

Offer Circular dated May 25, 2023

**Alsons Consolidated Resources, Inc. ("ACR")  
Issuance of up to Php 1,380,000,000 Series V and Series W  
Commercial Papers as the Second Tranche of ACR's  
Php3,000,000,000 Commercial Paper Program**

This document constitutes the Offer Circular relating to the issue of Commercial Papers (or "CP") described herein. Unless otherwise defined herein, capitalized terms used herein shall have the definitions set forth in the Facility Agency Agreement dated December 13, 2022, by and between ACR (or the "Company") and AB Capital and Investment Corporation.

This Offer Circular comprises the final terms of the Commercial Papers and the Summary of Consolidated Financial Information. The Offer Circular should be read in conjunction with the Final Prospectus dated December 13, 2022. Full information on the Issuer and the offer of the Series V and Series W Commercial Papers is only available on the basis of the combination of this Offer Circular and the Final Prospectus. The Registration Statement, together with the Offer Circular, can be accessed through the Company's website at <https://www.acr.com.ph/>.

## **I. Previous Issuance of ACR CP**

On December 15, 2022, the Securities and Exchange Commission ("SEC") issued its Certificate of Permit to Offer Securities for Sale for ACR's Php 1.135 billion First Tranche of Commercial Papers out of its total Php 3.0 billion CP Program, under SEC MSRD Order No. 90, Series of 2022. Out of the total aggregate principal amount of the First Tranche, Php 620 million worth of Commercial Papers was issued and listed on the Philippine Dealing & Exchange Corp. ("PDEX") on December 23, 2022.

The Php 620 million worth of CP issuance is broken down into two series:

<b>Commercial Papers</b>	<b>Tenor</b>	<b>Amount (in PhP)</b>	<b>Discount Rate</b>
Series T Due June 23, 2023	182 Days	149,000,000.00	6.3328% p.a.
Series U Due December 22, 2023	364 Days	471,000,000.00	7.1265% p.a.

### **Others Notes:**

- Total Amount Previously Issued: Under SEC MSRD Order No. 90, Series of 2022, dated December 15, 2022, Php 620 million worth of Commercial Papers has been issued as the Program's First Tranche. This amount is broken down into two series: (a) Php 149,000,000 Series T, and (b) Php 471,000,000 Series U Commercial Papers.
- Summary of the amount issued after the current tranche / issuance:

<b>Commercial Papers</b>	<b>Tenor</b>	<b>Amount (in PhP)</b>	<b>Discount Rate</b>
Series T Due June 23, 2023	182 Days	149,000,000.00	6.3328% p.a.
Series U Due December 22, 2023	364 Days	471,000,000.00	7.1265% p.a.
Series V Due December 15, 2023	182 Days	516,700,000.00	7.3593% p.a.
Series W Due June 14, 2024	364 Days	863,300,000.00	7.9242% p.a.

For Series V and W, the Company is offering up to Php 750,000,000 worth of Commercial Papers as base offer ("Base Offer"), with an oversubscription option of up to Php 630,000,000 ("Oversubscription Option"). These comprise the Second Tranche of the Php 3.0 billion CP Program.

- Amount to be issued after the current tranche/ issuance: Upon full issuance of the Base Offer and Oversubscription Option of the Second Tranche, a total of Php 2.0 billion out of its Php 3.0 billion CP program would have already been issued.

As a result, ACR may only issue the following CPs after the Second Tranche, subject to the receipt of Permit to Sell from the SEC:

- Php 1.0 billion may still be issued for a maximum tenor of 364 days.
- Php 149.0 million may still be re-issued for another 182 days representing the reissuance of Series T which was only issued for 182 days.
- Any amount to be issued as Series V (182 days) may still be re-issued for another 182 days.

## II. Terms of the Offer

The final terms of the Commercial Papers must be read in conjunction with the Terms and Conditions. In case of any inconsistencies between the Terms and Conditions and this Offer Circular, this Offer Circular shall prevail.

1. Issuer	:	<b>Alsons Consolidated Resources, Inc.</b>
2. CP Tranche & Series	:	Tranche: Second Tranche  Series: CP Series V – 182 days CP Series W – 364 days
3. Aggregate Principal Amount	:	Series V: Php 516,700,000.00 Series W: Php 863,300,000.00  The Php 1,380,000,000.00 CPs to be issued will be ACR's Second Tranche of Commercial Paper
4. Discount Rate	:	The following are the discount rates:  Series V: 7.3593% Series W: 7.9242%
5. Issue Price	:	Discount to face value
6. Interest Computation	:	The Discount Rate will be calculated on a true discount basis

7. (a) Target Offer Period (b) Target Issue Date	: :	June 1 – June 8 2023 June 16, 2023
8. Net Proceeds	:	Approximately Php 1,284,178.759.64 <i>(Please see Section III for the detailed computation)</i>
9. Use of Proceeds	:	To refinance maturing CPs amounting to Php 1,149,000,000.00. The remaining amount will be used to settle short-term loans obligations.
10. Form and Denomination	:	The CPs shall be issued scripless form and will be maintained in electronic form with the Registrar to be appointed for the purpose.  For primary issuance, Minimum of Pesos: Five Hundred Thousand (PhP 500,000.00) face value and increments of Pesos: One Hundred Thousand (PhP 100,000.00)  For secondary trading, the minimum denomination is One Hundred Thousand Pesos (PhP 100,000.00) face value and in multiples of Ten Thousand Pesos (PhP 10,000.00) thereafter.
11. (a) Maturity Date  (b) Maturity Value	: :	Series V: 182 days from Issue Date Series W: 364 days from Issue Date  100% face value
12. Early Redemption Option and Redemption Price	:	N/A  The CPs will be paid in full (100% of the Face Value) on Maturity Date
13. Listing	:	The Issuer intends to list Series V and W CPs on the Philippine Dealing & Exchange Corp. ("PDEx") on Issue Date
14. Method of Distribution	:	Public offer
15. Issue Manager, Lead Underwriter and Bookrunner	:	RCBC Capital Corporation ("RCBC Capital")  Underwriter Fee: 0.40% per annum on the aggregate face value of the CPs issued, which is inclusive of the underwriting and the selling agency fees, as applicable.

16. Financial Advisor		MIB Capital Corporation  Financial Advisory Fee: Php 120,000 + VAT for every reissuance from the CP Program that would require a Permit to Sell Certification from the SEC.
17. Facility Agent	:	AB Capital and Investment Corporation – Trust Department
18. Registrar and Paying Agent	:	Philippine Depository & Trust Corp.
19. Counsel to the Issuer	:	In-house
20. Counsel to the Underwriter and Transaction Counsel	:	Acuna Francisco & Mendoza Law
22. Issuer Rating	:	<p>The Issuer has a rating of PRS Aa minus corp. as assigned by Philratings on March 17, 2023.</p> <p>The rating reflects the following key considerations: (i) the commencement of the Wholesale Electricity Spot Market (WESM) in Mindanao and the upcoming completion of the Mindanao-Visayas Interconnection Project (MVIP) augur well for the region; (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) challenges encountered in securing bilateral contracts for its diesel power plants; (v) its subdued profitability in 2021 due mainly to increasing costs, albeit signs of recovery are already seen in the first nine months of 2022 (9M2022); and (vi) its ample liquidity, supported by positive operating cash flows .</p>
23. Loan Covenants	:	On November 23, 2020, ACR entered into a facility agreement with various noteholders with aggregate principal amount of Php 6,000 million 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 semi-annually based on graduated rates of 0.5% of the principal in the first year, a total of 22.5% for years 2 to 6, and 77% on year 7, which is the year of the maturity date. Proceeds

		<p>were used to prepay ACR's fixed rate corporate notes facility, partial financing of its investments in renewable energy projects, and for general corporate purposes. ACR had drawn the entire loan facility amounting to Php 6,000 million in 2020.</p> <p>ACR shall maintain certain financial ratios such as (a) debt-to-equity ratio of not more than 3.0x on the first and 2nd years, 2.75x on the 3rd year, 2.5x on the 4th year and 2.33x on the 5th year and until maturity, and (b) debt service coverage ratio of not less than 1.1x at all times during the duration of the notes facility. As of the date of this Offer Circular, ACR is in compliance with its loan covenants.</p> <p>Throughout the term of the loan, ACR is required to maintain a debt service reserve account with a balance of not less than the aggregate amount of principal and interest falling due and payable under the agreement on the immediately succeeding repayment date. As of December 31, 2022 and 2021, the remaining balance of debt reserve account amounted to Php 404 million and Php 175 million, respectively. Interest income earned from debt reserve account amounted to Php 5 million, Php 5 million and Php 4 million in 2022, 2021 and 2020, respectively.</p>
24. Default	:	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.
25. Governing Law	:	Philippine law

### III. Gross and Net Proceeds Computation and Use of Proceeds

Presented in the tables below are the expenses and fees that are expected to be deducted from the gross proceeds of the issuance, computed separately for Series V, Series W, and combined.

#### Series V – assuming full subscription at 7.3593%

Net Proceeds Computation	
Face Value	516,700,000.00
Interest Discount (and WHT)	(18,534,424.59)
<b>Gross Proceeds:</b>	<b>498,165,575.41</b>
Less: Underwriting Fees:	(1,030,568.77)
Less: PDTC Fees:	(25,000.00)
Less PDEX Listing Application Fees:	(50,000.00)
Less: Documentary Stamp Tax	(1,932,316.44)
Less: Facility Agent Fee	(50,000.00)
Less: Financial Advisory Fee	(67,200.00)
<b>Net Proceeds</b>	<b>495,010,490.20</b>

#### Series W – assuming full subscription at 7.9242%

Net Proceeds Computation	
Face Value	863,300,000.00
Interest Discount (and WHT)	(64,038,780.42)
<b>Gross Proceeds:</b>	<b>799,261,219.58</b>
Less: Underwriting Fees:	(3,443,739.18)
Less: PDTC Fees:	(25,000.00)
Less: PDEX Listing Application Fees:	(50,000.00)
Less: Documentary Stamp Tax	(6,457,010.96)
Less: Facility Agent Fee	(50,000.00)
Less: Financial Advisory Fee	(67,200.00)
<b>Net Proceeds</b>	<b>789,168,269.44</b>

#### Series V and W

Net Proceeds Computation	
Face Value	1,380,000,000.00
Interest Discount (and WHT)	(82,573,205.01)
<b>Gross Proceeds:</b>	<b>1,297,426,794.99</b>
Less: Underwriting Fees:	(4,474,307.96)
Less: PDTC Fees:	(50,000.00)
Less: PDEX Listing Application Fees:	(100,000.00)
Less: Documentary Stamp Tax	(8,389,327.40)
Less: Facility Agent Fee	(100,000.00)
Less: Financial Advisory Fee	(134,400.00)
<b>Net Proceeds</b>	<b>1,284,178,759.64</b>

*Notes:*

- a) *Underwriting Fee – based on the 0.4% fee per annum*  
b) *PDTC Fees – estimated amount*  
c) *PDEX Listing Application Fees – Fixed fee*  
d) *Documentary Stamp Tax – computed based on the usual DST formula*  
e) *Facility Agent Fee and Financial Advisory Fees are based on expected fees for the issuance.*  
f) *No issue management fee will be charged by the Issue Manager*

Use of Proceeds:

The Company plans to use the proceeds to refinance its maturing commercial papers with details below:

<b><u>Use of Proceeds</u></b>	<b>Tenor</b>	<b>Date</b>	<b>Use of Proceeds*</b>
Refinance ACR CP Series S	364 Days	06/26/2023	To refinance maturing CPs and settle short-term loan obligations
Refinance ACR CP Series T	182 Days	06/23/2023	To refinance maturing CPs and settle short-term loan obligations

*\*This column pertains to the Use of Proceeds for the issuance of ACR CP Series S and T*

The total amount that will be used to refinance ACR's maturing commercial papers is Php**1,149,000,000.00**, as summarized in the table below:

<b><u>Use of Proceeds</u></b>	<b>Amount</b>
Refinance ACR CP Series S	1,000,000,000.00
Refinance ACR CP Series T	149,000,000.00
<b>Total Maturing Commercial Papers</b>	<b>1,149,000,000.00</b>

The remainder will be used to settle short-term obligations listed in the table below.

<b>Funder</b>	<b>Value Date</b>	<b>Maturity Date*</b>	<b>Rate</b>	<b>Tenor (in days)</b>	<b>Maturity Value (in PhP)</b>
Philippine Commercial Capital Trust and Investment Group	03/16/2023	06/15/2023	6.75%	91	50,682,500.00
Philippine Bank of Communications Trust Group	03/06/2023	06/05/2023	6.75%	91	3,243,680.00
Philippine Bank of Communications Trust Group	02/27/2023	05/29/2023	6.75%	91	40,546,000.00

Philippine Bank of Communications Trust Group	02/27/2023	05/29/2023	6.75%	91	20,273,000.00
Philippine Bank of Communications Trust Group	02/27/2023	05/29/2023	6.75%	91	20,273,000.00
Sterling Bank of Asia Trust	03/28/2023	06/26/2023	6.50%	90	160,579.64
<b>Total</b>					<b>135,178,759.64</b>

*\*If the CPs are not issued before these maturity dates, the following short-terms obligations will be rolled over for a few days.*

The above-mentioned short-term obligations were used by the Company to fund the projects of Siguil Hydro Power Corporation (“Siguil” or “SHPC”) and Sindangan Zambo-River Power Corporation (“Siayan”), through its subsidiary, Alsons Renewable Energy Corporation (“AREC”). ACR owns 80.1% of AREC, and the remaining 19.9% interest is owned by ACIL Corporation. A portion of the short-term obligation was given to the projects as needed. The cash flows were directly issued to Siayan and Siguil and booked as cash advances from related party. The Company expects to receive the funds back from Siguil upon issuance of the Certificate of Compliance for feed-in tariff (“FIT”), which is a document issued by the ERC indicating that the Company can operate using the FIT rate, and as soon as the long-term financing is secured for Siayan. The Company plans to finance the Siayan project through bank financing.

These short-term loans were infused as advances to Siayan and Siguil projects for development costs starting 2020 and 2019. Disbursement of funds was done on an “as needed” basis, which until now is being provided to these projects whenever needed, and until bank financing is obtained by these respective projects. As of today, total amount infused to the projects is Php 2.55 billion for Siguil and Php 95.5 million for Siayan.

AREC, which was organized on September 18, 2014, is ACR's vehicle for developing renewable energy (RE) projects. AREC currently holds 100% equity interest in both Siguil Hydro Power Corporation and Sindangan Zambo-River Power Corporation. Siguil is the first renewable energy project of ACR, which will operate a 14.5MW run-of-river electricity generating facility located at the Siguil basin in Maasim, Sarangani. Siguil's total project cost is estimated at Php 4.4 billion. The construction phase of this project is in full swing and the Company expects commercial operation to begin in the second half of 2023. At present, the project is now 92% complete.

Siayan is a combined 8.81MW hydro power project and 29MWp solar power project located mainly in the Municipality of Siayan, Province of Zamboanga Del Norte and Municipality of Dumingag, Zamboanga del Norte, and is expected to augment power supply in the province of Zamboanga Del Norte once completed. Siayan's total project cost is estimated at Php 3.5 billion. Siayan is still under-development, and its construction is expected to commence in the second half of 2023. Siayan is expected to begin its commercial operations in 2025. The lower project cost of Siayan is due to its design and shorter conveyance system.



The CP allocation below represents the Company's best estimate of the use of proceeds at this time. While the CP proceeds have not been deployed, the Company intends to invest the funds from the issuance in short-term marketable securities until the disbursement schedule is finalized.

In the event that the net proceeds are less than the expected amount, the Company shall prioritize the settling of its maturing CPs since the short-term obligations can be rolled over. If the net proceeds are greater than the expected amount, the Company intends to invest the excess funds in short-term marketable securities.

Summary of Use of Proceeds:

<b>Purpose</b>	<b>Amount (in PhP)</b>
Refinance ACR's Maturing CPs	1,149,000,000.00
Settle Short-term obligations	135,178,759.64
<b>Total</b>	<b>1,284,178,759.64</b>

ACR's primary source of income is the dividends declared by its operating subsidiaries. ACR and its subsidiaries follow a dividend policy where it can annually declare not less than 20.0% of its previous year's unappropriated retained earnings.

The Company's issuance of CP is also opportunistic. Access in the CP will depend on the interest environment during the time of issuance. The company shall inform the shareholders and obtain approval of the Commission before its implementation.

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 Issue Manager, Lead Underwriter and Bookrunner shall not receive any amount from the proceeds other than the underwriting fee.

The foregoing discussion represents the 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 an 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 thirty (30) days prior to its implementation. Furthermore, in case there will be a deviation from the planned use of proceeds, the Company will pay off other maturing short-term obligations maturing in the 2nd quarter of 2023.

#### IV. Amendment to the Plan of Distribution

The first tranche of the CP Program was offered to the public by SB Capital Investment Corporation ("SB Capital"), with the following terms:

First Tranche: Php 620 million worth of CP

Series	Face Value (in PhP)	Tenor	Discount Rate
Series T	149,000,000	182 days	6.3328% p.a.
Series U	471,000,000	364 days	7.1265% p.a.

For the second tranche of its CP Program, ACR decided to obtain proposals from various institutions and select the institution with the most cost-effective fee structure as its underwriter. After its careful evaluation, ACR decided to award the mandate to RCBC Capital Corporation ("RCBC Capital" or the "Issue Manager, Lead Underwriter and Bookrunner").

For the Second Tranche of the Company's Php 3,000,000,000 Commercial Paper Program, RCBC Capital has agreed to distribute and sell at the Issue Price the Series V and Series W Commercial Papers on a firm basis up to the amount of the Base Offer, pursuant to an Underwriting Agreement with the Company dated May 25, 2023 (the "Underwriting Agreement").

The estimated underwriting fees amounting to Four Million Four Hundred Seventy-Four Thousand Three Hundred Seven Pesos and Ninety-Six Centavos (₱4,474,307.96) to be paid by the Company to the Issue Manager, Lead Underwriter and Bookrunner in relation to the Series V and Series W Commercial Papers Offer shall be equivalent to 0.40% of the gross proceeds of the Series V and Series W Commercial Papers Offer. This estimate assumes that the oversubscription option is fully exercised, and fifty percent (50%) of the total size is allocated to each series.

RCBC Capital acting as Issue Manager, Lead Underwriter and Bookrunner for the Series V and W Commercial Papers is duly licensed by the SEC to engage in the underwriting or distribution of securities to the public including the Commercial Papers. The Issue Manager, Lead Underwriter and Bookrunner may, from time to time, engage in transactions with and perform services in the ordinary course of its business for the Company or any of its subsidiaries.

The Issue Manager, Lead Underwriter and Bookrunner has no direct or indirect relations with the Company in terms of ownership by either of their respective major shareholder/s and has no right to designate or nominate any member of the Board of Directors of the Company.

The Issue Manager, Lead Underwriter and Bookrunner has no contract or other arrangement with the Company by which it may return to the Company any unsold portion of the Base Offer of the Series V and W Commercial Papers.

For the purpose of complying with the commitments under the Underwriting Agreement, the Issue Manager, Lead Underwriter and Bookrunner may, under such terms and conditions not inconsistent with the provisions of the Underwriting Agreement, appoint selling agents for the sale and distribution to the public of the Offer CPs; provided, that

the Issue Manager, Lead Underwriter and Bookrunner shall remain solely responsible to the Company in respect of their obligations under the Underwriting Agreement entered into by them with the Company, and except as otherwise provided in the Underwriting Agreement, the Company shall not be bound by any of the terms and conditions of any agreements entered into by the Issue Manager, Lead Underwriter and Bookrunner with the selling agents.

The Issue Manager, Lead Underwriter and Bookrunner has exercised reasonable due diligence required by applicable laws, rules, and regulations in ascertaining that all material representations contained in the Offer Circular dated May 25, 2023 in conjunction with the Final Prospectus, are true and correct in all material respects and that no material information was omitted, which was necessary in order to make the statements contained in said documents not misleading in any material respect.

### ***Financial Advisor***

MIB CAPITAL CORPORATION (formerly Multinational Investment Bancorporation) was established in March 1972 and presently provides financial advisory services such as capital raising and loan syndication/structuring, as well as fair market valuation of shares and companies.

MIB Capital is a pioneering and innovative financial institution:

- Conceived to develop and institutionalize the concept of Total Banking which makes available a wide array of financial, investment, advisory and related services to the broadest spectrum of selected clients;
- Structured as a Corporate Partnership where its officer-partners pledge their personal assets to the institution to manifest their total commitment against conflicts of interest involving their professional acts; and
- Organized under the philosophy of Self-Reliance, requiring dependence only on internal resources and productivity for the institution's growth and perpetuity.

MIB Capital Corporation, as the Financial Advisor, will assist the company in determining the terms and conditions on which the Offering will be marketed, updating the prospectus or other disclosure documents as will be required for regulatory purposes and completion of all activities leading to a successful financial close and smooth implementation of the Offering. Lastly, MIB Capital will perform such other services as may be mutually agreed between the Company and the Financial Advisor.

### ***Issue Manager, Lead Underwriter and Bookrunner***

RCBC Capital is a licensed investment house providing a complete range of capital raising and financial advisory services. Established in 1974, RCBC Capital has over 49 years of experience in the underwriting of equity, quasi-equity and debt securities, as well as in managing and arranging the syndication of loans, and in financial advisory. RCBC Capital is a wholly owned subsidiary of the Rizal Commercial Banking Corporation and a part of YGC, one of the country's largest fully integrated financial services conglomerates.

As the Issue Manager for the Offer, RCBC Capital agreed to perform services which include conducting of due diligence on the Company and evaluating the marketability of the Offering. They will also assist in the review of the prospectus and other required documents. In addition, RCBC Capital will coordinate the activities of all third parties appointed for the Offer and such other services as may be mutually agreed between ACR and RCBC Capital.

In addition to its appointment as Issue Manager, RCBC Capital is acting as the Lead Underwriter and Bookrunner for the Series V and W Commercial Papers. RCBC Capital as Lead Underwriter and Bookrunner will undertake to distribute and sell the Series V and W Commercial Papers on a firm basis up to the amount of the Base Offer as discussed in the preceding paragraphs. The Lead Underwriter and Bookrunner will handle the (i) bookbuilding process which includes marketing of the CPs to potential investors, (ii) allocation of the CPs to its investors, and (iii) receiving of the application form and other required documents for submission to the Registrar and Paying Agent, Philippine Depository and Trust Corp.

## V. Risk Factors

*Note: The Risks enumerated below are updates to the Risk Factors disclosed in the Prospectus. For a full discussion of Risks, please refer to the Prospectus.*

### **Risk relating to the COVID-19 Pandemic**

#### Current Statistics:

On May 7, 2023, the Department of Health (DOH) recorded 1,920 new confirmed COVID-19 cases bringing the country's total COVID-19 caseload to 4,102,788. Of these, 11,408 cases are active or currently sick. The death toll is now at 66,453.

#### Background:

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, President Rodrigo R. Duterte 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.

Considering COVID-19, an Emergency Task Force on COVID-19 was formed to ensure there would be a continuity of work in case of lockdown. The Company formed a team to work on handling issues regarding employees' health and safety, communications, technology support and legal compliance. The team will regularly update the guidelines and ensure adherence to the same.

## VI. Summary of Consolidated Financial Condition

The selected financial information set forth in the following table has been derived from the Company's consolidated audited financial statements as of December 31, 2022. This should be read in conjunction with the auditors' reports, the Company's consolidated financial statements including the notes thereto, and other financial information included in the Prospectus dated December 13, 2022.

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.

### Consolidated Financial Statements

<i>In Philippine Pesos (Php)</i>		
<b>For the Twelve-Months Ended December 31</b>		
<b>Income Statement Data:</b>	<b>2022</b> <i>(Audited)</i>	<b>2021</b> <i>(Audited)</i>
Revenues.....	11,989,232,129	10,046,853,824
Expenses.....	9,768,934,075	8,560,534,246
Income Before Tax.....	2,220,298,054	1,486,319,578
Net Income.....	1,875,143,832	1,320,683,091
	<b>As of</b> <b>December 31, 2022</b> <i>(Audited)</i>	<b>As of</b> <b>December 31, 2021</b> <i>(Audited)</i>
<b>Balance Sheet Data:</b>		
Current Assets.....	11,263,643,223	11,204,197,768
Noncurrent Assets.....	36,532,844,569	36,552,260,704
Total Assets.....	47,796,487,792	47,756,458,472
Current Liabilities.....	9,788,665,837	9,617,855,234
Noncurrent Liabilities.....	19,098,571,428	20,186,490,422
Total Liabilities.....	28,887,237,265	29,804,345,656
Stockholders' Equity.....	18,909,250,527	17,952,112,816
Earnings per share .....	0.097	0.064
Book Value per share.....	1.99	1.91

Audited Consolidated Financial Statements as of December 31, 2022 and 2021

Key Performance Indicators (KPI)

The KPIs of ACR are as follows:

Financial KPI	Definition	Calendar Year	
		2022	2021
Profitability			
EBITDA Margin	EBITDA/ Net Sales	44%	47%
Return on Equity	Net Income/ Total Average Stockholders' Equity	10%	7%
Efficiency			
Operating Expense Ratio	Operating Expenses / Gross Operating Income	19%	22%
Liquidity			
Net Service Coverage Ratio	Total Cash Available for Debt Service / Aggregate Principal and Interest during Next Period	2.01:1	2.32:1
Debt to Equity Ratio	Total Liabilities / Stockholders' Equity	1.53:1	1.66: 1
Current Ratio	Current Assets / Current Liabilities	1.15:1	1.18: 1

Profitability

The earnings before interest, taxes, depreciation, and amortization ("EBITDA") of the Company improved to Php 5,289 million from Php 4,709 million in 2021. The better performance of the operating power plants led to an EBITDA margin of 44% in 2022.

Return on equity also improved to 10% from last year's 7%. While the net income attributable to the equity holders of the parent jumped 40% to Php 617 million from last year's Php 405 million. All of the operating power plants continue to deliver positive results as the COVID-19 scare eases.

Efficiency

The Company's operating expense ratio decreased to 19% from last year's 22%. The operating power plants continue to improve their operating performance during the year.

Leverage and Liquidity

The project loan drawdown of the Siguil Hydro Project as well as the additional short-term debts obtained by the Parent Company which was offset by the amortization of Sarangani's project loan resulted in an increase in financial debt by 0.7%. Consequently, net debt coverage ratio decreased to 11% from last year's 13%.

## **Management's Discussion and Analysis of Results of Operations and Financial Condition**

### **Results of Operations**

ACR and Subsidiaries posted a significant increase in its consolidated revenues during the year to Php 11,989 million from the Php 10,047 million reported in the previous year. The increase was due mainly to the improved operations of our power companies and increase in energy dispatch during the year.

Cost of services increased by 24% at Php 7,765 million from Php 6,255 million in 2021 mainly due to the higher fuel cost as well as the cost of the industrial lot.

General and administrative expenses increased slightly from Php 678 million in 2021 to Php 682 million this year. The increase was due mainly to the higher provision of expected credit losses and personnel costs, among others. The 2022 operations have returned to the new normal as the COVID-19 scare eases. As a result, operating profit increased significantly to Php 3,532 million from last year's Php 3,114 million.

The Company continues to post strong earnings before interest, taxes, depreciation, and amortization (EBITDA) registering Php 5,289 million in 2022, surpassing last year's Php 4,709 million. The resulting EBITDA margin is 44% from 47% from last year.

Meanwhile, finance charges decreased by 4% from Php 1,717 million in 2021 to Php 1,650 million in 2022. The decrease was due to the settlement of maturing loans of Sarangani during the year. Interest income on the other hand increased by 50% from Php 16 million income earned in 2021 to Php 25 million this year. The increase was due mainly to higher interest rates on placements during the year.

Equity in net earnings coming from the Company's share in Aviana Development Corp. posted lower results in 2022 of Php 55 million from Php 72 million in the previous year due mainly to the lower sales performance of the Company.

The Company's other income of Php 259 million is significantly better than last year's Php 1 million. This year's other income includes the gain recognized by Kamanga Agro-Industrial Ecozone Development Corporation ("KAIEDC") for the lot it leased to Panhua which accounted for under finance lease. This gain was partly offset by the recognition of an impairment loss of goodwill.

As a result of the foregoing, the consolidated net income posted a steady result of Php 1,875 million. The income attributable to Parent of Php 617 million is 52% better than last year's Php 405 million posting an earnings per share of Php 0.097 from Php 0.064 last year.

## REVIEW OF FINANCIAL POSITION

As of December 31, 2022, total resources of ACR and Subsidiaries remained strong at Php 47,796 million, almost the same level reported in 2021.

Current assets likewise remained stable at Php 11,264 million this year. The decrease in inventories and prepaid expenses was offset by the increase in trade and other receivables.

Noncurrent assets remained the same at Php 36,532 million. The depreciation expense recognized during the year was offset by the cost incurred for the cost of Siguil Hydro Power Plant which is currently under construction.

Current liabilities increased by 2% from Php 9,618 million to Php 9,789 million, largely on the availment of loans payable by the Parent Company which were mostly used for the construction of Siguil Power Plant. Noncurrent liabilities, on the other hand, decreased by 5% due to the amortization of maturing long-term debt and partly offset by the recognition of deferred credit arising from the collection of a grant for the Siguil Hydro project.

Equity increased by 5% from Php 17,952 million to Php 18,909 million due mainly to the income earned during the year.

ACR posted a current ratio of 1.15:1 in 2022 compared to 1.18:1 in 2021 mainly due to the higher current liabilities brought about by the increase in loans payable.

Net cash inflows from operating activities remained stable and continued to be the source of payment of maturing obligations and trade payables. Net cash used for investing activities increased significantly from Php 976 million to Php 1,973million this year due mainly to the additional project cost incurred for the construction of Siguil Hydro Power plant. Net cash outflow from financing activities, which amounted to Php 2,527 million, is slightly lower than last year's Php 2,643 million. The increase in loans and long-term debt was offset by the payments made during the year. The net cash balance after accounting for the above changes reached Php 2,796 million, slightly lower than the Php 2,864 million in the previous year.

### ***Material changes in Consolidated Balance Sheet Accounts by 5% or More***

#### 1. Short-term investments, 10% increase

The increase in short-term investments (2022: Php 124 million vs. 2021: Php 112 million) was due mainly to the additional placement made during the last quarter of the year as the timing of the usage of cash for operations and or the payment of the construction of Siguil Hydro Power Plant which is expected to begin commercial operations in later part of 2023.

#### 2. Trade and other receivables, 24% 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. Inventories – at cost, 32% decrease

The decrease was due mainly to the timing of coal purchases of Sarangani Energy Corporation which has fuel supply and/or transport agreements with Kaltim Prima Coal, and Galaxy Energy and Resources for low Sulphur coal, or sub-bituminous coal from Indonesia with gross calorific value ranging from 4200 to 5000 kCal per kilogram. Local supply is sourced from Semirara Mining and Power Corporation. The company is also procuring coal via spot market or short-term contracts with flexible pricing options with prices based on Indonesian Coal Index and or Fixed Price arrangements.

4. Prepaid Expenses, 44% decrease

The release of the debt reserve account of Sarangani Energy Corporation during the year led to the decrease in this account.

5. Noncurrent Portion of Trade Receivables, 5% decrease

The decrease was due to the collections made during the year. In 2020, the Company provided financial relief to certain electric cooperatives and distribution utilities as a response to the effect of the COVID-19 Pandemic.

6. Investment in Real Estate, 20% decrease

The lots acquired by KAIEDC for the expansion of the covered area of the Ecozone Industrial Estate in 2021 has been transmitted to a locator during the year through execution of long-term lease arrangement covering a period of 50 years and extendible period of another 50 years at no additional cost to be paid by the lessee. This arrangement is accounted for under finance lease. As such, the related real estate asset was derecognized by the Company and the full settlement of the locator of the lease payments were included as part of the income during the year. The above terms led to a decrease in the investment in real estate accounts by 20%.

7. Advances to Contractors, 206% increase

The additional advances made during the year by Siguil Hydro Power Corp. to its EPC Contractor, Sta. Clara International, caused an increase in this account.

8. Goodwill, 24% decrease

The Company recognized an impairment of Php 165 million during the year. The Company assessed that the carrying value of the underlying assets of SPPC and WMPC's cash generating units including goodwill is greater than its fair value based on the expected cash flows.

9. Net retirement benefit assets, 10% increase

The increase was due to the excess of the value of the assets in a defined benefit obligation over the present value of the liabilities as determined by an independent actuary during the year.

10. Deferred tax assets, 44% decrease

The decrease was primarily due to the decline in the carrying value of the capitalized interest, which depreciation expense was provided during the year. In addition, the deferred tax effect of the net loss carry-over was also deducted for the expired portion.

11. Other noncurrent assets, 51% increase

The increase was primarily due to the restricted cash relating to Siguil's long-term debt. The first principal payment is scheduled in 2024.

12. Accounts payable and other current liabilities, 39% decrease

The decrease was due to payments made during the year for the accrued liabilities pertaining to the bulk purchases of coal during the months of November and December 2021. In addition, the dividends payable of Sarangani Energy in 2021 was settled in 2022 amounting to Php 750 million.

13. Loans payable, 103% increase; Short-term notes payable, 19% decrease

The increase in loans payable was due to additional loans availed during the year, while the decrease in short-term notes payable was due to the settlement of the matured portion towards the end of 2022.

14. Income tax payable, 16% increase

The increase was due to the higher taxable income earned during the year by all operating power Companies.

15. Lease Liability, 131% increase

The increase was due to the recognition of additional lease obligations during the year.

16. Current Portion of Long-term Debt, 38% increaseLong-term debts – net of Current portion, 6% decrease

The variances were due to recognition and settlement of maturing principal during the year.


17. Deferred Credit, 75% increase

The increase is due to the portion of Join Credit Mechanism (JCM) grant received by SHPC during the year. As a background, SHPC entered into a grant agreement with Toyota Tsusho Corp. (TTC) and Ministry Environment of Japan (MEJ) in 2019. The Conditions attached to the grant are as follows:

- Construction of hydro power plant
- 50% carbon credits to be delivered to MEJ from start of operation and 22 years thereafter.

- The MOA between SHPC and TTC requires SHPC to have an agreed PSA with SOCOTECO II or any other offer taker.

Noted By:



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