizPower, is the project company of the 300-MW Circulating Fluidized Bed (CFB) coal-fired plant in Toril, Davao City and Sta. Cruz, Davao del Sur. It supplies reliable baseload power to more than 20 electric cooperatives and distribution utilities all over Mindanao |
| FDC Utilities | <ul style="list-style-type: none"> - A subsidiary of the Filinvest Development Corporation (FDC) - Offers utility services and focuses on power generation and potential water distribution projects. - Developed the FDC Misamis 3 x 135 MW Circulating Fluidized Bed (CFB) Coal Thermal Plant located in PHIVIDE Industrial Estate, Villanueva, Misamis Oriental. The power plant has a combined capacity of 405 MW |

| | |
|---------------------------------|---|
| SMC Global Power Holdings Corp. | <ul style="list-style-type: none"> - A power generation company and provides a diversified portfolio utilizing a mix of coal, natural gas, and hydroelectric power plants - Total capacity is 2,903 MW representing 22% of the Luzon grid and 17% of the National grid. |
|---------------------------------|---|

Competitive Strengths

The key strengths of ACR as compared to competitors are the following:

1. In-depth knowledge of the Mindanao Region
2. Experienced Management Team
3. Expertise in power plant development and operation
4. Enhanced competitiveness and sustainable growth
5. Focused Strategies

1. In-depth knowledge of the Mindanao region

The Alcantara group has been operating in Mindanao for over 60 years engaging in forestry and wood processing, property development, power generation, cement, product distribution, agriculture, aquaculture, insurance, utilities. ACR benefits from this extensive business network by being able to build established relationships and acquire in-depth local knowledge of its operating environment and principal shareholders.

2. Experienced Management Team

One of the strengths of the Company is its seasoned management team. The management team has relevant and extensive experience in the operation and management of power assets both here and abroad. They have deep understanding of the power industry and an extensive experience in the development and operation of greenfield power projects. Through their extensive experience, they have demonstrated successes in raising and negotiating financing for the power projects, and negotiating construction, supply and the offtake agreements. They have also established strong relationships with various stakeholders.

Key Executives

| Key Executives | Profiles |
|---|--|
| Nicasio I. Alcantara Chairman and President | <ul style="list-style-type: none"> * Holds various managing and operating position in the Alcantara group * Former Chairman and CEO in Petron Corporation * MBA from Sta. Clara University, California, USA |
| Editha I. Alcantara Director, Vice-Chairman and Treasurer | <ul style="list-style-type: none"> * Holds various positions or directorships in Alcantara Group, Philippine Business for the Environment, Miriam College, and Philippine Wood Producers Association |

| | |
|---|---|
| | <ul style="list-style-type: none"> * MBA from Boston College |
| Tirso Santillan, Jr. Executive Vice President | <ul style="list-style-type: none"> * Over 20 years of experience in the power industry and has been with ACR since 1995 * Overall head for the power division and overseas existing projects and new investments * Previously worked with the First Pacific Group and with Clark Development Corp. * Bachelor of Arts degree in Engineering and Masters in Business Management from Ateneo de Manila University |





Key Executives in Power Division

| Key Executives in power division | Profiles |
|---|---|
| Joseph C. Nocos Senior Vice President Business Development and Marketing | <ul style="list-style-type: none"> * Over 24 years of experience in the power industry and has been with ACR since 1992 * Head of development for all of ACR's power plants in Mindanao and abroad, and markets power to offtakers and evaluates new investments. * Bachelor of Arts degree in Economics from Ateneo de Manila University. |
| Edgardo D. Seviles Vice President for Diesel Operations | <ul style="list-style-type: none"> * Over 37 years of experience in the power industry and has been with ACR since 1993 * Head of ACR's diesel power projects and manages operations of existing plants * Part of the team for project development and due diligence of diesel power plants * Also served as Head of Power Barge Fleet in NPC for 19 years * Masters in Management from Asian Institute of Management and Registered Electrical Engineer |

3. Expertise in power plant development and operation

ACR has been in the power generation business for more than 23 years, and has demonstrated success in developing, financing and operating power projects both here and abroad. ACR has also established knowledge of the market and strong longstanding relationships with power customers.

Power Plant Development & Operation

| | |
|---|---|
|  | <p>*From 1992 to 2006, developed and operated the 103MW diesel power plant (then named NMPC) in Iligan City under a BOT arrangement with NPC</p> <p>* Since 2013, reacquired from the Iligan City government and has successfully rehabilitated and restored the diesel power plant to full operation</p> |
|  | <p>* Since 1997, has been operating the 100MW diesel-fired plant in Zamboanga City under a BOO arrangement with NPC</p> <p>* Has historically exceeded the required level of availability as set under the ECA contract of 85%</p> |
|  | <p>* Since 1998, has been operating the 55MW diesel-fired plant in Sarangani Province under a BOO arrangement with NPC</p> <p>* Has historically exceeded the required level of availability as set under the ECA contract of 85%</p> |
|  | <p>*APMC has also provided management or consultancy services to power plants in Vietnam, Pakistan and Indonesia</p> |

Sarangani Energy Corporation

- Project Overview
 - The Sarangani Project is a two-phased coal power project with total rated net capacity of 211.5MW
 - The project is located at the 58-hectare Kamanga Agro-Industrial Economic Zone in Maasim, Sarangani
 - Notice to Proceed (NTP) for Sarangani Phase 1 was issued in January 2013 and COD was achieved in April 29, 2016
 - Limited Notice To Proceed (LNTP) for Sarangani Phase 2 was issued in July 2016 and construction is expected to be completed by 2019
 - Sarangani is 75% owned by ATEC and 25% owned by TTC
- Technical Overview

| PARAMETERS | DETAILS |
|-----------------------|--|
| Gross Capacity | Sarangani Phase 1: 118.5MW Sarangani Phase 2: 118.5MW |
| Net Capacity | Sarangani Phase 1: 106.8MW Sarangani Phase 2: 106.5MW |
| Net plant heat rate | Sarangani Phase 1: 10,663.5 kJ/kwh Sarangani Phase 2: 10,435.0 kJ/kwh |
| Average Availability | 88.1% |
| Coal Storage Capacity | 60 days (covered / open) |

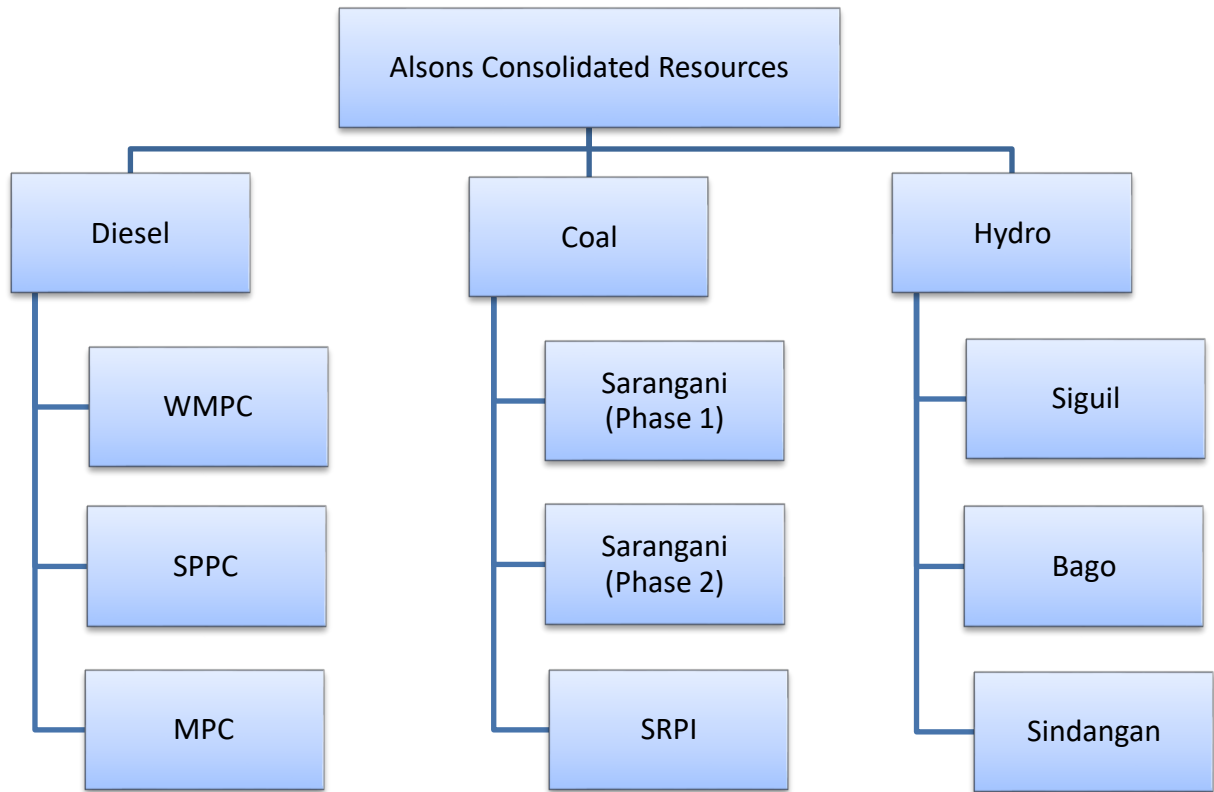
ACR's new power projects are grounded on:

- Committed project sponsors and partners – similar to its existing power plants, ACR and TTC will expand their partnership to the new coal-fired plants
- Project contracts (EPC contract, the Fuel Supply and Transportation Agreement, and the Operation & Maintenance Agreement) that have been crafted in accordance with international project finance standards
- Strong project management support from ÅF Consult, a Finnish engineering company with vast experience in thermal power construction and operation
- Power Supply Agreements mitigating offtake risks
 - Sarangani Phase 1 has PSAs covering 100% of capacity for a tenor of 25 years
 - Sarangani Phase 2 has PSAs covering 76% of capacity for a tenor of 25 years
 - SRPI has signed a 25-year PSA with Zamboanga City Electric Cooperative, Inc. (ZAMCELCO) for 80% of its capacity
- Experienced Operation & Maintenance (O&M) Firm
 - The Sarangani and SRPI plants' O&M will be supervised by PIC Marubeni

4. Enhanced competitiveness and sustainable growth

ACR's expansion to a balanced generation mix will allow it to:

- Provide a complete power solution to Mindanao grid
- Mitigate fuel-type specific risks such as volatilities in fuel costs and regulatory concerns linked to certain fuel types
- Enhance competitiveness of ACR in the Mindanao Electricity Market
- Diversify revenue and cash flow source



5. Focused Strategies

ACR's expansion strategy is driven by the needs of the Mindanao Grid and is supported by long-term offtake agreements.

- 1990s: Intermediate, peaking, and back up
- 2000s: Baseload
- Future: Renewables

ACR will position the diesel plants to perform roles that are not effectively and efficiently served by coal fired power plants.

- Intermediate and peaking capacity
- Back up capacity
- Ancillary service

ACR to develop its pipeline of hydro power projects to round up its generation mix with renewable sources

ACR's expansion will:

- Allow it to provide a complete power solution to the Mindanao grid
- Mitigate fuel-type specific risks such as volatilities in fuel costs and regulatory concerns linked to certain fuel types

- Enhance competitiveness of ACR in the Mindanao Electricity Market
- Diversify revenue and cash flow source.

Business Strategy

- ACR aims to maximize returns from its existing portfolio of oil-fired assets and to capitalize on underserved and growing baseload demand through the development of advanced coal-fired power stations. Management views that growth will be driven according to the needs in relation to the Mindanao grid.
- ACR's existing plants play an important role in the Mindanao grid due to their strategic location, wherein there is great demand for electricity. ACR likewise has the operating versatility in meeting baseload and peak demand requirements in Mindanao.
- ACR highlights that its Bunker C – fired diesel plants will be essential in carrying out ACR's business strategies. It will perform/cover tasks that will not be served by its coal-fired plants. These diesel capacities will be sold to cover intermediate and peaking supply, as well as provision of back-up power and ancillary services.

Plans and Programs

ACR has four (4) operating power plants in Mindanao. Majority of its power plants are Bunker C –fired diesel and coal fuel types, with a total power capacity of about 468 MW in operation. Around 105 MW are still under construction and development. ACR expects its power capacities to further expand once all of its projects are completed,

While other power generation companies have recently entered Mindanao, ACR believes that its reliable and efficient service would be its primary strength to secure long-term PSAs. Sarangani Energy's 210MW coal-fired power plants are located in Maasim, Sarangani Province. Its first section of 105MW began commercial operations in April 2016, while its second section of another 105MW or Phase 2 started commercial operations on October 10, 2019.

The Company likewise began site development and clearing works for SRPI's 105MW coal-fired power plant project, which could supply power to Zamboanga City and other parts of the Zamboanga Peninsula, with commercial operations expected to begin in 2024

ACR has plans of investing in renewable energy. The Group has identified hydropower resources in Mindanao and Visayas that may be implemented under the Renewable Energy Act. Apart from hydro-powered projects, the group is also looking into solar-power projects in Mindanao and is also planning to participate in the retail electricity supply business.

ACR has also started construction of its first renewable energy project under Siguil Hydro Power Corporation, which will operate a 14.5MW run-of-river electricity generating facility located at the Siguil River basin in Maasim, Sarangani. The construction phase of this project is in full swing and the company expects commercial operations to begin in the second quarter of 2022.

ACR's plan is to reach a level of balanced generation mix where it can serve the complete power requirements of its customers (i.e. baseload, intermediate, peaking, back-up as well as ancillary). Apart from enhancing its market position, this strategy, will in turn diversify its revenue mix, as well as minimize potential risks that may arise.

Dividends

Declaration of dividends is subject to approval by the Board of Directors.

Dividends on preferred shares amounting to P4 million in 2020, 2019, and 2018 were applied against the Company's subscriptions receivable from Alsons Corporation.

Historical Dividend Declarations

| Year | Date of Declaration | Per Share | Amount | Date of Payment |
|------|---------------------|-----------|-------------|-----------------|
| 2020 | July 11, 2020 | 0.02 | 125,830,000 | August 04, 2020 |
| 2019 | May 30, 2019 | 0.02 | 125,830,000 | July 24, 2019 |
| 2018 | May 24, 2018 | 0.036 | 230,894,000 | July 25, 2018 |

Dividend Policy:

Management continuously endeavors to increase ACR's share value through new projects and expansion programs while at the same time provide yearly dividends to its shareholders. On June 8, 2011, the Board of Directors adopted a dividend policy of annually declaring dividends from 20% of the previous year's unappropriated retained earnings.

Lack of unappropriated retained earnings, due to certain situations such as, but not limited to, allocation of funds for capital expenditures or expansion plans, would limit the ability of the company to pay dividends in the future.

Government Approvals and Permits

Effects of Existing or Probable Government Regulations on the Company's Business

Republic Act No. 9136, the EPIRA of 2001, and the covering Implementing Rules and Regulations (IRR) provide for the significant changes in the power sector which include among others:

- i. The unbundling of the generation, transmission, distribution and supply and other disposable assets, including its contracts with IPP and electricity rates;
- ii. Creation of a Wholesale Electricity Spot Market within one year; and
- iii. Open and non-discriminatory access to transmission and distribution systems.

The law also requires public listing of not less than 15% of common shares of generation and distribution companies within 5 years from the effectivity of the EPIRA. It provides: (i) cross ownership restrictions between transmission and generation companies and between transmission and distribution companies; and (ii) a cap of 50% of its demand that a distribution utility is allowed to source from an

associated company engaged in generation except for contracts entered into prior to the effectivity of EPIRA; and (iii) specifically relating to generation companies, a cap on the concentration of ownership to only 30% of the installed capacity of the grid and/or 25% of the national installed generating capacity. Based on the assessment of management, the operating subsidiaries have complied with the applicable provisions of the EPIRA and its IRR

Corporate Income Tax and Incentives Rationalization Act (CITIRA), the second package of the tax reform program was renamed Corporate Recovery and Tax Incentives for Enterprise (CREATE) which aims to recalibrate to make it more relevant and responsive to the needs of businesses negatively affected by the COVID-19 pandemic, and to improve the ability of the Philippines to attract highly desirable investments that will serve the public interest. The CREATE bill seeks to lower corporate income taxes and to rationalize fiscal incentives.

Under the proposed law, the corporate income tax will be immediately reduced from the current 30 percent to 20 percent for domestic corporations with total assets not exceeding P100 million, excluding land, and total net taxable income of not more than P5 million. The corporate income tax of all other corporations, meanwhile, will be lowered to 25 percent. The bill would also lower the minimum corporate income tax (MCIT) from 2 percent to one percent effectively July 2021 until June 30, 2023.

On the fiscal incentives, the total period of incentives availment has been increased to a maximum of 17 years. The length of the period of incentives takes into account the location and type of the registered activity.

Highly-desirable projects with a minimum investment capital of P50 billion or those that can generate at least 10,000 employees, can enjoy a superior incentive package for up to 40 years which includes ITH for a maximum of 8 years. The sunset period for existing registered business enterprises (RBE) enjoying Income tax holiday (ITH) can continue to enjoy the same within the remaining ITH period while firms enjoying 5% GIT can continue to enjoy the same for 10 years. Existing RBEs may re-apply for the fiscal incentives under the CREATE bill after the lapse for the sunset period.

Approval of fiscal incentives for new projects or activities with investment capital of P 1 billion and below shall be deleted to their respective Investment Promotion Program Agencies (IPA). Fiscal incentives application for projects or activities with investment capital exceeding P1 billion shall be subject to the approval of the Fiscal Incentives Review Board (FIRB).

Duty exempted on certain importations, VAT exemptions on importations, and VAT zero-rating on local purchases shall still apply.

The reduction of income taxes rates will have provide positive impact to existing businesses and attract foreign investors to Kamanga Agro-Industrial Ecozone.

Cost and Effect of Compliance with Environmental Laws

ACR engages only in projects and activities that comply with environmental laws. Its power subsidiaries follow the regulations embodied in the EPIRA. All its plants meet the exhaust emission standards set by

Department of Environment and Natural Resources (DENR). Compliance with existing environmental laws has corresponding costs, which include expenditures for the following:

- a. renewal fees for the DENR permit/license to operate;
- b. exhaust emission tests and monitoring (costs covered by the environmental guarantee fund);
- c. environmental monitoring fund (SPPC P500,000 and WMPC P598,000); and,
- d. environmental guaranty fund (SPPC P500,000 and WMPC P508,000).

The Company meets all governmental, environmental, health and safety requirements. The Company's operating units are regularly inspected and have not experienced significant governmental, environment, health or safety problems. For the past three years, the total amounts spent in complying with environmental laws by the subsidiaries are as follows (1) P461,176 in 2020; (2) P2,022,841 in 2019; and, (3) P2,593,707 in 2018.

Legal Proceedings

Southern Philippines Power Corporation ("SPPC"), a subsidiary of the Company, and owner of a diesel-fired power plant, has a receivable from the National Power Corporation ("NPC"), which NPC disputed. The parties brought their dispute to the Energy Regulatory Commission ("ERC") for arbitration. On June 3, 2013, the ERC decided in favor of SPPC, and NPC appealed the ERC decision to the Court of Appeals ("CA"), which affirmed the ERC decision. On August 17, 2015, the CA denied NPC's motion for reconsideration. On September 18, 2015, NPC petitioned the Supreme Court ("SC") to review the ERC and CA decisions. On July 16, 2016, the SC rendered a decision holding NPC liable to pay SPPC for the capacity and other fees arising from the additional 5 MW nominated by SPPC from 2005 to 2010. On November 23, 2016, the SC denied NPC's motion for reconsideration, rendering the ERC decision final. SPPC is now preparing to petition the Commission on Audit ("COA") to approve its money claim. On December 9, 2019, the NPC, through its president and CEO Pio J. Benavidez, signified its agreement to SPPC's waiver of its claims of interest. On December 27, 2019, SPPC filed with the ERC an Omnibus Motion to (a) Resolve and (b) Withdraw claim of interest. On October 14, 2020, the Company filed a Motion to Resolve with the Commission on Audit (COA) requesting to immediately resolve the Petition for Money Claim.

Receivable balances are monitored regularly and allowance provisions are reviewed to ensure limited exposure to bad debts.

Some of the subsidiaries or affiliates of the Company are also from time to time involved in routine litigation as well as various legal actions incidental to their respective operations. However, in the opinion of the Company's management, none of these legal matters, in which its subsidiaries or affiliates are involved, will be material to the Company's financial condition and results of operations.

Bankruptcy Proceedings

The Company has not contemplated any plan for bankruptcy, receivership, or similar proceedings. Neither is there any material reclassification, merger, consolidation, nor sale of any significant amount of assets in the ordinary course of business.

Market Information

All the common shares of the company are listed in the Philippine Stock Exchange.

The following are the high and low market prices of the Company's shares for the past three years:

Market Price of ACR Shares

| Year | | First Quarter | Second Quarter | Third Quarter | Fourth Quarter |
|------|------|---------------|----------------|---------------|----------------|
| 2021 | High | P1.37 | | | |
| | Low | 0.61 | | | |
| 2020 | High | 1.37 | 1.46 | 1.44 | 1.49 |
| | Low | 0.61 | 0.83 | 1.13 | 1.19 |
| 2019 | High | P1.58 | P1.48 | P1.42 | P1.34 |
| | Low | 1.28 | 1.36 | 1.29 | 1.21 |
| 2018 | High | 1.38 | 1.35 | 1.30 | 1.31 |
| | Low | 1.23 | 1.18 | 1.14 | 1.22 |

The price of the Corporation's common shares as of March 5, 2021 trading date was PhP1.30 per share.

Stockholders

As of March 31, 2021, ACR has 6,291,500,000 common shares outstanding. The top twenty (20) stockholders of the Company, as recorded by Prime Stock Transfer Services, Inc., the Company's stock transfer agent, are as follows:

Stockholders with 500,000 Shares and Above

| <u>Name</u> | <u>No. of Shares Held</u> | <u>% to Total*</u> |
|--|-------------------------------|------------------------|
| ALSONS CORPORATION | 2,592,524,072 | 41.21% |
| ALSONS POWER HOLDINGS CORP | 1,249,999,599 | 19.87% |
| ALSONS DEVELOPMENT AND INVESTMENT CORPORATION | 1,188,524,026 | 18.89% |
| PCD NOMINEE CORPORATION (FILIPINO) | 1,159,175,050 | 18.42% |
| PCD NOMINEE CORPORATION (NON-FILIPINO) | 70,496,001 | 1.12% |
| SEC ACCOUNT NO. 2 FAO: VARIOUS CUSTOMERS OF GUOCO | 2,090,000 | 0.03% |
| ALL ASIA CAPITAL TRUST & INVESTMENT | 1,830,000 | 0.03% |
| EBC SECURITIES CORPORATION | 1,030,000 | 0.02% |
| CRISOSTOMO, EMILY A. | 1,000,000 | 0.02% |
| CRUZ JR., FELIPE A | 1,000,000 | 0.02% |
| GO, NORA T. | 1,000,000 | 0.02% |
| FIRST INTEGRATED CAPITAL SECURITIES, INC. (555300) | 900,000 | 0.01% |
| FIRST INTEGRATED CAPITAL SECURITIES, INC. (555200) | 795,000 | 0.01% |
| ANSALDO, GODINEZ & CO., INC. | 755,000 | 0.01% |
| GO, GEORGE | 750,010 | 0.01% |
| AACTC FAO TRINITY INVESTMENT | 680,000 | 0.01% |
| YAU, ESTEBAN | 600,000 | 0.01% |
| TIA, ROY C | 513,000 | 0.01% |
| S.J. ROXAS & COMPANY, INC. | 507,000 | 0.01% |
| MENDOZA, MARITES /OR ALBERTO MENDOZA | 500,000 | 0.01% |

*percentages were rounded off.

Submission of Matters to a Vote of Security Holders

During the calendar year covered by this report, no business matter was submitted to a vote of security holders through solicitation of proxies or otherwise other than an election of the Directors.

Directors and Senior Management

The Board of Directors

The Company's Board of Directors is responsible for the overall management and direction of the Company. The Board meets regularly or as often as required, to review and monitor the Company's financial position and operations. Each Board member serves for a term of one year or until his successor is duly elected and qualified.

The following are the Directors and Officers of the Company and their business experience for the last five years.

Board of Directors

| Office | Name | Nationality |
|--|-------------------------|-------------|
| Director, President, Chairman of the Board | Nicasio I. Alcantara | Filipino |
| Director, Vice-Chair and Treasurer | Editha I. Alcantara | Filipino |
| Director, Executive Vice President | Tirso G. Santillan, Jr. | Filipino |
| Director | Tomas I. Alcantara | Filipino |
| Director | Alejandro I. Alcantara | Filipino |
| Director | Ramon T. Diokno | Filipino |
| Independent Director | Jacinto C. Gavino, Jr. | Filipino |
| Independent Director | Jose Ben R. Laraya | Filipino |
| Director | Honorio A. Poblador III | Filipino |
| Director | Arturo B. Diago, Jr. | Filipino |
| Independent Director | Thomas G. Aquino | Filipino |

Nicasio I. Alcantara, 78, Filipino, became the Chairman of the Board of Directors Effective March 1, 2021. He previously led ACR as Chairman and President from 1995 to 2001. He was Chairman and Chief Executive Officer of Petron Corporation from 2001 to 2009. He currently holds leadership positions and board directorships in several companies including ACR Mining Corporation where he serves as Chairman and Phoenix Petroleum where he sits as an independent director. He has over 45 years of involvement in both public and private companies, and in diverse industries that include manufacturing, banking and finance, property, information technology, agriculture, power and energy, financial services, agriculture and diversified holdings. Mr. Alcantara is also a director of Seafront Resources Corporation, Philodril Corporation and Site Group International Limited.

He obtained his Business Administration degree from the Ateneo de Manila University and his Masters in Business Administration from Sta. Clara University, California U.S.A.

Tomas I. Alcantara, 74, Filipino, became the Chairman of the Board of Directors and the President of the Company in August 2001. On March 1, 2021, Mr. Alcantara retired from his position due health reasons. Upon his retirement, Mr. Nicasio I. Alcantara will assume the position of Chairman and President of ACR. Under Mr. Tomas Alcantara's leadership, the Alcantara Group cemented its position as one of the country's largest diversified Filipino-owned conglomerates - achieving great strides in the fields of agri-business and aquaculture, property development, and power generation.

He holds a Bachelor of Science degree in Economics from the Ateneo de Manila University and a Masters in Business Administration (MBA) from Columbia University, and he attended the Advanced Management Program of the Harvard Business School. He is presently the Chairman of the Board of Directors and President of Alsons Development and Investment Corporation and Sarangani Agricultural Company, Inc., and other companies in the Alcantara Group (since August 2001).

Mr. Alcantara is also the Chairman of the Alsons Adtx Information Systems, Inc. (since August 2001). He is a Trustee of the European IT Service Center Foundation (since August 2002) and of the Foundation for Revenue Enhancement (August 2004). He has been a Director of Holcim Philippines, Inc. since July 2003, Philweb Corporation (May 2002) and DBP-Daiwa Capital Markets Phils., Inc. (July 1995).

Mr. Alcantara served as Undersecretary for the Industry and Investment Group of the Department of Trade and Industry, the Vice Chairman and Managing Head of the Board of Investments from July 1986 to March 1995, and the Special Envoy of the Philippine President to Asia Pacific Economic Cooperation forum in 1996. He was also the Chairman of the Board of Directors and the President of Holcim Manufacturing Corporation (formerly Alsons Cement Corporation) from May 1997 to July 2003 and has served as a Director of that company since 1997. He was a Member of the Advisory Board of Rizal Commercial Banking Corporation (RCBC) from April 1997 to June 2007. Mr. Alcantara served as a Director of Philippine Reclamation Authority (formerly Public Estate Authority) from 2003 to April 2006 and Chairman of the Manila Economic and Cultural Office from March 2001 to August 2010.

Editha I. Alcantara, 72, Filipino, has served as a Director of the Company since March 8, 1995. She holds a Business Administration degree from Maryknoll College and an MBA from Boston College. Ms. Alcantara became the President of C. Alcantara and Sons, Inc. in 1992 after serving as the Treasurer of that company. Presently, she is a Director (since 1980) and the Treasurer (since October 2000) of other companies in the Alcantara Group.

She is also a Director of the Philippine Wood Producers Association (since May 16, 1980), and has served as a Trustee for the Philippine Business for the Environment, Inc. since July 1995 and as a Trustee of Miriam College since December 1998.

Tirso G. Santillan Jr., 77, Filipino, became a Director of the Company in June 11, 1996. He has also been the Executive Vice-President since April 27, 1995. He holds a Bachelor of Arts degree in Engineering and a Masters in Business Management degree from the Ateneo de Manila University.

Presently, he heads the Power Business Unit of the Alcantara Group. He has been the Executive Vice-President of Alto Power Management Corporation since January 1996, Conal Holdings Corporation since June 1997, Southern Philippines Power Corporation and Western Mindanao Power Corporation since March 1996. He is also a Director of Sarangani Agricultural Co., Inc. since May 2002.

Additionally, he has been the Managing Partner of Private Capital of Asia Ltd. Since June 1991. Mr. Santillan worked with the First Pacific Group from February 1987 to May 1991.

Alejandro I. Alcantara, 66, Filipino, has served as a Director of the Company since July 2003. He graduated from the Ateneo de Davao with a degree in Economics. Mr. Alcantara has been a Director and the President of Aquasur Resources Corporation since 1993 and has served in the same capacity with Finfish Hatcheries, Inc. since 1995. He has also served as the Executive Vice President and General Manager of Sarangani Agricultural Company, Inc. since 1986 and of Alsons Aquaculture Corporation since 1998. He

also became a Director and the Treasurer of the Federation of Cattle Raisers Association of the Philippines from 1997 to December 2009.

Ramon T. Diokno, 73, Filipino, rejoined the Company as a Director in March 18, 2009. Previously, he served the Company as a Director from June 19, 2002 to June 29, 2006 and as its Chief Financial Officer from January 16, 2001 to June 30, 2006. He holds an Economics and Accountancy degree from the De La Salle University and a Masters of Science in Management degree from the Massachusetts Institute of Technology.

Mr. Diokno is also the Chief Financial Officer of Lepanto Consolidated Mining Co and its wholly-owned subsidiaries. He is currently also a Director of Alsons Insurance Brokers Corporation.

Jacinto C. Gavino, Jr., 71, Filipino, has served as Independent Director of the Company since May 2005. He has been a full-time Faculty of the Asian Institute of Management (AIM) since 1990 and he presently holds the Fr. James F. Donelan, SJ, Professional Chair Business Ethics. He is on the core faculty of the Washington SyCip Graduate School of Business (WSGSB). He was also the Associate Dean of the Master in Management Program from 1993 to 1995, and Associate Dean for Research from 1995 to 1999.

He is currently a Director of Productronica Holdings, Inc. (2003), Aurotech Corporation (2000), Green Chemicals Corporation (2006), RNuable Energy Corporation (2011) and Sarangani Agricultural Co., Inc. (2005). He also serves as a Trustee of Fundacion Santiago (2002) and the Center for Family Ministries at the Loyola School of Theology (2006). He also does consultancy work for various businesses and non-profit organizations.

Professor Gavino holds a Bachelor of Science degree in Electrical Engineering from the University of the Philippines (1971), a Master in Business Administration degree from the Ateneo de Manila University (1984), and a Doctorate in Public Administration from the University of the Philippines (1993). He also taught in the Ateneo de Manila University, Maryknoll College, and the University of the Philippines.

Jose Ben R. Laraya, 81, Filipino, has served as Independent Director of the Company since March 1995. He holds a Commerce degree from De La Salle College and an MBA from the University of the Philippines. He also attended the Advanced Management Program at Harvard Business School. Currently, he serves as Chairman of the Board of Directors of Ultrex Management and Investments Corporation (1992) and Laraya Holdings, Inc. (2007). He also serves as President of Trully Natural Food Corporation (2004), and a Director of La Frutera, Inc. (1997).

Previously, he served as Vice-Chairman of the Philcom Corporation from October 1996 to February 1999, President of National Steel Corporation from September 1980 to February 1989, Dole Asia from February 1989 to June 1992, and APC Group, Inc. from September 1995 to February 1999.

Honorio A. Poblador III, 76, Filipino, has served as a Director of the Company since March 8, 1995. He holds a Political Science degree from the Ateneo de Manila University. Currently, he serves as Chairman of the Board of Directors of Asuncion Realty Corporation (since 1995), Chairman of the Board of Directors and President of Asmaco, Inc. and President of Asian Aesthetic Excellence, Inc. and Mayriad Human Resources and Services, Inc.

He is also a Director of Philippine Communications Satellite Corporation, Philippine Overseas Telecommunications Corporation, and Elnor Investment Corp. (since 1983), Philcomsat Holdings

Corporation (1998), the Philodrill Corporation (1997), F&C Realty Corporation and POB Corporation (2003).

Arturo B. Diago, Jr. 70, Filipino, became a director of the Company in August 2017 after the resignation of Mr. Nicasio I. Alcantara in July 2017. Mr. Diago has been the Treasurer of Cyan Management Corporation since 1988, Teleperformance, Inc. since 1996, Lacturan Holdings, Inc. since 1997, Mantrade Development Corporation since 2003 and Canlubang Golf Corporation since 2007. Mr. Diago has been the Vice-President-Comptroller of MG Exeo Network, Inc. since 1991. He has been an Executive Vice President and Treasurer of Directories Philippines Corporation since 1989. He served as the Chief Officer for Administrative and Corporate Service of Pilipino Telephone Corporation until December 31, 2000. Mr. Diago served as the President of Lodestar Investment Holdings Corp. since May 2006. He held various positions in the Alcantara Group of Companies involved in manufacturing, marketing and shipping operations. He has been the Vice Chairman of Asian Media Development Group, Inc. since 2003. Mr. Diago serves as a Director of Directories Philippines Corporation and MG Exeo Network Inc., among other corporations. He has been a Director of Alsons Consolidated Resources, Inc. since August 24, 2017. He serves as a Director of Cebuana Lhuillier Bank, Cybersoft Information Technology, Inc., 911 Alarm, Inc. and Vinnell Belvoir Corp. He served as a Director of Lodestar Investment Holdings Corp. from March 10, 2006 to December 2007 and its Globalport 900, Inc. (a/k/a MIC Holdings Corp.). Mr. Diago served as a Director of PLDT Communications and Energy Ventures, Inc. (Former Name: Pilipino Telephone Corporation) from April 24, 1991 to May 9, 2011. He obtained his Master's Degree in Business Management from the Asian Institute of Management and his Bachelor of Science Degree in Commerce from the De La Salle University. He also attended the Strategic Business Economics Program of the Center for Research and Communication (now University of Asia and the Pacific).

Dr. Thomas G. Aquino, 72, Filipino, became an Independent Director of the Company in May 20, 2011. He is a Senior Fellow at the Center for Research and Communication of the University of Asia and the Pacific (UA&P). He was formerly the Senior Undersecretary of Philippine Department of Trade and Industry. He supervised the country's foreign trade promotions, trade negotiations under World Trade Organization and the ASEAN Free Trade Agreements as well as bilateral trade talks with the country's major economic trading nations. He served as overall lead negotiator for the country's first free trade agreement, namely the Philippine-Japan Economic Partnership Agreement and was country representative to the High Level Task Force on ASEAN Economic Integration. For public service, Dr. Aquino was conferred the Presidential Service Award (or Lingkod Bayan) for extraordinary contribution of national impact on public interest, security and patrimony and was recipient of the Gawad Mabini Award with the rank of Grand Cross (or Dakilang Kamanong) for distinguished service to the country both at home and abroad by the President of the Republic of the Philippines.

Before entering public service, Dr. Aquino held important roles in the fields of economics and business in the private sector as Vice President for Business Economics and Director of the Strategic Business Economics Program of UA&P. He returned to private practice as strategy consultant to companies and economic policy adviser to government entities. He is the Chairman of NOW Corporation and Independent Director of A Brown Company, both publicly listed at the Philippine Stock Exchange. He obtained his Doctorate in Management from IESE Business School, University of Navarre (Spain) in 1980, an MS in Industrial Economics from presently the University of Asia and the Pacific in 1972 and an AB in Economics from the School of Economics, University of the Philippines in 1970.

The Executive Officers

The following Company Executive Officers do not own more than 2% of ACR:

| Officer | Name | Nationality |
|---|-----------------------------|-------------|
| Director, President, Chairman of the Board | Nicasio I. Alcantara | Filipino |
| Director, Vice-Chair and Treasurer | Editha I. Alcantara | Filipino |
| Director, Executive Vice President | Tirso G. Santillan, Jr. | Filipino |
| Vice President and Chief Finance Officer | Alexander Benhur M. Simon | Filipino |
| Chief Investment and Strategy Officer | Antonio Miguel B. Alcantara | Filipino |
| Corporate Secretary | Roberto V. San Jose | Filipino |
| Assistant Corporate Secretary, Data Protection Officer and Compliance Officer | Angel M. Esguerra III | Filipino |
| Deputy Chief Financial Officer | Philip Edward B. Sagun | Filipino |
| Chief Audit Executive | Esperidion D. Develos, Jr. | Filipino |

Alexander Benhur M. Simon, 57, Filipino, was appointed as Vice President and Chief Finance Officer of Company on February 1, 2021. Mr. Simon previously served as Chief Finance Office of Global Business Power Holdings Corporation, a subsidiary of Metro Pacific Group, and SMC Global Power Holdings Corporation, a subsidiary of San Miguel Corporation. Mr. Simon obtained his Bachelor of Science degree in Management Engineering from Ateneo de Manila University and completed his Master of Business Administration from Pepperdine State University in California, USA and Master of Applied Business Economics from the Center for Research and Communication.

Antonio Miguel B. Alcantara, 36, Filipino, was appointed as Chief Investment and Strategic Officer of Company on February 1, 2021. He has been the Corporate Planning Officer of the Group since August 2014. He led the acquisition of the 103MW Diesel Fired Power Plant in Northern Mindanao (Mapalad Power Corporation) where he currently serves as Director. Mr. Alcantara has also worked under the business development group's Power Business Unit since 2010. Mr. Alcantara obtain his degree in Bachelor of Science in Business Administration degree major in Finance and Marketing at Northeastern University in Boston, MA. He obtained his Master in Business Administration at Babson College, F.W Olin Graduate School of Business in Wellesley, MA where he graduated as Magna Cum Laude.

Roberto V. San Jose, 79, Filipino, has been the Corporate Secretary of the Company since June 1991. He received his Bachelor of Arts degree from De La Salle University and his law degree from the University of the Philippines. He is a member of the Philippine Bar and a Consultant of the Castillo Laman Tan Pantaleon and San Jose Law Offices. In addition to serving as Corporate Secretary for the Company, he serves as Director, Officer, and/or Corporate Secretary of the Anglo Philippine Holdings Corp., CP Equities Corporation, Atlas Resources Management Group, MAA Consultants, Inc. and several other companies. He is also the Corporate Secretary of Premiere Horizon Alliance Corporation, Marc Ventures Holdings, Inc., Solid Group Inc., United Paragon Mining Corporation, FMF Development Corporation, Beneficial Life Insurance Co., Inc., The Metropolitan Club, Inc., and other client corporations of the Castillo Laman Tan Pantaleon and San Jose law firm.

Angel M. Esguerra III, 59, Filipino, was appointed as the Assistant Corporate Secretary of the Company on August 10, 2010. He is a member of the Philippine bar and obtained his Bachelor of Arts degree in Economics and his Law degree from the University of the Philippines. Mr. Esguerra practiced with several firms then joined a trans-national energy company with power plants in the Asia-Pacific Region as internal

counsel, and served as the Corporate Secretary of its Philippine subsidiaries such as Batangas Power Corp. and Subic Power Corporation. In June of 2010, he joined the Alcantara Group as head of its Legal Services department and now serves as the Corporate Secretary of the group's other companies.

Philip Edward B. Sagun, 46, Filipino, was appointed as the Deputy Chief Financial Officer of the Company on May 2019. In February 2015, he joined the Alcantara Group as AVP Corporate Finance and Treasury.

Prior to joining the company, Mr. Sagun held important roles in the banking sector as First Vice President for Philippine Bank of Communications. He obtained his Bachelor of Arts degree in Social Science from Ateneo De Manila University and holds a master degree in Finance at the University of the Philippines.

Esperidion D. Develos, Jr, 72, Filipino, was appointed as the Chief Audit Executive of the Company since 2018. He obtained his Bachelor of Science degree in Accountancy from Xavier University and completed his Master in Business Administration at the Asian Institute of Management. He is a Certified Public Accountant. Mr. Develos was the Senior Consultant for the Alcantara Group since 2009 and was the Group Internal Audit Head for Conal Corporation for 20 years.

Independent Directors

The following are the Company's Independent Directors. They are neither officers nor substantial shareholders of ACR:

1. Jacinto C. Gavino, Jr.
2. Jose Ben R. Laraya
3. Thomas G. Aquino

Significant Employee

There are no persons other than the Executive Officers that are expected by the Company to make a significant contribution to the business.

Family Relationships

Mr. Nicasio I. Alcantara, Mr. Tomas I. Alcantara, Mr. Alejandro I. Alcantara, and Ms. Editha I. Alcantara are siblings, while Mr. Antonio Miguel B. Alcantara is the son of Mr. Alejandro I. Alcantara. There are no other family relationships known to the Company up to the 4th civil degree of consanguinity or affinity.

Compensation of directors and executive officers

A Director's compensation consists of a per diem of P30,000 for every meeting of the Board of Directors' and P15,000 for every meeting of the Executive Committee and Corporate Governance Committee and the Audit Committee.

The aggregate amounts paid by the Company to its Directors and Executive Officers as a group were 2,973,000 and 2, 850,000 for the years 2020 and 2019, and 4,138,000 in 2018, respectively. For 2021, the Company estimates that it will pay an aggregate amount of 3,780,000 as compensation to its Directors and Executive Officers.

Summary of Compensation of Directors and Executive Officers

| Name and Principal Position | Year (With 2021 Estimates) | Salary (Php) | Bonus (Php) | Other Annual Compensation Income (php) |
|--|-----------------------------------|---------------------|--------------------|---|
| Nicasio I. Alcantara, Director, Chairmand and President | 2021 2020 2019 2018 | - - - - | - - - - | P 405,000 - - - |
| Tomas I. Alcantara, Director | 2021 2020 2019 2018 | - - - - | - - - - | 405,000 225,000 165,000 434,000 |
| Editha I. Alcantara Director, Vice Chair and Treasurer | 2021 2020 2019 2018 | - - - - | - - - - | 510,000 300,000 285,000 509,000 |
| Tirso G. Santillan, Jr. Director, Executive Vice President | 2021 2020 2019 2018 | - - - - | - - - - | 510,000 300,000 315,000 509,000 |
| Jose Ben R. Laraya Director | 2021 2020 2019 2018 | - - - - | - - - - | 405,000 300,000 330,000 509,000 |
| Ramon T. Diokno Director | 2021 2020 2019 2018 | - - - - | - - - - | 405,000 285,000 255,000 464,000 |
| Alejandro I. Alcantara | 2021 2020 2019 2018 | - - - - | - - - - | 309,000 210,000 120,000 314,000 |
| Arturo B. Diago, Jr. | 2021 2020 2019 2018 | - - - - | - - - - | 309,000 210,000 180,000 404,000 |
| Conrado C. Alcantara | 2021 2020 2019 2018 | - - - - | - - - - | - 210,000 210,000 434,000 |

| | | | | |
|---------------------------------------|------|---|---|---------|
| | | | | |
| Jacinto C. Gavino, Jr. | 2021 | - | - | 309,000 |
| | 2020 | - | - | 270,000 |
| | 2019 | - | - | 300,000 |
| | 2018 | - | - | 494,000 |
| Honorio H. Poblador, III | 2021 | - | - | 309,000 |
| | 2020 | - | - | 210,000 |
| | 2019 | - | - | 180,000 |
| | 2018 | - | - | 374,000 |
| Thomas G. Aquino | 2021 | - | - | 309,000 |
| | 2020 | - | - | 225,000 |
| | 2019 | - | - | 180,000 |
| | 2018 | - | - | 434,000 |
| All other Officers as a group unnamed | 2021 | - | - | 210,000 |
| | 2020 | - | - | 210,000 |
| | 2019 | - | - | 690,000 |
| | 2018 | - | - | 187,000 |

Annual Compensation received from ACR consists of per diems given for every attendance in meeting of the Board, Executive Committee, or Audit Committee.

The Company and the Executive Officers are not involved in any of the following transactions:

1. Standard arrangement and any material arrangements;
2. Employment contract (between the registrant and named Executive Officers);
3. Compensatory plan or arrangement;
4. Outstanding warrants or options;
5. Adjustments or amendments on the stock warrants or options.

The members of the Compensation Committee of the Company are as follows:

1. Nicasio I. Alcantara - Chairman
2. Honorio A. Poblador III - Member
3. Jose Ben R. Laraya - Member (Independent Director)
4. Tirso G. Santillan, Jr. - Member

Warrants and Options Outstanding

There are no warrants or options granted by the Company to any of its Directors or Executive Officers.

Pending Legal Proceedings

None of the directors and officers were involved in any bankruptcy proceedings as of March 31, 2021, 2020 and during the past five years. Neither have they been convicted by final judgment in any criminal proceedings or been subject to any order, judgment or decree of competent jurisdiction, permanently or

temporarily enjoining, barring, suspending, or otherwise limiting their involvement in any type of business, securities, commodities or banking activities, nor found in action by any court of administrative bodies to have violated a securities or commodities law.

Significant employees

There are no persons other than the executive officers that are expected by the Company to make a significant contribution to the business.

Voting Trust Holders of 5% or More

No person holds five percent (5%) or more of the issued and outstanding shares of stocks of the Company under a voting trust or similar agreement.

Change in Control

There are no changes in controlling interest of the Company during the period covered by this report.

Certain Relationships and Related Transactions

During the last three (3) years, the Company was not a party to any transaction in which a Director or Executive Officer of the Company, any nominee for election as a Director, or any security holder owning more than 5% of any class of the Company's issued and outstanding shares and/or his/her immediate family member, had a material interest thereon.

In the normal conduct of business, the following are some of the Company's transactions with its affiliates and related parties disclosed in the audited financial statements.

- I. On October 9, 2015, the Company subscribed to 22 million redeemable preferred shares of Aldevinco, a shareholder of the Company, through a conversion of the Company's advances to Aldevinco amounting to P2.2 billion. The redeemable preferred shares have a par value of P100 per share with cumulative dividend of 4% per annum and are non-participating. The Company accounts for its investment in these redeemable preferred shares as part of AFS investment in the Financial Statements.
- II. On March 21, 2013, Aldevinco and ACIL (collectively referred to as AG) and Ayala Land, Inc. (ALI) entered into a joint venture agreement, wherein ALI would own 60% and AG would own 40% of the outstanding capital stock of a Joint Venture Corporation (JVC), Aviana Development Corporation (ADC), which shall develop the Lanang Landholdings in Davao. On September 17, 2013, ADC was incorporated, and ACR subscribed to, and now owns, 34% of ADC's outstanding capital stock.

There were no transactions to which the Company was a party during the past two (2) fiscal years where a Director, Executive Officer, nominee for Director, or stockholder owning more than 10% of the outstanding shares of the Company had a direct interest.

The Company retains the law firm of Castillo Laman Pantaleon and San Jose for legal services, where Atty. Roberto V. San Jose is a Consultant. In 2020 and 2019, ACR paid this law firm fees of P360,000.00 for each year. No special engagement was made during the years covered. The Company believes that the legal fees are reasonable for the services rendered.

With the Company's issuance of the voting preferred shares, the Company's ultimate parent company is Alsons Corporation or AC, which owns 68.63% of all the common and the preferred shares. The Company's outstanding common shares, which are all listed in the Philippine Stock Exchange, are owned and controlled by the following Companies: Alsons Corporation – 41.21%; Alsons Power Holdings Corporation – 19.87%; and Alsons Development and Investment Corporation – 18.89%.

For further disclosures involving related parties, please refer to i) Item 13 in the SEC Form 17-A Annual Report Year Ended December 31, 2019 page 32, 33; and ii) Note 20 of the Company's Consolidated Audited Financial Statements for the year ended December 31, 2019.

Security Ownership of Certain Record and Beneficial Owners

As of March 31, 2021, the Company knows of no one who beneficially owns in excess of 5% of its common stock except as set forth below:

Beneficial Owners of Voting Securities

| Title of Class | Name and address of Record Owner | Relationship with Issuer | Name of Beneficial Owner and Relationship with record owner | Citizenship | Number of shares held | %age |
|----------------|--|--------------------------|---|-------------|-----------------------|--------|
| Common | Alsons Corporation ⁶ Alsons Building, 2286 Pasong Tamo Ext., Makati City | Affiliate | AC ⁷ | Filipino | 2,592,524,072 | 41.21% |
| Common | Alsons Power Holdings Corp. ¹⁰ Alsons Bldg., 2286 Pasong Tamo Ext., Makati City | Affiliate | APHC ¹¹ | Filipino | 1,249,999,599 | 19.87% |
| Common | Alsons Development and Investment Corp ¹⁰ Alsons Bldg., 2286 Pasong Tamo Ext., Makati City | Affiliate | ADIC ¹¹ | Filipino | 1,188,524,026 | 18.89% |
| Common | PCD Nominee Corporation ⁸ (Fil) 37/F Tower 1 Enterprise Center 6766 Ayala Avenue, Makati City | None | Various ⁹ | Filipino | 1,159,163,050 | 18.42% |

⁶ The President and CEO of the Corporation, Tomas I. Alcantara, is the Chairman of the Board of Directors of the Company.

⁷ The respective Board of Directors of each AC, APHC and ALDEVINCO has power to decide how the shares are to be voted..

⁸ The PCD Nominee Corporation is not related to the Company

⁹ There are no holders of more than 5% of common stock under PCD. The clients of the various PCD participants have the power to decide how the Company's shares are to be voted.

Security Ownership of Management

The table below shows the securities beneficially owned by all Directors, nominees, and Executive Officers of ACR as of March 31, 2021.

Security Ownership of Management

| Title of Class | Name of Beneficial Owner | Amount and Nature of Beneficial Ownership | Citizenship | Percent of Ownership |
|------------------|--------------------------|---|-------------|----------------------|
| Directors | | | | |
| Common | Nicasio I. Alcantara | 100 | Filipino | 0.00% |
| Common | Editha I. Alcantara | 100,000 | Filipino | 0.00% |
| Common | Alejandro I. Alcantara | 1 | Filipino | 0.00% |
| Common | Jacinto C. Gavino, Jr. | 1 | Filipino | 0.00% |
| Common | Ramon T. Diokno | 1 | Filipino | 0.00% |
| Common | Jose Ben R. Laraya | 100 | Filipino | 0.00% |
| Common | Honorio A. Poblador III | 100 | Filipino | 0.00% |
| Common | Tomas I. Alcantara | 1 | Filipino | 0.00% |
| Common | Thomas G. Aquino | 100 | Filipino | 0.00% |
| Common | Tirso G. Santillan, Jr. | 1 | Filipino | 0.00% |
| Total | | 100,405 | | |
| | | | | |
| Common | Nicasio I. Alcantara | 100 | Filipino | 0.00% |
| Common | Editha I. Alcantara | 100,000 | Filipino | 0.00% |
| Common | Tirso G. Santillan, Jr. | 1 | Filipino | 0.00% |
| Common | Roberto V. San Jose | 500,000 | Filipino | 0.00% |
| Total | | 600,101 | | 0.00% |

Sales of Unregistered Securities within the last three (3) years

There are no other securities sold for cash by the Company within the last three (3) years that were not registered under the Securities Regulation Code.

Corporate Governance

In compliance with the SEC directive and in view of the ASEAN Corporate Governance Scorecard Assessment, the Company filed its the latest Integrated Annual Corporate Governance Report for 2019 on August 28, 2020. This is compiled and published in the Company website, in compliance with the SEC Memoranda No. 1 and 12, Series of 2014, requiring all publicly listed companies to consolidate all the ACGR updates and changes for the year and label the consolidated changes as “Consolidated Changes in ACGR for (year)”.

Evaluation System

In compliance with Securities & Exchange Commission (“SEC”) Memorandum Circular No 19, Series of 2016, the Company timely and duly adopted a New Manual on Corporate Governance on 24 August 2017. In this New Manual, the evaluation system established by the Company to measure or determine the level of compliance by the Board of Directors and top-level management with its New Manual consisted of: (1) the appointment of a competent compliance officer who monitors, reviews, evaluates and ensures the compliance by the Company, its officers and Directors with the relevant laws, the Code, rules and regulations and all governance issuances of regulatory agencies; (2) the appointment of a competent Chairman of the Board of Directors who makes sure that performance of the Board is evaluated at least once a year and discussed/ followed up on; (3) the constitution of the Executive Committee of the Board of Directors as concurrently the Corporate Governance Committee that (i) oversees the periodic performance evaluation of the Board, its committees, and Management, and conducts an annual self-evaluation of its performance; (ii) ensures that the results of the Board evaluation are shared, discussed, and that concrete action plans are developed and implemented to address the identified areas for improvement; and (iii) evaluates itself in carrying out its evaluation functions. These evaluations take place usually at the end of the year, just before the annual corporate governance that all Directors and Officers attend.

Measures Being Undertaken for Compliance

The Company plans to fully comply with the adopted leading practices on good corporate governance by constantly reviewing such practices as reported in the relevant media, portrayed in the appropriate websites, and revealed in various conferences and seminars regarding such practices. In addition, the Company’s external auditor regularly briefs the Board regarding up-to-date corporate governance practices in other situations, and suggests the adoption of such practices when relevant for the Company.

Deviations

To date, the Company knows of no material deviation from the Company’s New Manual of Corporate Governance.

Future Plans for Improvement

To improve the corporate governance of the Company, it plans to fully adopt another New Manual on Corporate Governance pursuant to the SEC’s Memorandum Circular No 24, series of 2019, which will require the Company to (1) appoint a competent compliance officer who will monitor, review, evaluate, and ensure that the compliance by the Company, its officers and Directors with the relevant laws, the

Code, rules and regulations and all governance issuances of regulatory agencies; (2) appoint a competent Chairman of the Board of Directors who will make sure that performance of the Board is evaluated at least once a year and discussed/followed up on; (3) constitute the Executive Committee of the Board of Directors as concurrently the Corporate Governance Committee that (i) oversees the periodic performance evaluation of the Board, its committees, and Management, and conducts an annual self-evaluation of its performance; (ii) ensures that the results of the Board evaluation are shared, discussed, and that concrete action plans are developed and implemented to address the identified areas for improvement; and (iii) evaluates itself in carrying out its evaluation functions. These evaluations will take place at the end of the year, just before the annual corporate governance that all Directors and Officers attend, and at such other dates at the discretion of the Board of Directors .

MANAGEMENT'S DISCUSSION & ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATION

The following management's discussion and analysis of the Company's financial condition and results of operations should be read in conjunction with the Company's unaudited, interim financial statements as of September 30, 2020 and audited consolidated financial statements for the fiscal years ended 2019, 2018 and 2017 including the related notes, contained in this Prospectus. This Prospectus contains forward-looking statements that are based largely on the Company's current expectations and projections about future events and trends affecting its business and operations. The Company cautions investors that its business and financial performance is subject to substantive risks and uncertainties. The Company's actual results may differ materially from those discussed in the forward-looking statements as a result of various factors, including, without limitation, those set out in "Risk Factors." In evaluating the Company's business, investors should carefully consider all of the information contained in "Risk Factors."

Risks related to the Covid-19 pandemic

The general community quarantine (GCQ) was introduced on May 1, 2020 and is generally less stringent than ECQ. The Philippines has extended community quarantine restrictions of varying levels nationwide.

The economic narrative on the COVID-19 outbreak revolves around two causal mechanisms: the impact of the fear factor on behavior, reflected in a decline in demand for travel-related services, discretionary consumption, and the production and regional supply chains. Our power plants continue to deliver the required uninterrupted energy supply. As such, the impact on the business will be minimal.

In light of COVID-19, an Emergency Task Force on COVID-19 was formed to ensure there will be continuity of work in case of lockdown. A selected group of team is working to handle issues on employees' health and safety, communications, technology support and legal compliance. The team will regularly update the guidelines and ensure the adherence to the same.

Review as of March 31 2021 vs. March 31, 2020 Operations

Key Performance Indicator

The following key performance indicators were identified by the Company and included in the discussion of the results of operations and financial condition for the Three Months ended March 31, 2021 and 2020. (Amounts in million pesos, except ratios)

| Financial KPI | Calendar Year | |
|---|----------------|----------------|
| | March 31, 2021 | March 31, 2020 |
| Profitability | | |
| Revenues | P2,160 | P2,212 |
| EBITDA | 1,286 | 1,214 |
| EBITDA Margin | 60% | 55% |
| Return on Equity | 2% | 2% |
| Net Earnings Attributable to Equity Holders | 93 | 55 |

| | | |
|------------------------------|--------|----------|
| Efficiency | | |
| Operating Expense Ratio | 40% | 37% |
| Liquidity | | |
| Net Debt Coverage | 5% | 5% |
| Current Ratio | 1.13:1 | 0.78 : 1 |
| Debt-to-Equity Ratio | 2.71:1 | 2.77 : 1 |
| Asset-to-equity Ratio | 2.94:1 | 2:97:1 |
| Interest Rate coverage ratio | 1.75:1 | 2.85:1 |

Profitability

Earning before interest, taxes, depreciation and amortization margin of the Company improved significantly during the first three months of 2021 to 60% from the same period last year at 55%. The second section of SEC has been operating since October 10, 2019 and contributed significantly growth for the Group's earnings. Return on equity remain stable at 2% for both periods.

Efficiency

ACR's power facilities continued to operate and provide power to our customers in various parts of Mindanao amidst the nationwide quarantine brought about by the Covid19 Pandemic. The 210 MW Sarangani Energy baseload coal-fired power plant in Maasim, Sarangani Energy is in full operation with both sections delivering electricity to General Santos City, Sarangani Province, Cagayan de Oro, Iligan, Butan and other major population centers in Mindanao. The 100 MW diesel plant of the Western Mindanao Power Corporation in Zamboanga City continues to be a major power to Zamboanga City. WMPC likewise provides ancillary services to the National Grid Company of the Philippines with dispatchable generating capacity, reactive power support, and black start capacity to help stabilize the power grid in the Zamboanga Peninsula (Western Mindanao/Region 9). Also last year, the Company tendered a proposal for the group's Southern Philippines Power Corporation diesel plant in Sarangani to provide ancillary services to NGCP in order to help stabilize the power grid in Region 12 or South Central Mindanao. The outcome of this proposal remain pending. The Company is likewise actively exploring prospective markets for its diesel capacity in areas outside of Mindanao where the demand for power is growing.

With the ongoing construction of our first renewable energy project, the Siguil Hydro Power Plant, the operating expense ratio to 40% from 37% in the previous year. The operating efficient of the power plant is expected to continue in accordance with the plans and budgets.

ACR's cash flows from operations this year remain robust at P1,042 million from last years P1,053 million due mainly to the steady cash flow contributions coming from SEC operations. The net debt coverage of 5% for both periods while current ratio improved significantly to 1.13:1 from last years 0.78:1, resulting from the successful refinancing of the Parent's Fixed Corporate Note in December 2020.

Results of Operations

The first three months of 2021 showed steady flow of revenues at P2,160 million from last year's P2,212 million. The demand for power in Mindanao has recovered after the lockdown imposed last year due to the Covid-19 Pandemic. We forecast that power demand in Mindanao to be stable for the rest of the year.

Cost of goods sold and services has declined to P1,190 million from P1,225 million last year due mainly to the improved operational efficiencies. Gross profit margin remain stable at 45% for both periods, delivering a steady gross profit of P970 million for the first months of 2021 and P987 million for the same period in 2020.

General and administrative expenses decreased to P113 million from P160 million last year due mainly to lower marketing expenses and transportation costs. Most of the Company's personnel are on a work-from home arrangements to minimize if not totally avoid covid virus.

Net finance charges for the first quarter of this year was at P459 million compared to last years P506 million. The decline is due mainly to the lower interest of the Parent as a result of the successful refinancing of its long-term loan in December last year.

Due to the above variances, the net income increased to P379 million from last years P310 million resulting to an improved net income attributable to the Parent of P93 million from last years P55 million. Earnings per share were at P0.0148 during this period.

Review of Financial Position

ACR and its Subsidiaries continue to post strong balance sheets with total assets of P47,145 million a slight increase from the P46,415 million at the end of 2020.

Current assets increased by 10% from P9,393 million to P10,374 million brought about by the higher cash and cash equivalents during the period and trade receivables.

Non-current assets slightly decreased from P37,022 million to P36,771 million. This is due to the recognition of depreciation of property, plant and equipment and partly offset by the additional cost incurred on the on-going construction of Siguil Hydro power plant.

Total liabilities amounted to P31,062 million is slightly higher than the P30,710 million reported at the end of 2020. The Company obtained additional loans payable during the year which was used for the construction of Siguil Hydrp power plant project.

As of March 31, 2021, ACR's current ratio improved to 1.13 from last years 0.78. The Parent has successfully refinanced its Fixed Rate Corporate Note in December 2020. Debt to equity ratio decreased to 2.71:1 from 2.77:1 last year.

ACR's consolidated statement of cash flows showed that cash from operating activities is the major source of funding for payment of maturing obligations during the period.

i. Causes of the material changes (5% or more) in balances of relevant accounts as of March 31, 2021 compared to December 31, 2020 are as follows.

- a) Cash and cash equivalents – Increased 32%
The increase is due mainly to the collection of trade receivables and the timing of payments of trade payables during the period.
- b) Spare parts and supplies – increased 12%
The increase is due mainly to the acquisition of coal during the period.
- c) Advances to contractors – decreased 19%

- The decrease was due to the offsetting of advances against contract payable during the period.
- d) Contract Asset – Increase 7%
Contract asset represents asset recognized through the application of PFRS 15. This Accounting Standards simply recognizes the revenues of SEC relative to its Capital Recovery Fee equally over the life of its PSA. Thus, applying the average method in calculating the CRF Revenue. The increment is presented as Contract Asset.
 - e) Other Non-Current Assets – decreased 53%
The decrease was due to the reclassification of deferred project costs.
 - f) Accounts Payable and Accrued Expenses – decreased 5%
The decrease was due to the timing of payments during the period.
 - g) Loans payable – increased 81% and Short term Loans Payable – Decreased 36%
 - h) The increase in loans payables was due to the additional amount availed during the period wherein the proceeds was used to pay the construction cost incurred or Siguil Hydro. While the decrease in short-term loans payable was due to settlement during the period.
 - i) Income Tax payable increased 57%
Timing of payments of income tax payable led to the increase in this account during the period.

ii. Events that will trigger Direct or Contingent Financial Obligation that is material to the Company, including any default or acceleration of obligation.

Some of the subsidiaries or affiliates of the Company are from time to time involved in routine litigation and various legal actions incidents to their respective operations. However, in the opinion of the Company's management, none of the legal matters in which its subsidiaries or affiliates are involved have material effect on the Company's financial condition and results of operations.

iii. There are no Material Off-balance Sheet Transactions, Arrangements, Obligations (including contingent obligations), and other relationship of the company with unconsolidated entities or other persons created during the period.

Review of Current Year 2020 vs. 2019 Operations

Highlights of the Company's financial performance are as follows:

Revenues and Profitability

ACR and subsidiaries posted a 39% increase in its consolidated revenues during the year at P9,471 million from the P6,796 million reported in the previous year. This improvement was due mainly to Sarangani Energy's full year of commercial operations which started on October 10, 2019.

Cost of services increased by 11% at P4,687 million from P4,237 in 2019 due mainly to the cost associated to Sarangani Energy's II operations as well as higher energy dispatched by the WMPC in 2020.

General administrative expenses was down by 10% at P535 million from P598 million in 2019. The decrease was due mainly to the lower transporation cost, outside services and marketing expenses as a

result of lockdown brought about by Covid 19 Pandemic. As a result, operation profit improved significantly from P1,958 million to P4,248 million in 2020.

Earnings before interest, taxes, depreciation and amortization improved from P3,081 million to P6,061 million this year as a result of full year operations of Sarangani Energy's II resulting to higher EBITDA margin of 64% from last year's 45%.

Meanwhile, finance charges increase significantly by 95% from P1,081 in 2019 to P2,111 million. The interest on project loan availed for Sarangani Energy's II are now expensed while in 2019 there were capitalized as part of project cost up to the time the Company declared commercial operations.

The Company's negative Other Income of P81 million is higher in 2020 from P25 million in 2019 due mainly to an impairment loss of goodwill associated to SPPC amounting to P115 million.

As a result of the foregoing, the consolidated net income posted significant increase from P974 million in 2019 to P1,868 million in 2019. The income attributable to Parent is 120% better than that of last years P248 million to P325 million this year and posting an earnings per share of P0.051 from P0.023 last year.

Financial Position

As of December 31, 2020, total resources of ACR and Subsidiaries remained strong at P46,415 million, increased by 2% versus the P45,609 million level reported in 2019.

Current assets posted a light increase from P8,840 million in 2019 to P9,393 million this year. The increase came largely from higher trade and other receivables. In 2020, the Company has provided financial reliefs to certain electric cooperatives and distribution utilities as a response to the effect of the Covid 19 pandemic. These relief measures included restructuring of existing receivables and extension of payment terms. Noncurrent assets slightly decreased by 1% due mainly to the recognition of depreciation expenses on the Company's property, plant and equipment and partly offset by the cost incurred for the cost of Siguil's plant which is currently under construction.

Current liabilities decreased significantly by 27% from P12,051 million to P8,847 million, largely on account of refinancing the Company's Fixed Rate Corporate Note (FRCN) in December 2020 as well as lower short-term notes payable. Noncurrent liabilities, on the other hand, increased by 17% due to the reclassification of above maturing loan and partly offset by the additional decommissioning liability related to Sarangani Energy's II.

ACR posted a current ratio of 1.06:1 for 2020 as compared to 0.73:1 in 2019 mainly due to the decrease in currently liabilities as a result of refinancing of the Company's FRCN loan.

Net cash inflows from operating activities remain stable and continue to be the source of payment of maturing obligations and trade payables. Net cash used for investing activities decreased from P3,083 million to P2,018 million this year due mainly to the completion of Sarangani Energy's II in October 2019. This year's capital expenditures focused mainly on the construction of Siguil Hydro Power Plant project. Net cash outflows from financing activities amounted to P3,693 million is significantly higher than the P33 million in 2019 due mainly to the payment of long-term debt. The total available funds of P8,414 million in 2020, from which P2,205 were used for power plant project construction during the year. The net cash

balance after accounting for the above changes reached P2,703 million, slightly lower than the P2,815 million in the previous year.

Key Performance Indicator

The Company's operation for the year ended December 31, 2020 showed stable gross profit at P4,783 million compared to last years P2,556 million. KPI of the Company are as follows:

| Financial KPI | Calendar Year | |
|---|---------------|----------|
| | 2020 | 2019 |
| Profitability | | |
| Revenues | P9,471 | P6,796 |
| EBITDA | 5,889 | 3,199 |
| EBITDA Margin | 63% | 47% |
| Return on Equity | 12% | 7% |
| Net Earnings Attributable to Equity Holders | P325 | 148 |
| Efficiency | | |
| Operating Expense Ratio | 13% | 29% |
| Liquidity | | |
| Net Debt Coverage | 26% | 10% |
| Current Ratio | 1.06:1 | 0.73 : 1 |
| Debt-to-Equity Ratio | 2.67:1 | 2.82 : 1 |

Profitability

The EBITDA of the Company increased from P3,081 million to P6,061 million due mainly to the full year operations of Sarangani Energy's II and improved performances of Sarangani Energy's I and WMPC. EBITDA margin significantly improved from 47% in the previous year to 63% this year as a result of higher income.

ROE was also up from last years 7% to 12% this year while the net income attributable to the equity holders of the parent increased significantly to P325 million from last years P148 million. The second section of Sarangani Energy's started commercial operations on October 10, 2019 and now in full year operations contributing P4,172 million in total revenues during the year.

Efficiency

The Company's operating expense ratio decreased to 13% in 2020 from 29% in 2019. The full year commercial operations of Sarangani Energy's II and improved operations performance of the Company's operations led to the decrease in operating expense ratio.

Liquidity

As a result of additional loan obtained by the Parent Company for the construction of Siguil Hydro project, financial debt increased by 8%. Consequently, net debt coverage ratio decreased to 11% from last years 13%. Current ratio on the other hand increased to 1.06:1 from last years 0.73:1. The Company has successfully refinanced its FRCN in December 2020.

Material Changes in Consolidated Balance Sheet Accounts by 5% or More

1. Cash and cash equivalents, 4% Decrease and Short-term investments, 42% decrease.
The decrease in cash and cash equivalents (2020:P2,703 million vs. 2019 P2,814) was due to the usage of cash for the construction of Siguil Hydro and payment of dividends. Siguil is expected to be completed and to commence commercial operations in 2022.
2. Trade and other receivables, 22% increase
The increase was due to the timing of collection of trade receivables during the year. The Company has provided financial reliefs to certain electric cooperatives and distribution utilities as a response to the effect of the Covid 19 pandemic. These relief measures included restructuring of existing receivables and extension of payment terms.
3. Spare parts and supplies, 30% increase
The increase was due mainly to the coal inventory for Sarangani Energy's II who is now on full year commercial operations.
4. Prepaid expenses and other current assets, 12% decrease
The decrease was due to the lower interest reserve account of Sarangani Energy required for its loan facility used for the construction of Sarangani Energy's II and the application of available creditable withholding tax against income tax due for the year.
5. Advances to constructors, 9% decrease
The decrease as due to the offsetting of advances against payable on Sarangani Energy's II payables which was partly offset by the advances made for the construction of Siguil hich began construction in 2019 and target completion in 2022.
6. Contract asset, 35% increase
The contract assets represents asset recognized through the application of PFRS 15. This accounting standards simply recognizes the revenues of SEC relative to its Capital Recovery Fee (CRF) equally over the life of its PSA. Thus, applying the average method in calculating the CRF revenue. The increase during the year is attributable to Sarangani Energy's II recomputation.
7. Goodwill, 14% decrease
The Company recognized impairment loss amounting to P115 million in 2020 due to the decline in recoverable amount and no impairment loss was recognized on goodwill in 2019.
8. Accounts payable and other current liabilities, 14% increase
The increase was unpaid dividends at the end of the year and the refundable deposit for the lot be acquired by a certain customer during the year.
9. Loan payable, 1,131% increase and short-term notes payable, 45% decrease
The increase in loans payable was due to additional avaiment during the year used for the construction of Siguil while the decrease in short-term notes payables which was a negotiable commercial paper registered with the Securities and Exchange Commission was due mainly to settlement made during the year.
10. Income tax payable, 7% increase

The increase was due to the higher taxable income earned during the year. The major portion of this increase is attributed to Sarangani Energy's II which is currently on its first full year of commercial operations.

11. Lease liability, 89% decrease
The decrease was due to payment of lease during the year
12. Current portion of long-term debt, 76%
Long-term debt – net of Current portion, 17% increase
The refinancing of the Company's FRCN in December 2020 led to the decrease in current portion of long-term debt at the same time increase in the long-term debt. This same note was recognized as current in 2019.
13. Deferred tax liabilities, 9% increase
The increase was due to the recognition of additional contract asset related to Sarangani Energy's II.

Review as of September 30 2020 vs. September 30, 2019 Operations

Results of Operation

The first nine months of 2020 showed significant improvements in revenues to Php 7,316 million from Php 4,677 million in the same period of 2019. The fully operational SEC plant continues to be a major revenue driver for the company along with the continuing operations of WMPC and the other diesel plants.

Cost of goods sold and services has proportionately increased to Php 3,531 million from Php 2,920 million from last year due mainly to the fuel costs associated to SEC 2 operations. Gross profit margin improved to 45% from last year's 31%, delivering a steady gross profit of Php 3,784 million in the first nine months of 2020.

General administrative expenses increased to Php 485 million from Php 328 million last year due largely to the full operations of SEC 2 and recognition of an impairment loss on goodwill.

Net finance charges for the first nine months of this year was at Php 1,524 million compared to last year's Php 748 million. The increase in interest was due to the recognition of expense attributable to SEC 2 loan. SEC 2 began commercial operations in October 10, 2019.

Due to the improved performance of SEC and WMPC, the net income significantly increased to Php 1,669 million from last year's Php 588 million resulting in a net income attributable to the Parent of Php 361 million from last year's Php 55 million. Earnings per share were Php 0.057 during this period.

Review of Financial Position

ACR and its Subsidiaries continue to post strong balance sheets with total assets of Php 45,263 million a slight decline from Php 45,609 million at the end of 2019.

Current assets decreased by 4% from Php 8,534 million to Php 9,153 million brought about by the higher trade and other receivables during the period and spare parts and supplies inventories.

Non-current assets likewise decreased 2% from Php 35,824 million to Php 36,110 million. This is due largely to the recognition of depreciation of property, plant and equipment and recognition of an impairment of goodwill. SEC 2 is on its first full operation during the period.

Total liabilities amounted to Php 29,515 million is slightly lower than the Php 30,754 million reported at the end of 2019. The settlement of maturing obligations during the period caused the slight decrease in current liabilities.

As of September 30, 2020, ACR's current ration decreased from 1.37:1 at the end of 2019 to 0.80:1 this period. Debt to equity ratio increased to 2.77:1 from 2.74:1 last year.

ACR's consolidated statement of cash flows showed that cash from operating activities is the major source of funding for payment of maturing obligations during the period.

1. Causes of the material changes (5% or more) in balances of relevant accounts as of September 30, 2020 compared to December 31, 2019 are as follows:

a) **Short-term cash investment – Increased 180%**

The increase is due mainly to the additional placements made during the period

b) **Spared parts and supplies – Increased 38%**

The increase is due mainly to the build-up of spare parts and fuel by the power companies. SPPC has no existing contract while SEC became on-line effective October 10, 2019.

c) **Advances to contractors – Decreased 100%**

The decrease was due to the offsetting of advances against contract payable during the period.

d) **Goodwill – Decreased 14%**

The recognition of an impairment loss duering the period has caused reduction in goodwill.

Goodwill is reviewed for impairment, annually or more frequent if events or changes in circumstances indicate that the carry value may be impaired. Due to the effect of COVID-19 Pandemic, the Company made an interim review for imparement testing and provision for Goodwill impairment is necessary. As such th Company impairment loss of Php 114.5 million in its interim statements.

e) **Net Retirement Assets – Decreased 14%**

The reduction of an impairment loss duering the period has caused reduction in goodwill.

f) **Contract Asset – Increased 26%**

Contract asset represents asset recognized through the application of PFRS 15. This Accounting Standard simply recognizes the revenues of SEC relative to its Capital Recovery Fee equally over the life of its PSA. Thus, applying the average method in calculating the CRF Revenue. The increment is presented as Contract Asset with the Contra account of Contract Liability.

g) Other Non-current assets - Decreased 16%

The decrease was due to the reclassification of cost incurred on deferred project costs in construction in progress.

h) Accounts payable and accrued expenses – Decreased 44%

The decrease was due to the timing of payments during the period.

i) Loans payable – Increased 760%; Short Term loans payable – Decreased 61%

The increase in loan payables is due to availment of short-term lines used to partially finance the construction of Siguil Hydro Power Plant while the decrease in short-term loans payable is due to the partial settlement of loans during the period.

The Parent Company issued additional corporate notes during year amounting to P1 billion and payable on various dates within one year. The balance of the loans payable as of September 30, 2020 amounted to P966 million.

j) Net Retirement Benefit - Increased 17%

The increase is due to additional recognition of retirement cost as determined by actuary based in past service of employees.

ii. Events that will trigger Direct or Contingent Financial Obligation that is material to the Company, including any default or acceleration of obligation.

Some of the subsidiaries or affiliates of the Company are from time to time involved in routine litigation and various legal actions incidental to their respective operations. However, in the opinion of the Company's management, none of the legal matters in which its subsidiaries or affiliated are involved have material effect on the Company's financial condition and results of operation.

iii. There are no Material Off-Balance Sheet Transaction, Arrangements, Obligations (including contingent obligations), and other relationships of the Company with unconsolidated entities or other persons created during the reporting period.

Key Performance Indicators (KPI)

The following key performance indicators were identified by the Company and included in the discussion of the results of operations and financial condition for the three months ended September 30, 2020 and 2019. (Amounts in million pesos, except ratios).

| Financial KPI | September 30 | |
|---|--------------|-----------|
| | 2020 | 2019 |
| Profitability | | |
| Revenues | Php 7,316 | Php 4,677 |
| EBITDA | 4,494 | 2,113 |
| EBITDA Margin | 61% | 45% |
| Return on Equity | 11% | 4% |
| Net Earnings Attributable to Equity Holders | 361 | 55 |

| | | |
|-------------------------------|--------|--------|
| Efficiency | | |
| Operating Expense Ratio | 17% | 23% |
| Liquidity | | |
| Net Debt Coverage | 13% | 5% |
| Current Ratio | 0.80:1 | 1.27:1 |
| Debt-to-Equity Ratio | 2.77:1 | 2.74:1 |
| Asset-to-equity Ratio | 2.87:1 | 2.94:1 |
| Interest Rate Coverage Ration | 2.21:1 | 2.85:1 |

Profitability

Earnings before interest, taxes, depreciation and amortization margin if the Company improved significantly during the first nine months of 2020 to 61% from the same period last year at 45%. The second section of SEC has been operating since October 10 last year and contributed significant growth for the Group's earnings. Return on Equity increased to 11% from 4% in 2019 due to higher revenues.

Efficiency

ACR's power facilities continued to operate and provide power to our customers in various parts of Mindanao amidst the nationwide quarantine brought about by the COVID-19 Pandemic. The 220 MW Sarangani Energy baseload coal-fired power plant in Maasin is in full operation with both sections delivering electricity to General Santos City, Sarangani Province, Cagayan de Oro, Iligan, Butuan, and other major population centers in Mindanao. The 100 MW diesel plant of WMPC continues to be a major power to Zamboanga City. WMPC likewise provides ancillary services to NGCP with dispatchable generating capacity, reactive power support, and black start capacity to help stabilize the power grid in Zamboanga Peninsula. Also last year, the Company tendered a proposal for the group's SPPC diesel plant in Sarangani to provide ancillary services to NGCP in order to help stabilize the power grid in Region 12 or South Central Mindanao. The Company is likewise actively exploring prospective markets for its diesel capacity in areas outside of Mindanao where the demand for power is growing.

With the first year of operations of SEC 2 and the ongoing construction of our first renewable energy project, the Siguil Hydro Power Plant, the operating expense ratio decreased to 17% from 23% in the previous year. The operating efficiency of the power plant is expected to continue in accordance with the plans and budgets.

ACR's cash flow from operations this year increased significantly to Php 2,809 million from last year's Php 1,922 million due mainly to cash flow contribution coming from SEC 2 operations. The recognized interest expense of SEC 2 has increased the net debt coverage from 5% in 2019 to 13% this year while current ratio decreased to 0.80:1 from 1.27:1 last year, resulting from the reclassification of the first tranche of the Parent's Fixed Corporate Note that is due on December 2020. DBP Investment Bank was mandated to refinance this Note Facility. Most of the lenders have already secured their BOD approvals for the refinancing and we expect to sign the agreement within the month of November 2020.

Debt Covenants

As of September 30, 2020, the Company is in compliance with its debt covenants.

Review of Current Year –2019 vs. 2018 Operations

Highlights of the Company's financial performance are as follows:

Revenues and Profitability

ACR and Subsidiaries posted a slight increase in its consolidated revenues during the year at P6,796 million, a 2% improvement from the P6,666 million reported in the previous year. This improvement was due mainly to SEC 2's commercial operations which started on October 10, 2019. It generated 186,609 megawatts of power during the year.

Cost of services decreased by 9% at P4,237 million from P4,673 million in 2018. The decrease was due mainly to the lower cost of fuel, lower energy dispatched by the diesel plants and the delay in SEC 2's commercial operations.

General and administrative expenses increased by 23% at P598 million from P487 million in 2018. The increase was due mainly to the expenses recognized by SEC 2 s well as those of Siguil Hydro Power Corporation which began construction in the 3rd quarter of 2019 and expected commercial operations by the first half of 2022. Operating profit also improved by 31% at P1,959 million from P1,499 million reported in the previous year.

Earnings before interest, taxes, depreciation and amortization (EBITDA) improved from P2,698 million to 3,081 million this year. The EBITDA margin is higher at 45% this year versus the 40% earned in 2018. The improvements were due mainly to the revenue contribution of SEC 2 and the better performance of WMPC.

Meanwhile, finance charges decreased by 9% from P1,186 million to P1,084 million. The partial pre-payment by ACR Parent debt in April 2018 amounting to P1billion and amortization of SEC 1 project loans, caused the decrease in interest expense. The interest incurred for SEC 2 was capitalized as part of project cost up to the time it declared commercial operations.

The Company realized Other Income of P164 million from P390 million in 2018. The Company recognized a dividend from its investment in preferred shares amounting to P264 million in 2018 which is partly offset by higher equity in net earnings from an associate of P71 million in 2019, from P33 million last year. The issuer of the preferred shares did not declare dividend this year. However, the feature of this preferred shares is cumulative and therefore the Company will recognize the dividend in areas when declaration is made in the future.

As a result of the foregoing, the consolidated net income posted a better performance of P974 million in 2019, 73% better than the P563 million in 2018. The income attributable to Parent is 58% better from last year's P94 million to P148 million this year and posting an earnings per share of P0.023 from P0.014 last year.

Financial Position

As of December 31, 2019, total resources of ACR and Subsidiaries remained strong at P45,609 million, increased by 5% versus the P43,492 million level reported in 2018.

Current assets posted a 0.7% decrease, from P8,904 million to P8,840 million. The decrease came largely from the use of cash and cash equivalents for the construction and completion of SEC 2. Siguil Hydro Power Plant likewise began construction during the year. Noncurrent assets rose by 6%, mostly on the capital expenditures incurred for the completion of the construction of SEC 2 and Siguil.

Current liabilities increased significantly by 92% from P6,280 million to P12,051 million, largely on account of higher current portion of long-term debt. The first tranche of Company's Fixed Rate Corporate Note (FXCN) which will mature in December 2020 has been recognized as current during the year. The Company is currently working on refinancing this maturing obligation. Noncurrent liabilities, on the other hand, decreased by 18% due to the reclassification of above maturing obligation and partly offset by the recognition of additional decommissioning liability related to SEC 2.

ACR posted a current ratio of 0.73:1 for 2019 as compared to 1.42:1 in 2018 mainly due to the reclassification of its maturing obligation. The Company is already in discussion with the existing lenders for the refinancing and majority has obtained management clearance to refinance the same.

Net cash inflows from operating activities remain stable and continue to be the source of payment of maturing obligations and trade payables. Net cash used for investing activities decreased from P5,310 million to P3,083 million this year due mainly to the completion of SEC 2. Net cash inflows from financing activities amounted to -P33 million in 2019, largely coming from loan availments of P5,324. These were used mainly for debt servicing and dividend payments. The net cash balance after accounting for the above changes reached P2,815 million, 19% lower than the P3,474 million in the previous year.

Key Performance Indicators (KPI)

The following key performance indicators were identified by the Company and included in the discussion of the results of operations and financial condition. The Company's operations for the year ended December 31, 2018 showed stable gross income at P2,559 million compared to last year's P1,993 million. KPI of the Company are as follows: (Amounts in million pesos, except ratios).

| Financial KPI | Calendar Year | |
|---|---------------|----------|
| | 2019 | 2018 |
| Profitability | | |
| Revenues | P6,796 | P6,666 |
| EBITDA | 3,081 | 2,698 |
| EBITDA Margin | 45% | 40% |
| Return on Equity | 7% | 4% |
| Net Earnings Attributable to Equity Holders | 148 | 94 |
| Efficiency | | |
| Operating Expense Ratio | 29% | 32% |
| Liquidity | | |
| Net Debt Coverage | 11% | 13% |
| Current Ratio | 0.73 : 1 | 1.42 : 1 |
| Debt-to-Equity Ratio | 2.82 : 1 | 2.62 : 1 |

Profitability

The earnings before interest, taxes, depreciation and amortization (EBITDA) of the Company increased from P2,695 million to P3,152 million in 2019 due mainly to the improved performances of SEC and WMPC. EBITDA Margin was also up from 40% in the previous year to 45% this year as a result of higher income.

Return on equity (ROE) was also up from last year's 4% to 8% this year while the net income attributable to the equity holders of the parent increased significantly to P148 million from last year's P94 million. The second section of SEC started commercial operations on October 10, 2019 contributing P1,046 million in total revenues during the year.

Efficiency

The Company's operating expense ratio decreased to 29% in 2019 from 32% in 2018. The continued operating performance of the Company's operations led to the decrease in operating expense ratio.

Liquidity

As a result of additional project loan drawdown for the completion of Sarangani Energy section 2 during the year, financial debt increased by 8%. Consequently, net debt coverage ratio decreased to 11% from last year's 13%. Current ratio on the other hand decreased to 0.73:1 from last year's 1.42:1. The first tranche of Company's Five-Year Fixed Rate Corporate Note (FXCN) which matures on December 2020 has been recognized as current during the year. The Company is currently working on the refinancing of this maturing obligation and majority of the noteholders have signified their concurrence.

Material Changes in Consolidated Balance Sheet Accounts by 5% or More

1. Cash and cash equivalents, 19% Decrease and Short-term investments, 31% decrease

The decrease in cash and cash equivalents (2019: P2,815 million vs. 2018: P3,475 million) was due to the usage of cash for the completion of the SEC 2 power plant as well as the on-going construction of Siguil Hydro Power Plant. SEC 2 has started commercial operations on October 10 while Siguil is expected to be completed to commence commercial operations in 2022.

2. Trade and other receivables, 22% Increase

The increase was due to the timing of collection of trade receivables during the year.

3. Spare parts and supplies, 6% decrease

The decline was due mainly to the lower coal consumption of Sarangani Energy Corporation during the year.

4. Prepaid expenses and other current assets, 12% Increase

The increase was due to the higher interest reserve account of Sarangani Energy Corporation required for its loan facility used for the construction of SEC 2.

5. Advances to Constructors, 306% Increase

The increase was due to the additional advances made during the year for our first renewable energy project that began construction in 2019 and target completion in 2022.

6. Property, plant and equipment, 7% Increase

The increase in is due mainly to expenditures incurred for the completion of SEC 2 power plant.

7. Contract Asset, 5% Increase

The Contract asset represents asset recognized through the application of PFRS 15. This Accounting Standards simply recognizes the revenues of SEC relative to its Capital Recovery Fee equally over the life of its PSA. Thus, applying the average method in calculating the CRF Revenue. The increment is presented as Contract Asset.

8. Deferred Financing Cost, 100% Decrease

The decrease was due to reclassification of SEC 2 financing costs into property plant and equipment account.

9. Deferred Tax Assets, 75% Increase

The increase is due largely to the deferred tax impact of the additional recognized contract assets.

10. Accounts payable and other current liabilities, 4% Decrease

The decrease was due mainly to the payment of dividend declared by Sarangani Energy in the previous year.

11. Loans payable and short-term notes payable , 285% Increase

The short-term notes payable represents negotiable commercial paper registered with the Securities and Exchange Commission of the Company, which security is listed in the Philippine Dealing System (PDEX). The increase was due mainly to the additional issuance during the year.

12. Income tax payable, 571% Increase

The increase was due to the higher taxable income earned during the year.

13. Current Portion of Long-term Debt, 397% Increase

Long-term debts – net of Current portion, 19% Decrease

The first tranche of Company's Five-Year Fixed Rate Corporate Note (FXCN) which matures on December 2020 has been recognized as current during the year. The Company is currently working on the refinancing of this maturing obligation and majority of the noteholders have signified their concurrence.

14. Deferred Tax Liabilities, 16% Decrease

The decline in deferred tax liabilities was due to the increase capitalized interest of the SEC 2 Power Plant which is under construction during the year.

Review of Year 2018 vs. 2017 Operations

Highlights of the Company's financial performance are as follows:

Revenues and Profitability

ACR and Subsidiaries posted a slight increase in its consolidated revenues during the year at P6,666 million, a 2% improvement from the P6,519 million reported in the previous year. This improvement was due mainly to Sarangani Energy Section 1 operations.

Cost of services also increased by 2% at P4,673 million from P4,574 million in 2016. The increase was due mainly to the higher energy dispatched of SEC 1 generating 521,304 megawatts of power from last years' 489,029 megawatts due to higher utilization this year.

General and administrative expenses decreased by 13% at P487 million from P562 million in 2017. The decline was due to one-time expenses recognized by SEC 1 in 2017 for prior year's administrative charges. Operating profit also improved 9% at P1,499 million from P1,374 million reported in the previous year.

Earnings before interest, taxes, depreciation and amortization (EBITDA) improved from P2,363 million to P2,695 million this year. The EBITDA margin is higher at 40% this year versus the 36% earned in 2017. Meanwhile, finance charges slightly decreased by 1% from P1,200 million to P1,186 million. The partial pre-payment by ACR Parent debt in April 2018 amounting to P1billion, caused the slight decrease in interest expense . The interest incurred for SEC 2 was capitalized as part of project cost.

On the other hand, the Company realized another income of P326 million from P70 million in 2017. The Company recognized a dividend from its investment in preferred shares amounting to P264 million and equity in net earnings from an associate of P33 million during the year.

As a result of the foregoing, the consolidated net income jumped 444% from last year's P103 million to P563 million. The income attributable to Parent is turnaround from a loss of P21 million in the previous year to an income of P94 million this year and posting an earnings per share of P0.015 from (P0.004) last year.

Financial Position

As of December 31, 2018, total resources of ACR and Subsidiaries remained strong at P43,492 million, increased by 14% versus the P38,237 million level reported in 2017.

Current assets posted a 4% decrease, from P9,257 million to P8,904 million. The decrease came largely from the use of cash and cash equivalents for the construction of SEC 2 and partial prepayment of the Company's Fixed Rate Corporate Note (FXCN). Noncurrent assets rose by 19%, mostly on the capital expenditures incurred for the completion of the second phase of Sarangani Energy's power plant and the contract asset resulting from the application of Philippine Financial Reporting Standards 15 wherein

revenues of Sarangani Energy should be is recognized over time based on contract period (straight-line basis).

Current liabilities also increased by 12% from P5,590 million to P6,280 million, largely on account of higher accounts payable and accrued expenses. Noncurrent liabilities increase by 20%, due to the additional drawdown of project loan for the second phase of Sarangani Energy's power plant.

ACR's balance sheet remained strong with a current ratio at 1.42:1 in 2018 versus the 1.66:1 level in 2017, while its debt-to-equity ratio increased at 2.03:1 from 1.79:1, due to availments of additional debts for SEC 2 power plant.

Net cash inflows from operating activities remain stable and continue to be the source of payment of maturing obligations and trade payables. Net cash used for investing activities increased significantly from P1,050 million to P5,212 million this year due mainly to the construction of SEC 2. Together with net cash inflows from financing activities amounting to P1,738 million, largely from loan availments, available funds totaled P11,117 million in 2018, from which P5,534 were used for power plant project construction during the year. The net cash balance after accounting for the above changes reached P3,475 million, 21% lower than the P4,384 million in the previous year.

Key Performance Indicators

The Company's operations for the year ended December 31, 2018 showed stable gross income at P1,498 million compared to last year's P3,74 million. KPI of the Company are as follows: (Amounts in million pesos, except ratios).

| Financial KPI | Calendar Year | |
|---|---------------|----------|
| | 2018 | 2017 |
| Profitability | | |
| Revenues | P6,666 | P6,519 |
| EBITDA | 2,695 | 2,325 |
| EBITDA Margin | 40% | 36% |
| Return on Equity | 4% | 1% |
| Net Earnings Attributable to Equity Holders | 94 | -21 |
| Efficiency | | |
| Operating Expense Ratio | 32% | 41% |
| Liquidity | | |
| Net Debt Coverage | 13% | 15% |
| Current Ratio | 1.42 : 1 | 1.66 : 1 |
| Debt-to-Equity Ratio | 1.94 : 1 | 1.74 : 1 |

Profitability

The earnings before interest, taxes, depreciation and amortization (EBITDA) of the Company increased from P2,325 million to P2,695 million in 2018 due mainly to higher utilization of SEC 1. EBITDA Margin was also up from 36% in the previous year to 40% this year as a result of higher income.

Return on equity (ROE) was also up from last year's 1% to 4% this year while the net income attributable to the equity holders of the parent was a turnaround at P94 million from a loss of P21 million in 2017. The loss in 2017 was attributable to the higher finance charges availed for the project loan of SEC 1 and the lower performance of the diesel plants. The Company is currently exploring opportunities on how its diesel assets are best utilized.

Efficiency

The Company's operating expense ratio decreased to 32% in 2018 from 41% in 2017. The last year's recognition of a non-recurring administrative cost resulted to a higher general and administrative expenses in 2017.

Liquidity

As a result of additional project loan for the construction of Sarangani 2 during the year, financial debt increased by 18%. Consequently, net debt coverage decreased to 13% from last year's 15%. Current ratio on the other hand decreased to 1.42:1 from last year's 1.66:1 due largely to the higher accounts payable and accrued expenses in 2018.

Material Changes in Consolidated Balance Sheet Accounts by 5% or More

1. Cash and cash equivalents, 21% Decrease

The decrease in cash and cash equivalents (2018: P3,474 million vs. 2017: P4,384 million) was due to the usage of cash for partial pre-payment of Parent Company's long-term debt in April 2018.

2. Trade and other receivables, 4% Increase

The increase was due to the timing of collection of trade receivables during the year.

3. Prepaid expenses and other current assets, 59% Increase

The increase was due to the higher interest reserve account of Sarangani Energy Corporation required for its loan facility used for the construction of SEC 2.

4. Advances to Constructors, 100% Increase

The increase was advances for the upgrade of transmission Line for SEC 2. The advances will be applied against future payments.

5. Property, plant and equipment, 19% Increase

The increase in is due mainly to expenditures incurred for the construction of SEC 2 power plant.

6. Equity instruments designated through fair value other than comprehensive income, 100% Increase

The increase is a change in classification from AFS financial assets in 2017 to the above account in compliance with Accounting Standards.

7. Contract Asset, 100% Increase

The Contract asset represents asset recognized through the application of PFRS 15. This Accounting Standards simply recognizes the revenues of SEC relative to its Capital Recovery Fee equally over the life of its PSA. Thus, applying the average method in calculating the CRF Revenue. The increment is presented as Contract Asset.

8. Deferred Tax Assets, 22% Increase

The increase is due largely to the deferred tax impact of the recognized contract assets.

9. Other Noncurrent Assets, 18% Increase.

The increase was due to the additional deferred project expenses recognized by SRPI and Siguil projects.

10. Accounts payable and other current liabilities, 25% Increase

The increase was due mainly to the unpaid dividend declared by Sarangani Energy in 2018 payable in 2019.

11. Loans payable, 64% Decrease

The decrease was due the settlements of short-term working capital facility of ACR Parent, SPPC and WMPC during the year.

12. Short-term Notes Payable , 100% Increase.

The short-term notes payable represents P 100 million negotiable commercial paper registered with the Securities and Exchange Commission of the Company, which security is listed in the Philippine Dealing System (PDEX). The first issuance is part of the first tranche of P 1.5 billion of commercial paper.

13. Income tax payable, 50% Decrease

The decrease was due to the lower taxable income earned during the year.

14. Current Portion of Long-term Debt, 34% Increase
Long-term debt-net of Current Portion, 21% Increase

The increase in long-term debt was due to additional loan drawdown for the construction of SEC 2 Power Plant. While the maturing principal of the project loan availed for SEC 1 caused the 34% increase in current portion of long-term debt.

15. Deferred Tax Liabilities, 15% Increase

The incline in deferred tax liabilities was due to the increase capitalized interest of the SEC 2 Power Plant which is under construction during the year.

Other Required Disclosures

There are no events that will trigger direct or contingent financial obligation that is material to the Company, including any default or acceleration of an obligation.

There are no material off-balance sheet transactions, arrangements, obligations (including contingent obligations), and other relationships of the Company with unsolicited entities or other persons created during the reporting period.

There are no material commitments for capital expenditures.

There are no known trends, events or uncertainties that have had or that are reasonably expected to have a material favorable or unfavorable impact on net sales or revenues or income from continuing operations.

There are no significant elements of income or loss that did not arise from the registrant's continuing operations.

There are no seasonal aspects that had a material effect on the financial condition or results of operations.

External Audit and Fees

1. SyCip Gorres Velayo & Co. has been the Company's external auditor for the last three fiscal years. SGV has not expressed any intention to resign as the Company's principal public accountant nor has it indicated any hesitance to accept re-election after the completion of their last audit.
2. In compliance with SEC Memorandum Circular No. 8 Series of 2003 on rotation of External Auditors, SGV's previous engagement partner was replaced in 2014.
3. There has been no disagreement with SGV & Co. on accounting principles or practices, financial statements disclosures, auditing scope or procedures, which disagreements, if not resolved to their satisfaction, would have caused them to make reference thereto in its respective reports on the Company's financial statements for the abovementioned years.
4. The Company has maintained SGV as its principal public accountant to audit the financial statement for the last fiscal year. SGV has not expressed any intention to resign as the Company's principal public accountant nor has it indicated any hesitance to accept re-election after the completion of their last audit.

Members of the Audit Committee

Listed below are the members and officers of the Company's Audit Committee:

Company's Audit Committee

| Office | Name |
|----------|-------------------------|
| Chairman | Jose Ben R. Laraya |
| Member | Editha I. Alcantara |
| Member | Jacinto C. Gavino, Jr. |
| Member | Tirso G. Santillan, Jr. |
| Member | Ramon T. Diokno |

External Audit and Audit-Related Fees

Fees for the years ended December 31, 2020 and 2019 were P550,000 for each year. The above fees are for the audit of the Company's annual financial statements or services normally provided in connection with statutory and regulatory filings or engagements for 2019 and 2018. The fees and services were approved by the Audit, Risk Oversight, and Related Party Transaction Committee (Audit Committee) in compliance with the Code of Corporate Governance for Publicly Listed Companies.

The other fees billed by SGV pertain to an engagement of SGV in 2018 to conduct a tax seminar exclusively for the Group on the Tax Reform for Acceleration and Inclusion (TRAIN). For this separate engagement, SGV billed the Company P112,000 as professional fee, inclusive of any applicable taxes.

Brief Summary for the Approval of the Auditor's fees

The Audit Committee pre-approves all audit plans, scope, and frequency before the conduct of its external audit. Moreover, pursuant to its mandate, it likewise performs interface functions with both internal and external auditors.

The External Auditor confers and discusses with the Internal Auditors of the Company the auditing process adopted and methodologies used in compliance with International Accounting Standards in the initial draft of the Financial Statements and Notes to the Financial Statements in compliance with its Internal Management handbook and such other statutory and regulatory requirements.

The External Auditor, likewise, prepares an accountability statement that sufficiently identifies the officers responsible for the financial report.

The final form of the Annual Financial Statements is then presented to the Company's Audit Committee members who can properly review and further examine and perform their oversight financial management functions in such areas relative to the Company's credit, market, liquidity, operational, legal and other risks as indicated in its financial reports. The approval of the External Auditor's fees is made by the Audit Committee in view of the complexity of the services rendered and reasonableness of the fee under the engagement provided in the audit of the Company's Annual Financial Statements.

Changes in and Disagreements with Accountant on Accounting and Financial Disclosure

1. SGV has been the Company's external auditor for the last three fiscal years. SGV has not expressed any intention to resign as the Company's principal public accountant nor has it indicated any hesitance to accept re-election after the completion of their last audit.
2. In compliance with SEC Memorandum Circular No. 8 Series of 2003 on rotation of External Auditors, SGV's previous engagement partner was replaced in 2014.
3. There have been no disagreement with SGV & Co. on accounting principles or practices, financial statements disclosures, auditing scope or procedures, which disagreements, if not resolved to their satisfaction, would have caused them to make reference thereto in its respective reports on the Company's financial statements for the abovementioned years.

MATERIAL CONTRACTS & AGREEMENTS

The Company's principal contracts generally consist of agreements – directly, or through wholly-owned subsidiaries – with shareholders of several subsidiaries that: (a) own, operate, and maintain, or are developing, different power plants, or real estate projects. The Company also has existing financing agreements. Save for the contracts mentioned below, the Company is not a party to any contract of material importance and outside the usual course of business, and the Directors do not know of any such contract involving the Company.

1. Conal Holding Corporation (CHC) and Subsidiaries

WMPC has existing PSAs with electric cooperatives and distribution utilities for a period of 10 years with contracted capacity of 51MW. On September 25, 2017, CEPALCO requested to suspend its PSA starting October 2017 because based on the current supply-demand condition within its franchise area, CEPALCO will not be requiring the 30 megawatts capacity from WMPC for the meantime. Consequently, on September 26, 2017, WMPC agreed to the requested suspension. The unexpired term of the PSA between WMPC and CEPALCO shall be preserved and will resume upon prior written notice from the latter.

In addition, WMPC has existing ASPA with National Grid Corporation of the Philippines (NGCP) which was provisionally approved by the ERC. On the other hand, MPC has existing PSA with electric cooperative with contracted capacity of 30MW.

Revenue amounted to P=1,572 million in 2020, P=1,592 million in 2019 and P=1,827 million in 2018.

2. Shareholders' Agreements for SEC, and SRPI

The Company has a shareholders' agreement with Global Business Power Corporation ("GBPC") for Alsons Thermal Energy Corporation ("ATEC"), which owns 75% of the outstanding shares of Sarangani Energy Corporation ("SEC"), and all of the outstanding shares of San Ramon Power, Inc. ("SRPI"), and of Aces Technical Services, Inc. ("ATSI"). TTC owns the other 25% of the outstanding shares of SEC.

SEC

SEC has two coal-fired power plants, developed in two phases, and has PSAs with the following electric cooperatives and/or distribution utilities in Mindanao

Phase 1 of the Project

| Contracting Party | Contracted Capacity (in Mega Watts) |
|---------------------------------------|--|
| SOCOTECO II | 70 |
| Iligan Light and Power Inc. | 15 |
| Agusan del Norte Electric Cooperative | 10 |
| Agusan del Sur Electric Cooperative | 10 |
| | 105 |

Phase 2 of the Project

| Contracting Party | Contracted Capacity (in Mega Watts) |
|-------------------|--|
|-------------------|--|

| | |
|---|----|
| Cagayan Electric Power and Light Company, Inc | 20 |
| Davao Del Norte Electric Cooperative, Inc. | 15 |
| Davao del Sur Electric Cooperative | 15 |
| Cotabato Electric Cooperative Inc. | 10 |
| South Cotabato I Electric Cooperative | 10 |
| Zamboanga del Sur I Electric Cooperative Inc. | 5 |
| Zamboanga del Norte Electric Cooperative Inc. | 5 |
| | 80 |

SRPI

In March 2013, SRPI entered into a PSA with ZAMCELCO for a period of 25 years from start of the SRPI's commercial operation. Contracted capacity for the related PSA was 85 MW. On September 15, 2014, the Energy Regulation Commission approved the above PSA. As at March 18, 2021, the Company has not started the construction of the ZAM 100 power plant. The proposals for the Engineering, Procurement and Construction (EPC) rebidding were submitted on August 30, 2018. Selection of the contractor who will handle the construction of the project is scheduled in second quarter of 2021, followed by the issuance of Limited Notice to Proceed and Final Notice to Proceed in June 2021 and November 2021, respectively. The power plant is expected to be operational in 2024.³ **Loan Agreement**

Long-Term Loan

On November 16, 2020, the Company entered into a fixed rate corporate notes facility with various noteholders with aggregate principal amount of Php6 billion divided into two (2) tranches: (a) Tranche A with principal amount of Php 5,215 million, subject to fixed interest rate of 5% and payable within Five (5) years from the drawdown date and (b) Tranche B with principal amount of Php 785 million, subject to fixed interest rate of 6% and payable within Seven (7) years from the drawdown date. Proceeds of the loan shall be used to prepay ACR's existing long-term debt and finance the investments in power-related assets.

Short-Term Loan

The Company has a revolving promissory note line with Development Bank of the Philippines of up to Three Hundred Million Pesos (Php 300,000,000) to finance the short-term operational requirements and/or advances to subsidiaries and affiliates. The facility is unsecured.

4. Joint Venture Agreements

ALC has a Joint Venture Agreement with Sta Lucia Realty Development, Inc. (SLRDI) for the development of ALC's parcels of land at General Trias, Cavite into a commercial and residential subdivision with golf courses, known as the Eagle Ridge Golf and Residential Estates (Eagle Ridge). The entire development shall be undertaken by SLRDI which shall receive 60% of the total sales proceeds of the lots of the subdivision, both commercial and residential, and of the golf shares. The remaining balance of 40% shall be for ALC. ALC's 40% share in the proceeds and in the cost of the lots sold is shown as part of "Sales of real estate" and "Cost of real estate sold" accounts, respectively, in the consolidated statements of income. ALC's share in the unsold lots is included under "Real estate inventories" account in the consolidated statements of financial position.

In 2006, ALC entered a joint venture agreement with Sunfields Realty Development Inc., the developer, for the development of ALC's parcels of land at Lipa and Malvar, Batangas into residential house and lots, called as the Campo Verde Subdivision. The entire development costs were shouldered by the developer. In return to their respective contributions to the project, the parties have agreed to assign a number of units of residential house and lots proportionate to their respective contributions computed as specified in the Memorandum of Agreement. The developer was assigned as the exclusive marketing agent and receives 10% of the total contract price, net of value-added tax and discounts, as marketing fee. Sales and cost of lots sold allocated to ALC are shown as part of "Real estate sales" and "Cost of real estate sales" accounts, respectively, in the consolidated statements of income.

On March 21, 2013, Aldevinco and ACIL (collectively referred as "AG") and Ayala Land, Inc. (ALI) entered into a joint venture agreement, where ALI shall own 60% and AG shall own 40% of the outstanding capital stock of the Joint Venture Corporation (JVC), Aviana. On September 17, 2013, Aviana was incorporated as the JVC. ACR has subscribed to 296 preferred shares and 32 common shares for 34% ownership in Aviana.⁵

Marketing Agreements

ALC and SLRDI have a Marketing Agreement with Fil-Estate Group of Companies (FEGC) for the latter to market and sell the individual lots at Eagle Ridge. FEGC is entitled to a marketing commission of 12% of the sales contract price.

6, Engineering, Procurement and Construction Contract (EPC)

Sarangani Energy

On March 30, 2011, Sarangani entered into EPC contract with the consortium of Daelim Industrial Co. Ltd, a company incorporated in Korea, and Daelim Philippines Incorporated, a company incorporated in the Philippines ("Contractor"). Under the terms of the contract, the Contractor shall perform any and all services and provide any and all equipment and construction equipment necessary to perform the work in accordance with the EPC contract on a fixed-price, turnkey basis and shall deliver a fully operational power plant facility (SM 200). On December 29, 2011 and May 24, 2012, Amendments 1 and 2 to the EPC, respectively, were signed, revising certain portions of the EPC. Construction of Phase 1 of the SM200 commenced in January 2013 and was completed in April 2016.

On July 6, 2016, Sarangani entered into EPC contract with JGC Corporation, a company incorporated in Japan, and JGC Philippines, Inc., a company incorporated in the Philippines ("JGC"). Under the terms of the contract, JGC shall install the second 105 MW unit and associated auxiliaries in accordance with Sarangani's requirements. On October 14, 2016, the formal Notice to Proceed was issued to JGC. Construction of Phase 2 of the SM200 commenced in January 2017 and was completed in October 2019. Sarangani received revenue loss compensation amounting to P880 million in 2020 due to the delay in the completion of the project.

7. Registration with Zamboanga City Special Economic Zone Authority (ZAMBOECOZONE) and Kamanga Agro-Industrial Economic Zone

On November 20, 2012, SRPI obtained the certificate of registration and tax exemption issued by ZAMBOECOZONE. As a registered ZAMBOECOZONE enterprise, SRPI shall enjoy incentives and benefits provided for in Republic Act (R.A.) 7903 Sections 4(e) and 4(f) and Sections 43-44, 57-59 and 62 of R.A. 7903 throughout the Lease Agreement with ZAMBOECOZONE.

On June 7, 2011, PEZA approved Sarangani's registration as an Ecozone Utilities Enterprise inside Kamanga Agro-Industrial Economic Zone located at Barangay Kamanga, Maasim, Sarangani Province.

As a power generation registered economic zone enterprises SRPI and Sarangani are entitled to the following incentives:

(a) Exemption from national and local taxes and in lieu thereof payment of a special tax rate of 5% on gross income; and

(b) Tax and duty free importation of capital equipment, machineries and spare parts. VAT-zero rating on local purchases subject to compliance with BIR and PEZA regulations/requirements.

8. Joint Crediting Mechanism Grant (the JCM Grant) by the Ministry of Environment of Japan (MEJ)

On September 22, 2017, the Company, AREC, Toyota Tsusho Corporation (TTC) and Siguil entered into an International Consortium Agreement (the Consortium Agreement) in order to apply for the JCM grant with MEJ. On October 20, 2017, MEJ approved the grant in relation to the development and implementation of the 15 MW Hydro Power Plant Project in Siguil River in Mindanao.

On November 14, 2017, the parties entered into a Memorandum of Agreement (MOA) to define its roles and responsibilities in relation to the JCM grant. Under the MOA, TTC shall remit the grant it received from MEJ within 30 days after the issuance of the Certificate of Provisional Acceptance as defined in the EPC contract and the date that Siguil has declared to South Cotabato II Electric Cooperative, Inc. (SOCOTECO II) or any other off-taker that, it is ready to deliver, and SOCOTECO II or any other off-taker is ready to accept, the contracted capacity and dispatchable energy mentioned in the PSA between parties, which is still pending as of date. As of March 18, 2021, Siguil has not yet received any fund from this grant agreement.

REGULATORY & ENVIRONMENTAL MATTERS

As a holding company, the Company is subject to ordinary regulations pertaining to regular corporations. However, the Company's subsidiaries may be subject to the following rules and regulations.

a. Electric Power Industry Reform Act (EPIRA)

Republic Act No. 9136, the EPIRA of 2001, and the covering Implementing Rules and Regulations (“IRR”) provide for the significant changes in the power sector which include among others:

- i. The unbundling of the generation, transmission, distribution and supply and other disposable assets, including its contracts with IPP and electricity rates;
- ii. Creation of a Wholesale Electricity Spot Market within one year; and
- iii. Open and non-discriminatory access to transmission and distribution systems.

The law also requires public listing of not less than 15% of common shares of generation and distribution companies within 5 years from the effective date of the EPIRA. It provides cross ownership restrictions between transmission and generation companies and between transmission and distribution companies, and a cap of 50% of its demand that a distribution utility is allowed to source from an associated company engaged in generation except for contracts entered into prior to the effective date of the EPIRA.

There are also certain sections of the EPIRA, specifically relating to generation companies, which provide for a cap on the concentration of ownership to only 30% of the installed capacity of the grid and/or 25% of the national installed generating capacity. Based on the assessment of management, the operating subsidiaries have complied, with the applicable provisions of the EPIRA and its IRR.

Based on the assessment of management, the operating subsidiaries have complied with the applicable provisions of the EPIRA and its IRR.

b. Clean Air Act

The Clean Air Act and the related IRR contain provisions that have an impact on the industry as a whole and on the Group in particular, that needs to be complied with. Based on the assessment made on the power plant's existing facilities, management believes that the operating subsidiaries comply with the applicable provisions of the Clean Air Act and the related IRR.

c. Securities and Exchange Commission

Under the SRC, the Securities & Exchange Commission (the “Commission”) has jurisdiction and supervision over all corporations, partnerships or associations that are grantees of primary franchises, license to do business or other secondary licenses. As the government agency regulating the Philippine securities market, the Commission issues regulations on the registration and regulation of securities exchanges, the securities market, securities trading, the licensing of securities brokers and dealers and reportorial requirements for publicly listed companies and the proper application of Securities Regulation Code provisions, as well as the Revised Corporation Code, and certain other statutes.

GENERAL CORPORATE INFORMATION

INCORPORATION

The Company is duly organized as a corporation under the laws of the Philippines and was registered with the Commission on December 24, 1974.

ARTICLES OF INCORPORATION AND BY-LAWS

The Commission approved the Articles of Incorporation of the Company on December 24, 1974. The Commission approved the latest amended Articles on August 11, 2014.

The By-Laws of the Company were registered with the Commission on December 24, 1974 and were amended on July 16, 2004.

PRIMARY PURPOSE

To acquire by purchase, exchange, assignment, gift or otherwise, and to hold, own and use for investment or otherwise, and to sell, assign, transfer, exchange, lease, let, develop, mortgage, pledge, traffic, deal in, and with, and otherwise to operate, manage, enjoy and dispose of, any and all properties of every kind and description and whatever situated, as and to the extent permitted by the law, including but not limited to, buildings, tenements, warehouses, factories, edifices and structures and other improvements, and bonds, debentures, promissory notes, shares of capital stock, or other securities or obligations, created, negotiated or issued by any corporation, association, or other entity, foreign or domestic and while the owner, holder or possessor thereof, to exercise all the rights, powers and privileges of ownership or any other interest therein, including the right to receive, collect and dispose of, any and all rentals, dividends, interests and income, derived therefrom, and the right to vote on any proprietary or other interest, on any shares of the capital stock, and upon any bonds, debentures, or other securities having voting power, owned or held; and provided that it shall not engage in the business of an open-end or close-end investment company as defined in the Investment Company Act (Republic Act No. 2629)

CORPORATE TERM

The Company has perpetual existence pursuant to the Revised Corporation Code. Section 11 of the Revised Corporation Code grants corporations perpetual existence unless its articles of incorporation provides otherwise. Corporations established prior to the effective date of the Revised Corporation Code shall have perpetual existence unless the shareholders owning and/or representing at least a majority of the outstanding capital stock notifies the Commission that it elects to retain its corporate term pursuant to its articles of incorporation. The Company has not made such election to retain its corporate term indicated in its Articles of Incorporation.

FISCAL YEAR

The business year of the Company begins on the first day of January and ends on the last day of December of each year.

APPROVALS

The Board of Directors of the Company approved the issuance and sale of the CPs on December 10, 2020.

DOCUMENTS AVAILABLE FOR DOWNLOADING

In order to implement necessary health protocols consistent with the directives and guidelines of the Department of Health for the protection of Commission's employees and the investing public, the Commission suspended: (i) the physical inspection of the Company's articles of incorporation, and by-laws, as amended; and (ii) providing physical copies thereof to interested parties, until further notice. In lieu thereof, the Commission adopted an alternative mode viewing and/or downloading the documents, and any subsequent amendments thereto, by enabling interested parties to access the same through the MSRD corner of the Commission's website (www.sec.gov.ph) or the Company's website (<http://acr.com.ph/index.php>)

PHILIPPINE TAXATION

Following is a general description of certain Philippine tax aspects of investment by prospective CP Holders. This discussion is based upon Philippine tax laws, in particular the Tax Code, its implementing regulations and rulings in effect at the date of this Prospectus. Subsequent legislative, judicial or administrative changes or interpretations may be retroactive and could affect the tax consequences to the prospective CP Holders.

The tax treatment of a prospective CP Holder may vary depending on such CP Holder's particular situation and certain prospective CP Holders may be subject to special rules not discussed below. This summary does not purport to address all tax aspects that may be important to a prospective CP Holder.

This general description does not purport to be a comprehensive description of the Philippine tax aspects of investment in the CPs and no information is provided regarding the tax aspects of acquiring, owning, holding or disposing the CPs under applicable tax laws of other jurisdictions and the specific tax consequence in light of particular situations of acquiring, owning, holding and disposing the CPs in such other jurisdictions.

EACH PROSPECTIVE CP HOLDER SHOULD CONSULT WITH HIS OWN TAX ADVISER AS TO THE PARTICULAR TAX CONSEQUENCES TO SUCH CP HOLDER OF PURCHASING, OWNING AND DISPOSING OF THE CPs, INCLUDING THE APPLICABILITY AND EFFECT OF ANY STATE, LOCAL AND NATIONAL TAX LAWS.

As used in this section, the term "resident alien" refers to an individual whose residence is within the Philippines but who is not a citizen of the Philippines; a "non-resident alien" is an individual whose residence is not within the Philippines and who is not a citizen of the Philippines; a non-resident alien who is actually within the Philippines for an aggregate period of more than 180 days during any calendar year is considered a "non-resident alien doing business in the Philippines"; otherwise, such non-resident alien who is actually within the Philippines for an aggregate period of 180 days or less during any calendar year is considered a "non-resident alien not doing business in the Philippines." A "resident foreign corporation" is a foreign corporation engaged in trade or business within the Philippines; and a "non-resident foreign corporation" is a foreign corporation not engaged in trade or business within the Philippines. The term "foreign" when applied to a corporation means a corporation that is not domestic while the term "domestic" when applied to a corporation means a corporation created or organized in the Philippines or under its laws.

Taxation of Interest Income/Discount

The CPs will be, under current interpretation of the Tax Code, treated as, a deposit substitute instrument as such term is defined under the Tax Code. Interest income earned, or the yield, or any other monetary benefit from the CPs realized by the CP Holders shall be taxed as described in the following sections.

Interest income/Discount earned by individuals

As a general rule, interest income earned or yield or any other monetary benefit from the CPs realized by individual citizens of the Philippines, resident aliens and non-resident aliens engaged in trade or business in the Philippines is subject to a final withholding tax at the rate of 20%.

Transfers or assignments of the CPs by the CP Holders are subject to a final tax on the interest income already earned by the transferor CP Holder which shall be borne by the CP Holder.

Interest income received by non-resident aliens not engaged in trade or business in the Philippines shall generally be subject to a final withholding tax of 25%. However, such tax rate may be reduced under an applicable tax treaty.

Interest income/Discount earned by corporations

Interest income earned, or the yield, or any other monetary benefit derived by domestic and resident foreign corporations from the CPs shall be subject to a final withholding tax of 20% of such interest income.

On the other hand, interest income received by a non-resident foreign corporation shall be subject to 30% final withholding tax. This rate may also be reduced under an applicable tax treaty.

Interest income/Discount earned by trusts

A trust is generally taxed in the same way as an individual pursuant to the Tax Code which provides that the tax imposed upon individuals shall apply to the income of any kind of property held in trust (except qualifying employee's trust considered tax-exempt). Accordingly, since trusts are, for tax purposes, treated as an individual, interest income earned by trusts are likewise subject to the 20% final withholding tax.

Tax-exempt persons

All sums payable by the Issuer to tax-exempt persons shall be paid in full without deductions for taxes, duties, assessments, or government charges, subject to the submission to the Registrar by the CP Holder claiming the exemption of reasonable evidence of such exemption.

DOCUMENTARY STAMP TAXES

The Tax Code imposes a documentary stamp tax on all debentures, certificates of indebtedness, due bills, bonds, loan agreements, deposit substitute debt instruments at the rate of ₱1.50 on every ₱200, or fractional part thereof, of the face value of such securities; Provided, that for such debt instruments with terms of less than one (1) year, the documentary stamp tax to be collected shall be of a proportional amount in accordance with the ratio of its term in number of days to three hundred sixty five (365) days. The Company has undertaken to pay the documentary stamp tax on the issuance of the CPs.

VALUE-ADDED TAX AND GROSS RECEIPTS TAX

At issuance, no VAT shall be imposable upon the CPs. Subsequent transfers shall similarly be free of VAT, unless the CP Holder is a dealer in securities. In that instance, the CP Holder shall be liable to pay 12% VAT on the gross income derived from the trading of the CPs.

Under Republic Act No. 9238, services rendered in the Philippines by, among others, banks, non-bank financial intermediaries, quasi-banks, finance companies, and other financial intermediaries not performing quasi-banking functions (excluding insurance companies) are exempted from the coverage of the VAT. The exemption, which took effect retroactively on 1 January 2004, reverts to the application of

the GRT regime on services rendered by banks, non-bank financial intermediaries, quasi-banks, finance companies, and other financial intermediaries not performing quasi-banking functions (excluding insurance companies). Rates of GRT shall be as follows:

(1) Banks and Non-Bank Financial Intermediaries Performing Quasi-Banking Functions:

- (a) On interest, commission and discounts from lending activities as well as income from financial leasing, on the basis of the remaining maturities of instruments from which such receipts are derived:
 - Maturity period is five years or less – 5%
 - Maturity period is more than five years – 1%
- (b) On dividends and equity shares in net income of subsidiaries – 0%
- (c) On royalties, rentals of real or personal property, profits from exchange and all other items treated as gross income under the Tax Code – 7%
- (d) On net trading gains within the taxable year on foreign currency, debt securities, derivatives and other similar financial instruments – 7%

(2) Other Non-Bank Financial Intermediaries:

- (a) On interest, commission, discounts and all other items treated as gross income under the Tax Code – 5%
- (b) On interest, commission and discounts from lending activities as well as income from financial leasing, on the basis of the remaining maturities of instruments from which such receipts are derived:
 - Maturity period is five years or less – 5%
 - Maturity period is more than five years – 1%

ESTATE AND DONOR'S TAX

The transfer of the CPs by a decedent to his heirs, whether or not such decedent was residing in the Philippines, will be subject to an estate tax that is levied on the net estate of the deceased at a rate of six percent (6%).

CP Holders, whether or not citizens or residents of the Philippines, will be subject to donor's tax upon the donation of the CPs to any person at a rate of 6% computed on the basis of the total gifts in excess of ₱ 250,000 per year.

The estate tax, as well as the donor's tax in respect of the CPs, shall not be collected if: (a) the deceased at the time of his death or donation was a citizen and resident of a foreign country which, at the time of his death or donation, did not impose a transfer tax of any character in respect of intangible personal property of citizens of the Philippines not residing in that foreign country; or (b) the laws of the foreign country of which the deceased or the donor was a citizen and resident at the time of his death or donation allows a similar exemption from transfer or death taxes of every character or description in respect of intangible personal property owned by citizens of the Philippines not residing in that foreign country.

TAXATION OUTSIDE THE PHILIPPINES

The tax treatment of non-resident CP Holders in jurisdictions outside the Philippines may vary depending on the tax laws applicable to such holder by reason of domicile or business activities and such holder's

particular situation. This Prospectus does not discuss the tax considerations on such non-resident holders under laws other than those of the Philippines.