

ALSONS CONSOLIDATED RESOURCES, INC.
ALSONS BUILDING, 2286 DON CHINO ROCES AVENUE
MAKATI CITY 1231, PHILIPPINES
+632 982 3000

ACR is offering the CPs in the aggregate face value of up to ₱2,500,000,000.00 to be issued in tranches. The First Tranche of the CP Program, with an aggregate face value of up to ₱ 1,500,000,000.00 (the "CPs" or the "Offer") shall be issued on **October 26, 2018** (the "Issue Date"). The succeeding tranche/s of the CP Program are proposed to be issued under a shelf registration within three (3) years from the date of the effectivity of the RS.

The First Tranche will have the following tenors: 90 days, 180 days, and 360 days for Series A, B and C, respectively. Series A, B and C of the First Tranche will carry Discount Rates of 4.86%, 5.54% and 6.38%, respectively, calculated on a true-discount basis. (See "Terms and Description of the CPs – Discount Rate").

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

Offer Price Computation¹

	Series A	Series B	Series C
Tenor (in Days)	90	180	360
Discount Rate	4.86%	5.54%	6.38%
Cost Breakdown			
Face Value	5,000,000.00	5,000,000.00	500,000.00
Discount	(60,020.75)	(134,766.96)	(29,986.84)
Tax on Discount	12,004.15	26,953.39	5,997.37
Cost	4,951,983.40	4,892,186.44	476,010.53
Offer Price	99.039668%	97.843729%	95.202106%

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 series under Rule 8.1.2 of the Implementing Rules and Regulations of the Securities Regulation Code. Such shelf 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

¹ This is a sample computation only

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 **Php1,383,735,546.11**. Such proceeds will be used by the Company to settle its short-term obligations and partially fund various hydroelectric power project developments. See "*Use of Proceeds*" on page 40. The Sole Issue Manager, Arranger and Underwriter will receive 0.50% per annum of the 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 net 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 91.

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 relating to Foreign Exchange Rate Fluctuations
- Risk relating to the changes in market interest rates
- Risk relating to the Company's liquidity
- Risk relating to counterparty's creditworthiness
- Risks relating to the cost and completion of projects
- Risk relating to the possible malfunctions and failures in operations
- Risk relating to insufficient funds to finance projects
- Risk relating to the delay or failure in the operations of the Power plants
- Risk relating to the successful implementation of business plans and strategies
- Risk relating to the reputation of Directors and Officers of the Company
- Risk relating to foreign ownership limitations
- Risk relating to regulatory compliance
- Risk relating to market competition
- Risk relating to the implementation of the Tax Reform for Acceleration and Inclusion (TRAIN) law
- Risk relating to the listing of the CPs in the PDEx
- Risk relating to the collateralization of assets for loans obtained
- Risk relating to involvement in certain regulatory matters which may result in contingent liabilities
- Risk relating to acts of terrorism
- Risk relating to the mismatch between the short-term nature of the CPs and the long-term payback period of the hydro power plants that will be funded by the proceeds
- Risk relating to the factors considered by PhilRatings in its credit rating report

General Risks

- Risk relating to political or social instability
- Risk relating to a possible slowdown in the Philippine economy
- Risk relating to natural catastrophes and calamities

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 23 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 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, 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 +632 982 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 THEREIN IS TRUE AND CURRENT.

ALSONS CONSOLIDATED RESOURCES, INC.

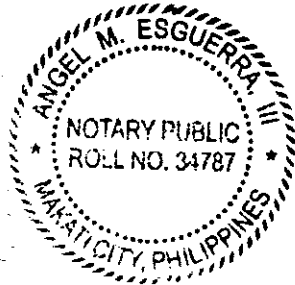
By:


TIRSO G. SANTILLAN, JR.
Executive Vice President

ROBERT F. YENKO
Chief Financial Officer

SUBSCRIBED AND SWORN to before me this SEP 26 2018 th day of 2018 in CITY OF MAKATI, METRO MANILA, Philippines,
affiants exhibiting to me their respective N17-72-000977 / N01-16-031117, issued respectively
on 02-12-2018 in LTO, C.C.
10-12-2016

Doc. No. 346 ;
Page No. 71 ;
Book No. TV ;
Series of 2018.





ANGEL M. ESGUERRA, III
Commission No. M-184
Notary Public for Makati City
Until December 31, 2019
Roll No. 34787; 06-01-1987
Lifetime IBP No. 00259; 06-01-1995; Pasay Chapter
PTR No. 6614781; 01-04-2018; Makati City
Alsons Bldg., 2286 Chino Roces Extension, Makati City

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DEFINITION OF TERMS

ACES.....	Aces Technical Services Corporation
ACR.....	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
Company.....	Alsons Consolidated Resources, Inc.
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"
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 Php2,500,000,000 shelf 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
NEA.....	National Electrification Administration
NPC.....	National Power Corporation
Non-QIB	Not a Qualified Institutional Buyer
O & M.....	Operation and Maintenance
Offer.....	Up to Php 1,500,000,000 Commercial Papers
Offer Price.....	Discount to face value

Offtake Agreement / Power Supply Agreement/ Power Sales Agreement / PSA.....	A contract between two parties, one which generates electricity (the seller) and one which is looking to purchase electricity (the buyer)
₱ or Php or P.....	Philippine Pesos, the lawful currency of the Republic of the Philippines
PDEX.....	Philippine Dealing & Exchange Corp.
PDST-R2.....	PDS benchmark reference rates as reported in the website of the PDS Group (http://www.pds.com.ph/)
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
QIB.....	Qualified Institutional Buyer
Sarangani.....	Sarangani Energy Corporation
SEC.....	The Philippine Securities and Exchange Commission
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 23 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. The 105 MW Phase 1 of Sarangani's 210 MW coal-fired power project started commercial operations last April 29, 2016. Sarangani's Phase 2 began construction in 2017 and is scheduled to be completed in 2019. The 105MW Coal-Fired Power Plant of San Ramon Power, Inc., in Zamboanga City, is currently under development. ACR also has a majority-owned subsidiary, Alto Power Management Corporation, which handles the operations and maintenance of power plant projects outside of the country.

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 relating to Foreign Exchange Rate Fluctuations
- Risk relating to the changes in market interest rates
- Risk relating to the Company's liquidity
- Risk relating to counterparty's creditworthiness
- Risks relating to the cost and completion of projects
- Risk relating to the possible malfunctions and failures in operations
- Risk relating to insufficient funds to finance projects
- Risk relating to the delay or failure in the operations of the Power plants
- Risk relating to the successful implementation of business plans and strategies
- Risk relating to the reputation of Directors and Officers of the Company
- Risk relating to foreign ownership limitations
- Risk relating to regulatory compliance
- Risk relating to market competition
- Risk relating to the implementation of the Tax Reform for Acceleration and Inclusion (TRAIN) law
- Risk relating to the listing of the CPs in the PDEX
- Risk relating to the collateralization of assets for loans obtained
- Risk relating to involvement in certain regulatory matters which may result in contingent liabilities
- Risk relating to acts of terrorism
- Risk relating to the mismatch between the short-term nature of the CPs and the long-term payback period of the hydro power plants that will be funded by the proceeds
- Risk relating to the factors considered by PhilRatings in its credit rating report

General Risks

- Risk relating to political or social instability
- Risk relating to a possible slowdown in the Philippine economy
- Risk relating to natural catastrophes and calamities

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 23 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 +632 982 3000.

SUMMARY FINANCIAL INFORMATION

The selected financial information set forth in the following table has been derived from the Company's audited consolidated financial statements for fiscal years ended December 31, 2017, 2016, and 2015 and the unaudited interim condensed consolidated financial statements as at March 31, 2018. 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

INCOME STATEMENT DATA (in Php millions)				
Consolidated Income Statement	Mar 2018	2017	2016	2015
Revenues	1,678	6,519	7,107	5,022
Cost and Expenses	1,521	5,145	5,215	3,506
Other Income/ (Charges)	2	(1,092)	(978)	(384)
Income/ (Loss) Before Tax and Other Items	156	281	913	1,131
Provision for (Benefit From) Income Tax	53	178	277	440
Net Income	103	103	636	691

Consolidated Financial Position

CONSOLIDATED FINANCIAL POSITION DATA (in Php millions)				
	Mar 2018	2017	2016	2015
ASSETS				
Current Assets	7,991	9,257	6,084	7,903
Noncurrent Assets	29,970	28,980	24,726	22,263
Total Assets	37,961	38,237	30,810	30,166
LIABILITIES AND EQUITY				
Current Liabilities	5,620	5,590	2,910	2,025
Noncurrent Liabilities	18,408	18,817	17,188	17,541
Total Liabilities	24,029	24,407	20,098	19,566
Total Equity	13,933	13,830	10,712	10,600
Total Liabilities and Equity	37,961	38,237	30,810	30,166

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.
Instrument	: Negotiable Commercial Papers registered with the SEC
Issue Size	: Up to ₱ 1,500,000,000.00 to be issued in one lump sum or multiple issuances at the determination of the Issuer in consultation with the Sole Issue Manager, Arranger and Underwriter.
Sole Issue Manager, and Arranger, and Underwriter	: Multinational Investment Bancorporation
Use of Proceeds	: Payment of Short-Term Obligations and Partial Funding of various hydroelectric power project developments
Issue or Offer Price	: Discount to face value of the CPs
Initial Issuance	: The initial issuance of the First Tranche
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 4 th quarter 2018. 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.

Tenor/Term of the Initial Issuance	: Up to three hundred sixty (360) 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 A: 90 days Series B: 180 days Series C: 360 days						
Tenor for Subsequent Issuance/s	: A minimum of ninety (90) days						
Denomination on Initial Issuance	: For Series A and B Minimum of Pesos: Five Million (P5,000,000) face value and increments of Pesos: One Hundred Thousand (P100,000) For Series C Minimum of Pesos: Five Hundred Thousand (P500,000) face value and increments of Pesos: One Hundred Thousand (P100,000)						
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)						
Discount Rate for Initial Issuance	: The sum of the Base Rate and the Credit Spread determined prior to the Issue Date (the "Rate Setting Date") The following are the discount rates for the Initial Issuance based on the benchmark rate plus a credit spread Series A: 4.86% Series B: 5.54% Series C: 6.38%						
Discount Rate of Subsequent Issuance/s	: The discount rate of the subsequent issuance/s shall be set by the Issuer in consultation with the Issue Manager and Arranger						
Base Rate	: The base rate is the higher of a) the three-day average PDST-R2 Reference Rate of the corresponding tenor; or b) the rate of the closest tenor of the Term Deposit Facility of the BSP The PDST-R2 Reference for each series is as follows: <table border="1" data-bbox="687 1607 1399 1720"> <tr> <td>Series A:</td> <td>PDST-R2 3Mos</td> </tr> <tr> <td>Series B:</td> <td>PDST-R2 6Mos</td> </tr> <tr> <td>Series C:</td> <td>PDST-R2 12Mos</td> </tr> </table>	Series A:	PDST-R2 3Mos	Series B:	PDST-R2 6Mos	Series C:	PDST-R2 12Mos
Series A:	PDST-R2 3Mos						
Series B:	PDST-R2 6Mos						
Series C:	PDST-R2 12Mos						

Credit Spread	: The Credit Spread for the Initial Issuance of each series is as follows: Series A: up to 200 bps Series B: up to 200 bps Series C: up to 200 bps
Discount Rate Computation	: The Interest/Discount Rate will be calculated on a true-discount basis
Manner of Purchase	: The CPs will be available for sale from the Sole Underwriter and Selling Agents, if any, subject to minimum purchase amount and denomination.
Acceptance / Rejection of the Application	: 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.
Delivery of CP	: Delivery of the CPs will be made upon full payment of the Offer Price to the Sole Underwriter and/or Selling Agents
Principal Repayment	: The principal amount of the CPs will be repaid in full at the Principal Repayment Date.
Principal Repayment Date	: The date of maturity of a CP as stated in the CP certificate, at which the Issuer shall effect payment in full of the CP. If such Principal Repayment is due on a day that is not a Banking Day, the Principal Repayment Date shall be made on the immediately succeeding Banking 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 <i>pari passu</i> 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.
Taxation on the Discount	: Generally, the Discount 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 the

	<p>following: (i) certified true copy of the tax exemption certificate issued by the Bureau of Internal Revenue; (ii) a duly notarized undertaking, in the prescribed form, declaring and warranting its tax exempt status, undertaking to immediately notify the Issuer of any suspension or revocation of the tax exemption certificates and agreeing to indemnify and hold the Issuer free and harmless against any claims, actions, suits, and liabilities resulting from the non-withholding of the required tax; and (iii) such other documentary requirements as may be required under the applicable regulations of the relevant taxing or other authorities. The Issuer reserves the right to withhold the required tax on the discount of a CP Holder otherwise representing itself to be a tax-exempt institution in the event that such CP Holder fails to comply with or submit the foregoing documentary requirements.</p>
Documentary Stamps on Original Issuance	: The cost of the documentary stamps on the original issuance of the CPs shall be for the account of the Issuer.
Registrar and Paying Agent	: PDTC
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.
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 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	: In its credit rating report dated May 2018, Philratings assigned an issuer credit rating of PRS A plus (corp.) for Alsons Consolidated Resources, Inc. based on the following considerations: <ul style="list-style-type: none"> - Positive growth prospects for Mindanao which will bring an increasing demand for power - Ability to establish joint ventures with strong partners for particular projects - Expansion plans which will further enhance over all operations <p><i>Other Factors considered:</i></p> <ul style="list-style-type: none"> - Volatile profitability and declining coverage ratios in the last three years

- Mindanao currently has an oversupply of energy resulting in challenges in contracting capacities compared to previous years for its diesel plants; and

- ACR had a debt restructuring in 2010 and 2014, and currently has no available bank lines, as reported. All restructured debt, however, have already been fully settled in 2015. In addition, most of its obligations are secured.

The assigned rating is based on the financial statements of the Company as of December 2017, and is subject to regular annual reviews, or more frequently as market developments may dictate, for as long as they are outstanding.

Facility Agent : AB Capital and Investment Corporation – Trust Department
The Facility Agent has no direct relations with the Issuer.

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.
4. 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 relating to 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. Purchases of spare parts, and insurance policies of MPC, SPPC and WMPC, and the fuel supply agreement, operations and maintenance agreement, the equipment supply contracts, and insurance policies of Sarangani, 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. Risk relating to the changes in market interest rates / 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. Risk relating to the Company's liquidity / 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. Risk relating to counterparty's creditworthiness / 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. The Group trades only with recognized and creditworthy third parties. It is the Group's policy that all customers who wish to trade on credit terms are subject to credit verification procedures. In addition, receivable balances are monitored on an ongoing basis with the result that the Group's exposure to bad debts is not significant.

Risk Mitigation:

In the Group's real estate business, transfer of the property is executed only upon full payment of the purchase price. There is also a provision in the sales contract which allows forfeiture of the installment/deposits made by the customer in favor of the Group in case of default. These measures minimize the credit risk exposure or any margin loss from possible default in the payment of installments.

In the Group's power generation business, it is the policy of the Group to ensure that all terms specified in the ECA and PSAs with its customers, including the credit terms of the billings, are complied with.

The power companies' receivables are largely from the distribution utilities, each of whom have provided security in the form of escrowed cash equivalent to, or standby irrevocable letters of credit worth at least, one month's Energy fees.

Trade receivables include SPPC's long-outstanding receivables from NPC. These receivables pertain to the portion of accounts that was disputed by NPC and was decided upon by the Energy Regulation Commission (ERC) on June 3, 2013 in favor of SPPC. On July 23, 2013, NPC elevated the case to the Court of Appeals (CA). On August 17, 2015, CA denied NPC's motion for reconsideration and decided in favor of SPPC. On September 18, 2015, NPC elevated the case with the Supreme Court (SC). On July 4, 2016, SC rendered a decision holding NPC liable to pay SPPC for the additional 5 MW from 2005 to 2010 which affirmed ERC's requirement for both parties to reconcile settlement amount. On November 23, 2016, SC issued its decision to deny the motion for reconsideration submitted by NPC and to render the case with finality.

As at March 22, 2018, SPPC and NPC are still in negotiation for the settlement of the long-outstanding receivables.

The risk of non-collection of the receivables is very minimal, if any, and is now just a matter of collection from the government. This is recorded under the receivables, and will not be converted into cash unless collected.

For the Company's customers, eight (8) of the distribution utilities being serviced have a rating of AAA from the National Electrification Administration, while one (1) has a rating of AA.

Based on NEA's official website, the electric cooperatives are rated based on two criteria namely the Key Performance Standards ("KPS") (80%) and Electric Cooperatives Classification (20%). The KPS covers the electric cooperative's financial, institutional, technical and reportorial performance while the EC Classification covers financially-driven standards and parameters including accounts payables

to the National Grid Corporation of the Philippines (NGCP). Based on the two criteria, the corresponding ratings were assigned to the scores garnered by the cooperatives, as follows: 95-100 = AAA; 90-94 = AA; 85-89 = A; 75-84 = B; 50-74 = C; and 49 and below = D.²

Presented below is a summary of the NEA ratings:

Customer	Location	NEA Rating
ANECO	Agusan del Norte	AAA
ASELCO	Agusan del Sur	AAA
CEPALCO	Cagayan De Oro	N/A
CLPC	Cotabato	N/A
COTELCO	Cotabato	AAA
DANECO	Davao del Norte	C
DASURECO	Davao del Sur	AAA
DLPC	Davao City	N/A
ILPI	Iligan City	N/A
MORESCO 2	Misamis Oriental	AAA
SOCOTECO 1	South Cotabato	AAA
SOCOTECO 2	South Cotabato	AAA
ZAMCELCO	Zamboanga City	C
ZAMSURECO 1	Zamboanga del Sur	AAA
ZANECO	Zamboanga del Norte	AA

CEPALCO, ILPI, DLPC and CLPC do not have NEA ratings as they are privately-owned.

DANECO and ZAMCELCO has a rating of C from NEA. The credit risk for these, and all the other power plants, is mitigated by a standard provision in the PSAs that each customer provides security in the form of escrowed cash equivalent to, or standby irrevocable letters of credit worth at least, one month's Energy fees. This mitigates the credit risk which the Company is exposed to.

5. Risks relating to the cost and completion of projects

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. Currently, only Sarangani Phase 2 is under construction, while the other power plants are fully operational.

² <http://www.nea.gov.ph/news/302-nea-rates-54-power-coops-aaa>

Risk Mitigation:

The Company is confident that project schedule slippage would be minimized during the construction of the second phase of Sarangani Energy Corporation since the agreed subcontractors are reputable local companies with good track record. Also, experiences in the Phase 1 of Sarangani, including deficiencies in project management and scheduling, were thoroughly discussed and will be addressed by the Phase 2 contractor.

Since possibility of cost overrun may happen due to change in orders, the project team should ensure adherence to provisions and scope of work specified in the EPC Contract. Thorough review of terms of reference should 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, they can easily detect and resolve construction issues, thus minimizing delays.

6. Risk relating to the possible malfunctions and failures in operations

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 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 gasifies and can cause 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, Sarangani Phase 2 construction is currently ongoing and is adjacent to the operating Plant (Phase 1). Since 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 were 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 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 this lessens the risk.

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 EPC contractor and the boiler supplier have addressed the issue, and a long term solution/design was installed. This will allow 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 has its own protection system. During scheduled outages, inspection of steam turbine (ST) blades will be done.

Delays in the operations could also happen when there are mechanical failures and 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 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 problems 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 also conducts 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 which include the Distributed Control System (DCS) and Programmable Logic Controller (PLC) system. This failure could also disrupt the normal operations of the Company, and ACR mitigates this risk by ensuring that adequate spares for any part of the DCS are available and 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 and calibration program for all the instruments and control valves.

Presented below are the insurance providers of the power plants:

Diesel Power Plants

Type	WMPC	SPPC	MPC
Industrial All Risk	1. Charter Ping An Insurance 2. UCPB General Insurance 3. New India Assurance Co., LTD	1. Charter Ping An Insurance 2. FPG Insurance 3. Asia Insurance 4. Pioneer Insurance 5. New India Assurance 6. UCPB General Insurance	1. Charter Ping An Insurance 2. Asia Insurance 3. UCPB General Insurance
Public Liability	1. QBE Seaboard Insurance Phils., Inc.	1. QBE Seaboard Insurance Phils., Inc.	1. QBE Seaboard Insurance Phils., Inc.
Fuel Stocks	1. Charter Ping An Insurance 2. New India Assurance Co., Ltd	1. Charter Ping An Insurance 2. New India Assurance Co., Ltd	1. Charter Ping An Insurance 2. New India Assurance Co., Ltd
Sabotage and Terrorism	1. Charter Ping An Insurance	1. Charter Ping An 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 relating to insufficient funds to finance projects

Negative or low revenue and net income and the inability to collect revenues in a timely manner may affect the Company's ability to finance its ongoing projects.

Risk Mitigation:

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 relating to the delay or failure in the operations of the Power plants

Any delays and 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 delay and failure in operations, and therefore, minimizes exposure to such risk.

9. Risk relating to the 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. Risk relating to the reputation 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 relating to 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 1.21%, a relatively small percentage compared to the 40% limit.

Risk Mitigation:

ACR's foreign ownership is currently at 1.21%. The Company is constantly monitoring the ownership of ACR shares, and it has no prospects of increasing foreign ownership.

12. Risk relating to regulatory compliance

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. Risk relating to market competition

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 relating to the implementation of the Tax Reform for Acceleration and Inclusion (TRAIN) law

On December 19, 2017, Republic Act No. 10963 or the Tax Reform for Acceleration and Inclusion Act (TRAIN) was signed into law and took effect on January 1, 2018, making the new tax law enacted as at balance sheet date. Although the TRAIN changes existing law and includes several provisions that will generally affect business on a prospective basis, management assessed that the same will not have any significant impact on the financial statement balances as at balance sheet date.

ACR				
	Prior to TRAIN	With the TRAIN	Impact to ACR	
Documentary Stamp	4.90%	7.30%	2.30%	
The impact of DST would be an additional cost of 2.3% on new loan availments.				
MPC & WMPC & SRPC				
Excise tax on Fuel & Oil	Prior to TRAIN	2018	2019	2020
Diesel/ Bunker fuel	0.00%	2.50%	4.50%	6.00%
Lubricating Oil	4.50%	8.00%	9.00%	10.00%
Gasoline	4.35%	7.00%	9.00%	10.00%
As for the diesel companies, impact of TRAIN law resulted to an increase in fuel cost. The excise tax is part of the pass-on cost to the customers. Therefore, there should be no material impact to the Company.				
Sarangani Energy Corp.				
Excise tax on Coal		2018	2019	2020
Effects on actual fuel cost		0.04%	0.07%	0.11%
Additional cost per Kwh				
The excise tax is part of the pass-on cost to the customers. Therefore, there should be no material impact to the Company. DST on Project loan drawdown has no effect as DST was already paid during registration of OLSA.				

15. Risk relating to the listing of the CPs to the PDEX

To ensure the liquidity and transparency in the pricing of the CPs, the security will be listed in the PDEX. However, 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.

The lack of liquidity and transparency in pricing is a major concern for investors. Hence, this is mitigated by the fact that there is an assigned market maker for the commercial papers.

Should the listing of CPs be disapproved, there may be an issue on liquidity and transparency in pricing which may affect investors' confidence in the security. To address this, all the requirements of PDEX for the listing are already being processed and complied with to ensure a smooth listing process.

16. Risk relating to the collateralization of assets for loans obtained

The CHC power plants, and the rest of the estate owned by MPC, were used as collateral for the rehabilitation of the CHC power plants. Also, Sarangani's real estate and coal-fired power plant are mortgaged to its various lender banks. If the power plants fail to settle their maturing obligations, the same would constitute a default, and depending on the terms of their respective agreements, the lenders have a claim on the mortgaged assets. As the project loans obtained are non-recourse, the lenders could have claims only on the collateralized assets.

This risk is mitigated by the Company by ensuring timely settlement of its maturing obligations.

17. Risk relating to involvement in certain regulatory matters which may result in contingent liabilities

The Group is currently involved in certain regulatory matters of which estimate of the probable costs for its resolution has been developed in consultation with the Group's advisors handling the defense on these matters and is based on the analysis of potential results.

Such potential results are not reflected in the consolidated financial statements as management believes that it is not probable that the contingent liabilities will affect the Group's operations and consolidated financial statements. Despite the possible immaterial effect on the Group's operations and performance, the Company mitigates this risk by ensuring that the said regulatory matters are addressed and that all requirements, if any, are provided on time.

18. Risk relating to acts of terrorism

The Company's business and financial condition may be adversely affected by acts of terrorism as these may cause destruction of properties or hindrances and delays in the usual business operations. These effects may likewise result to financial losses arising from lost income or damaged properties.

To mitigate this risk, the Group ensures that the power plants are well insured, as they have tapped Charter Ping An Insurance for their insurance for Sabotage and Terrorism. In addition to the insurance coverage, the Company also makes sure that they have trained security personnel deployed in the vicinities of the respective power plants.

19. Risk relating to the mismatch between the short-term nature of the CPs and the long-term payback period of the hydro power plants that will be funded by the proceeds

Since the hydro power plants are still in various stages of development, they may be exposed to certain delays which may affect their expected timelines. As these power plants are not expected to be operational before the maturity of the CPs, they will not be able to contribute to the income of ACR yet.

However, ACR has income from its current operating plants, which will be used to settle the CPs as they mature. ACR expects a steady flow of income as Sarangani Phase 1 is fully contracted for the next 25 years.

The table below represents ACR's revenue from its power and energy business segment.

Php in '000	2017	2016	2015
Power and Energy	6,892,921	7,191,249	5,002,696

20. Risk relating to the factors considered by PhilRatings in its credit rating report

In its credit rating report, PhilRatings considered, among other things, the following factors:

- Volatile profitability and declining coverage ratios in the last three years
- Mindanao currently has an oversupply of energy resulting in challenges in contracting capacities compared to previous years for its diesel plants; and

Volatile profitability and declining coverage ratios

A volatile profitability and declining coverage ratios, on the surface, may seem to be a negative thing especially for investors looking at the performance of the Company and analyzing whether they will be participating in the issuance. However, these factors considered by PhilRatings are brought about by the shift in the business model of ACR. Prior to 2017, ACR's business model primarily focused on its Energy Conversion Agreements with the NPC. However, it shifted to a merchant business model wherein the company bids for contracts in an open market scenario. Being in a merchant business model exposes the Company to a more volatile financials, but this is being mitigated by the Company's continued efforts to improve its financial ratios by maintaining its operating power plants while also looking for viable future plans.

Oversupply of Energy for the Diesel Plants

The Company may have a hard time securing PSAs for its Diesel plants in an environment where there is an oversupply of energy. This may translate negatively in the financials of ACR if the issue is unaddressed. However, ACR is well aware of this challenge, and hence, it has in its pipeline several projects using other sources of energy, such as Renewable Energy. By diversifying its sources of energy, ACR lessens dependency to its Diesel plants, and hence mitigates the impacts of an oversupply.

RISKS 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.

Martial Law in Mindanao

On May 23, 2017, President Duterte's declaration of martial law in Mindanao was due to the involvement of elements linked to the Islamic State of Iraq and Syria (ISIS) group in the Marawi conflict and that the whole of Mindanao was put under military rule to allow the government to best respond to the possibility of the terrorists seeking sanctuary or sowing terror in other parts of the South. According to Finance Secretary Carlos Dominguez III, the economy was not threatened by the imposition of martial law and the military is in full control of the government installations and major infrastructures on the island. The martial law will ensure that these facilities are protected so that business transactions will be unaffected.

The declaration of martial law is not disruptive to the normal course on the Company's power operation and property development. With respect to the power facilities, all of the four power plants continue to operate as scheduled and projects that are under development such as the on-going construction of the second 105 MW Sarangani Energy Corporation are proceeding according to schedule and are contract to completion.

The Company fully supports the decision of President Duterte to institute all legal measures allowed within the frame work of the constitution in order to ensure the safety and security of the island.

Effects of the Marawi Conflict

In the areas in Mindanao the power plants operate, there has been no discernible adverse impact of the Marawi conflict. The demand for electricity continues to grow albeit at different rates across the island. Most places track the average for the island of between 1.5% to 3% but in some place like Gen. Santos City, demand grew by around 14% between 2016 and 2018. The current oversupply of power that Mindanao is enjoying could serve as an incentive to investors to locate in the island. Over the long-term, power rates in Mindanao is seen to remain the cheapest in the country, another reason why it could be an attractive destination for new investments.

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.

RISKS MITIGATION 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.

RISK MITIGATION RELATED TO THE COMMERCIAL PAPER

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 proceed from the Offer is expected to be approximately **Php 1,383,735,546.11** 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	₱ 1,500,000,000.00
Discount (indicative based on 6.38% and 360 days assuming true discount computation)	(89,960,518.89)
Gross Proceeds	1,410,039,481.11
Less:	
SEC Filing and Legal Research Fees	(946,875.00)
Documentary Stamp Tax (maximum assuming P1.5b issued for one year)	(11,250,000.00)
Underwriting and Selling Fees (maximum)	(7,500,000.00)
Issue Management Fee	(2,500,000.00)
Estimated Legal Fees	(2,700,000.00)
Philratings credit rating report fees	(994,560.00)
PDTC Registry fees*	(200,000.00)
PDEX listing maintenance fees*	(37,500.00)
Facility agency fees	(125,000.00)
Estimated Costs of Printing and Publication	(50,000.00)
Total expenses	(26,303,935.00)
Net Proceeds	1,383,735,546.11

* PDTC and PDEX fees are estimates

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 to settle its maturing short-term obligations in the 4th quarter of 2018 and to partially fund its various hydro power project development.

i. Payout of short-term obligations

Presented below is a list of some of the Company's short-term loans maturing in the fourth quarter of 2018.

Maturing Short-Term Obligations of ACR

Lender	Principal	Maturity Date	Tenor	Maturity Value
QIB Funder	20,966,058.52	11/12/2018	60	21,191,298.05
NON-QIB Funder	24,447,627.99	11/12/2018	91	24,694,820.67
TOTAL	45,413,686.51			45,886,118.72

Short term loans are availed to partially finance various project costs that are currently being developed. Once these projects under development are implemented, these project costs will be consolidated and funded from longer term funding.

ii. Partial funding of various hydro power project developments

The Company has several hydropower plants in various stages of study and development. The Company plans to use the remaining balance of the CP proceeds to partially fund the different stages of project development.

Presented below are the company's pipelines of hydroelectric power projects in various stages of development that needs to be completed and secured before the Company will proceed to constructing the projects:

Power Plant	Installed Capacity (in MW)	Estimated Project Cost (in billions)	Stages of development	Location	CP allocation*	Disbursement period
Siguil	15.1	4.25	EPC Contract Signed	Sarangani Province	109,659,789.13	in a span of one (1) year from issue date
Bago	42.85	9.29	Advance	Negros region	954,040,165.43	
Sindangan	28	5.96	Advance	Zamboanga Del Norte	274,149,472.82	
Kalaong	13.4	3.77	Under development	Sarangani Province		
Sumlog	16	4.5	Under development	Davao Oriental		
Andanan	8	2.25	Under development	Agusan Del Sur		
Hubo	13	3.66	Under development	Surigao Del Sur		
Tago	9	2.53	Under development	Surigao Del Sur		
Total	145.35	36.21			1,337,849,427.39	

*The CP allocation above 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.

Since the hydro power projects will be owned by ACR through Alsons Renewable Energy Corp., funds would have to flow from ACR to AREC. The cash flows will be booked as cash advances from related party. In addition, the funds would go through from AREC to the corresponding project companies and will be booked as cash advances.

The company will arrange Project Financing to complete the funding requirement of each hydroelectric power project identified for implementation.

Summary:

<u>Proceeds from the CP Issuance</u>	PHP <u>1,383,735,546.11</u>
Breakdown:	
<u>Payout of short-term loans</u>	<u>45,886,118.72</u>
<u>Partial funding of various hydro project developments</u>	<u>1,337,849,427.39</u>

ACR's primary source of income is 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.

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.

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 A	Series B	Series C
Tenor (in Days)	90	180	360
Discount Rate	4.86%	5.54%	6.38%
Cost Breakdown			
Face Value	5,000,000.00	5,000,000.00	500,000.00
Discount	(60,020.75)	(134,766.96)	(29,986.84)
Tax on Discount	12,004.15	26,953.39	5,997.37
Cost	4,951,983.40	4,892,186.44	476,010.53
Offer Price	99.039668%	97.843729%	95.202106%

The discounts are computed based on the discount rate formula, which sets the base rate as the higher of a) the three-day average PDST-R2 Reference Rate of the corresponding tenor (ending September 24, 2018); or b) the weighted average accepted yield of the 28-day tenor of the Term Deposit Facility of the BSP as of September 19, 2018.

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. The First Tranche shall be issued in the 4th quarter of 2018 for such amount as shall be determined by the Issuer in consultation with the Underwriter.

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 CPs on a best-effort basis, in either case subject to the satisfaction of certain conditions and in consideration for certain fees and expenses. Any unsold portion would be sold at a future date, since the issuance is under a shelf-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.

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.

SALE AND DISTRIBUTION

The distribution and sale of the CPs shall be undertaken by the Underwriter and 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. The CPs shall be offered to the public at large and without preference.

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.

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 net proceeds of the Offer for a particular tranche on a relevant Issue Date.

The Company will also pay 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 Offering, 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 approval by the SEC of, and will end on or before the expiry of the license to sell for, the CPs.

DESCRIPTION OF THE SECURITIES TO BE REGISTERED

Instrument	: Negotiable Commercial Papers registered with the Securities and Exchange Commission						
CP Program Size	: Up to ₱2,500,000,000.00 face value to be issued in tranches, at the determination of the Issuer in consultation with the Sole Issue Manager, Arranger and Underwriter.						
First Tranche	: Up to ₱ 1,500,000,000.00 face value						
Issue or Offer Price	: Discount to face value of the CPs						
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 based on the benchmark rate plus a credit spread <table data-bbox="678 895 917 993"> <tr> <td>Series A:</td> <td>4.86%</td> </tr> <tr> <td>Series B:</td> <td>5.54%</td> </tr> <tr> <td>Series C:</td> <td>6.38%</td> </tr> </table>	Series A:	4.86%	Series B:	5.54%	Series C:	6.38%
Series A:	4.86%						
Series B:	5.54%						
Series C:	6.38%						
Discount Rate of Subsequent Issuance/s	: The discount rate of the subsequent issuance/s shall be set by the Issuer in consultation with the Issue Manager and Arranger						
Base Rate	: The base rate is the higher of a) the three-day average PDST-R2 Reference Rate of the corresponding tenor or b) the rate of the closest tenor of the Term Deposit Facility of the BSP The PDST-R2 Reference Rate for each series is as follows: <table border="1" data-bbox="667 1306 1375 1415"> <tr> <td>Series A:</td> <td>PDST-R2 3Mos</td> </tr> <tr> <td>Series B:</td> <td>PDST-R2 6Mos</td> </tr> <tr> <td>Series C:</td> <td>PDST-R2 12Mos</td> </tr> </table>	Series A:	PDST-R2 3Mos	Series B:	PDST-R2 6Mos	Series C:	PDST-R2 12Mos
Series A:	PDST-R2 3Mos						
Series B:	PDST-R2 6Mos						
Series C:	PDST-R2 12Mos						
Credit Spread	: The Credit Spread for the Initial Issuance of each series is as follows Series A: up to 200 bps Series B: up to 200 bps Series C: up to 200 bps						
Tenor/Term of the Initial Issuance	: Up to three hundred sixty (360) 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 A: 90 days Series B: 180 days Series C: 360 days
Tenor for Subsequent Issuance/s	: A minimum of ninety (90) days
Manner of Purchase	: The CPs will be available for sale from the Sole Underwriter and Selling Agents as applicable, subject to minimum purchase amount and denomination.
Delivery of CP	: Delivery of the CPs will be made upon full payment of the Offer Price to the Sole Underwriter and/or Selling Agents as applicable.
Principal Repayment	: The principal amount of the CPs will be repaid in full at the Principal Repayment Date
Principal Repayment Date	: The date of maturity of a CP as stated in the CP certificate, at which the Issuer shall effect payment in full of the CPs. If such Principal Repayment is due on a day that is not a Banking Day, the Principal Repayment Date shall be made on the immediately succeeding Banking Day. No additional interest will be paid in such case.
Taxation on the Discount	: Generally, the Discount 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 the following: (i) certified true copy of the tax exemption certificate issued by the Bureau of Internal Revenue; (ii) a duly notarized undertaking, in the prescribed form, declaring and warranting its tax exempt status, undertaking to immediately notify the Issuer of any suspension or revocation of the tax exemption certificates and agreeing to indemnify and hold the Issuer free and harmless against any claims, actions, suits, and liabilities resulting from the non-withholding of the required tax; and (iii) such other documentary requirements as may be required under the applicable regulations of the relevant taxing or other authorities. The Issuer reserves the right to withhold the required tax on the discount of a CP Holder otherwise representing itself to be a tax-exempt institution in the event that such CP Holder fails to comply with or submit the foregoing documentary requirements.
Documentary Stamps on Original Issuance	: The cost of the documentary stamps on the original issuance of the CPs shall be for the account of the Issuer.

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
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 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>: In its credit rating report dated May 2018, 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"> - Positive growth prospects for Mindanao which will bring an increasing demand for power - Ability to establish joint ventures with strong partners for particular projects - Expansion plans which will further enhance over all operations <p><i>Other Factors considered:</i></p> <ul style="list-style-type: none"> - Volatile profitability and declining coverage ratios in the last three years - Mindanao currently has an oversupply of energy resulting in challenges in contracting capacities compared to previous years for its diesel plants; and - ACR had a debt restructuring in 2010 and 2014, and currently has no available bank lines, as reported. All restructured debt, however, have already been fully settled in 2015. In addition, most of its obligations are secured. <p>The assigned rating is based on the financial statements of the Company as of December 2017, and is subject to regular annual reviews, or more frequently as market developments may dictate, for as long as they are outstanding.</p>

INTEREST OF NAMED EXPERTS AND COUNSEL

The validity of the CPs and tax matters pertaining thereto were passed upon by Martinez Vergara Gonzales & Serrano Law (MVGS), the third party transaction counsel. MVGS 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, 2017, 2016 and 2015 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, 2017, 2016 and 2015 is Mr. Martin C. Guantes, CPA.

Castillo Laman Tan Pantaleon & San Jose (CLTPSJ) Law Firm is the legal counsel for the Company. CLTPSJ 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.

Subido Pagente Certeza Mendoza & Binay (SPCMB) Law Firm is the legal counsel for the Underwriter. SPCMB 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 ENVIRONMENT³

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 Situation⁴

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

Electricity sales and consumption grew by 4.0% from 11,345,457 MWh in 2016 to 11,804,037 MWh in 2017. This growth is fueled by the substantial increase of industrial electricity consumption in Mindanao, specifically in Northern Mindanao, Davao, and SOCCSKSARGEN regions. The industrial sector contributed 1.4% of the 4.0% overall growth rate of electricity consumption in Mindanao in 2017.

³ Source: National Economic Development Authority's Mindanao Strategic Development Framework 2010 - 2020

⁴ DOE - EPIMB 2017 Power Demand Supply Highlights

Existing Installed, Dependable and Available Capacity, January- December 2017 (in MW)

Fuel Type	Installed		Dependable		Available	
	MW	Percent Share (%)	MW	Percent Share (%)	MW	Percent Share (%)
Coal	1,370	38.49	1,220	39.58	1,088	45.84
Oil Based	906	25.45	811	26.30	494	20.82
Natural Gas	0	0.00	0	0.00	0	0.00
Renewable Energy	1,283	36.06	1,052	34.12	791	33.34
<i>Geothermal</i>	<i>108</i>	<i>3.05</i>	<i>100</i>	<i>3.24</i>	<i>99</i>	<i>4.17</i>
<i>Hydro</i>	<i>1,080</i>	<i>30.35</i>	<i>899</i>	<i>29.17</i>	<i>692</i>	<i>29.15</i>
<i>Biomass</i>	<i>36</i>	<i>1.01</i>	<i>10</i>	<i>0.32</i>	<i>0</i>	<i>0.00</i>
<i>Solar</i>	<i>59</i>	<i>1.65</i>	<i>43</i>	<i>1.38</i>	<i>0</i>	<i>0.01</i>
<i>Wind</i>	<i>0</i>	<i>0.00</i>	<i>0</i>	<i>0.00</i>	<i>0</i>	<i>0.00</i>
2017 Total	3,559	100.00	3,083	100.00	2,373	100.00
2016 Total	3,162		2,684		1,642	

Source: DOE Power Demand and Supply Highlights January-December 2017

Newly Operational Capacities, January-December 2017

Power Plant Facility Name	Capacity (MW)		Owner/ Operator
	Installed	Dependable	
COAL	300	270	
FDC Misamis U3	135	120	FDC Utilities, Inc.
MPC Balingasag U1	55	50	Minergy Power Corporation
MPC Balingasag U2	55	50	
MPC Balingasag U3	55	50	
DIESEL	37	35	
NAC DPP	11	8	Nickel Asia Corporation (NAC)
PACERM-1	11	11	PACERM-1 Energy Corporation
ZAMCELCO DPP	16	16	ZAMCELCO
TOTAL	337	305	

Source: DOE Power Demand and Supply Highlights January-December 2017

Summary of Committed and Indicative Power Projects, as of 31 December 2017

Fuel Type	Committed			Indicative		
	No. of Proponents	Capacity (MW)	% Share	No. of Proponents	Capacity (MW)	% Share
Coal	2	700	52.50	4	1,138	57.50
Oil Based	4	30	2.20	4	45	2.30
Natural Gas	0	0	0.00	0	0	0.00
Renewable Energy	22	603	45.20	21	797	40.30
<i>Geothermal</i>	<i>0</i>	<i>0</i>	<i>0.00</i>	<i>1</i>	<i>30</i>	<i>1.50</i>
<i>Hydro</i>	<i>19</i>	<i>591</i>	<i>44.30</i>	<i>5</i>	<i>268</i>	<i>13.50</i>
<i>Biomass</i>	<i>3</i>	<i>12</i>	<i>0.90</i>	<i>6</i>	<i>89</i>	<i>4.50</i>

<i>Solar</i>	0	0	0.00	9	410	20.70
<i>Wind</i>	0	0	0.00	0	0	0.00
Total	28	1,332	100.00	29	1,981	100.00

Source: DOE Power Demand and Supply Highlights January-December 2017

2017 POWER STATISTICS⁵

Based on the 2017 Power Statistics by the Department of Energy, which was released on 30 April 2018, the installed generating capacity per grid in MW is as follows:

	LUZON	VISAYAS	MINDANAO
Coal	5,625	1,054	1,370
Oil Based	2,518	730	906
Natural Gas	3,446	1	0
Renewable Energy	4,156	1,640	1,284
<i>Geothermal</i>	<i>843</i>	<i>965</i>	<i>108</i>
<i>Hydro</i>	<i>2,527</i>	<i>20</i>	<i>1,080</i>
<i>Biomass</i>	<i>87</i>	<i>101</i>	<i>36</i>
<i>Solar</i>	<i>362</i>	<i>465</i>	<i>59</i>
<i>Wind</i>	<i>337</i>	<i>90</i>	<i>0</i>
TOTAL	15,743	3,425	3,559

The dependable generating capacity in MW is as follows:

	LUZON	VISAYAS	MINDANAO
Coal	5,404	1,050	1,220
Oil Based	1,977	499	811
Natural Gas	3,291	0	0
Renewable Energy	3,758	1,454	1,052
<i>Geothermal</i>	<i>782</i>	<i>870</i>	<i>100</i>
<i>Hydro</i>	<i>2,351</i>	<i>18</i>	<i>899</i>
<i>Biomass</i>	<i>66</i>	<i>84</i>	<i>10</i>
<i>Solar</i>	<i>265</i>	<i>392</i>	<i>43</i>
<i>Wind</i>	<i>293</i>	<i>90</i>	<i>0</i>
TOTAL	14,430	3,002	3,083

⁵https://www.doe.gov.ph/sites/default/files/pdf/energy_statistics/02_2017_power_statistics_as_of_30_april_2018_capacity_per_plant_type2.pdf

Significant Events ⁶

Following are the significant incidents that affected the Philippine Power System in 2017 – a) Forced Outages of Power Generation Plants, b) Transmission and Distribution System Interruptions, c) Fuel restrictions, d) Earthquakes, e) Typhoons and f) Marawi Siege (Mindanao). These occurrences resulted to tight supply conditions, several automatic load dropping incidents, issuance of yellow and red alert grid status, and power interruptions, among others. A total of 429 significant forced outages of power generation plants were recorded in 2017. Meanwhile, 3 major earthquakes and 7 typhoons hit the country in 2017 that caused significant damages to power generation, transmission, and distribution facilities and infrastructure.

- On 04 May 2017 (1250H), Zamboanga Peninsula was on total blackout due to the tripping of the Baloi-Aurora 138 kV Line. Agus 5 alert grid status, and power interruptions, among others. A total of 429 outages due to a line to line fault. System was restored on the same day at 1700H.
- On 14 May 2017 (2122H), Zamboanga Peninsula was on partial blackout due to the tripping of Agus 5 -Aurora 138 kV Line. Agus 5 alert grid status, and p
- On 25 May 2017 (1750H), Agus 2-Agus 1 138kV Tie Line tripped which resulted to the isolation of both Agus 1 HEP and Agus 1 Substation rendering Marawi City without power.
- On 1 October 2017, South Eastern Mindanao Area (SEMA) was on partial system blackout due to the tripping of Davao and Agus 1 kV Lines 1 and 2 and Kibawe – Tacurong line at 2204H. At 2230H, Red Alert Status was declared for the Mindanao Grid.
- On 23 May 2017, the Marawi Siege started which resulted to the multiple and partial blackout of the franchise area of LASURECO.

⁶ https://www.doe.gov.ph/sites/default/files/pdf/electric_power/2017-power-demand-and-supply-highlights.pdf

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 Claims⁷.

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.

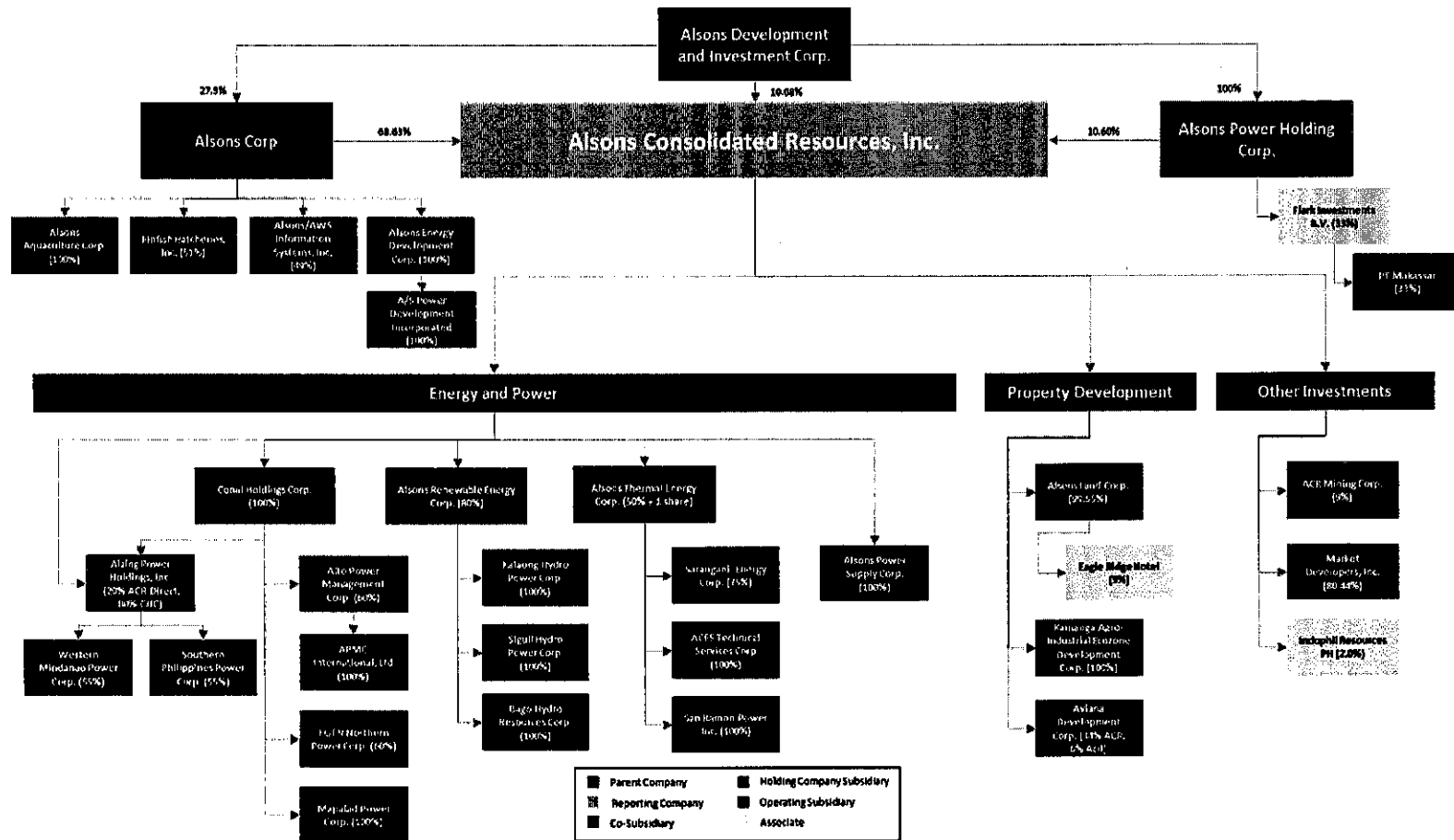
The corporate name was changed to Alsons Consolidated Resources, Inc. in June 1995 to mark the entry of the Alcantara Group. The Company's primary purpose was subsequently changed to that of an investment holding company, and oil exploration was relegated to a secondary purpose.

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:

⁷ <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 October 2, 2014 is currently in the process of developing Siguil Hydro Power Corporation ("Siguil") and Kalaong Hydro Power Corporation ("Kalaong"), both in the renewable energy and holds 100% of these entities.
4. ATEC was organized on December 3, 2015 wherein ACR transferred its direct interest in Sarangani Energy Corporation (Sarangani) on October 13, 2016.

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

On June 3, 2017, the Company has signed an agreement with Global Business Power Corporation (GBP) for a 50% less one share stake in ATEC. The Philippine Competition Commission (PCC) approved the transaction on September 25, 2017 and the Deed of Absolute 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 wholly owned subsidiary, Alsons Power International Limited (APIL), which handles the development of the power plants of ACR outside the country.

The four (4) operating power generation subsidiaries, WMPC, SPPC, MPC, and Sarangani Energy Corporation 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) agreement with National Power Corporation (NPC) expired in December 2015.
2. SPPC operates a 55 MW diesel-fired electricity generating facility located in Alabel, Sarangani Province, 13 kilometers east of General Santos City, also as a merchant plant after its 18 years BOO arrangement with NPC expired on April 28, 2016.
3. MPC rehabilitated and started operating 98 MW of the 103MW Bunker-Fired Iligan Diesel Power Plants (IDPPs) I and II, which Conal acquired from the Iligan City Government on February 27, 2013. MPC currently operates as a merchant plant and serves various electric cooperatives in Mindanao.
4. Sarangani's 210MW coal-fired power plant is Maasim, Sarangani Province, of which its first section of 105MW began commercial operations in April 29, 2016. The ground breaking of Phase 2 or Section 2 was done in January 2017 and attended by President Duterte. Section 2's expected completion date is the first quarter of 2019.

On December 10, 2012, ACR entered into a Shareholders Agreement with Toyota Tsusho Corporation (TTC) of Japan, wherein TTC agreed to subscribe to 25% of the total equity of Sarangani. This represents TTC's financial investment in Sarangani Energy Corporation.

The construction for Sarangani Phase 1 and Sarangani Phase 2 was undertaken by Daelim Industrial Co., Ltd. of Korea and Daelim Phils., Inc., respectively. Japan Gas Corporation (JGC) is the EPC contractor for Sarangani Phase 2 construction.

In addition, ACR is also beginning site development and clearing works for SRPI's 105MW coal-fired power plant project in Zamboanga City. The plant will supply power to Zamboanga City and other parts of Zamboanga Peninsula.

WMPC and SPPC were financed by term loans and these term loans have already been paid in full. MPC is financed by BDO loans (68%) and equity (32%). Both Sarangani Phase I and Sarangani Phase II are financed by syndicated loans from local banks (70%) and equity (30%).

The Mindanao Grid, where the four power plants of ACR's Energy and Power business operate, is dominated by power generated by the Agus Hydroelectric System. However, when the water of Lake Lanao is at a critical level, the Agus System cannot service the full demand of the Mindanao Grid. The MPC, SPPC and WMPC plants are therefore called for dispatch necessary to address this deficit. As the demand for power in Mindanao is expected to grow rapidly over the next few years, these power plants will play an important role in providing adequate and stable power for Mindanao.

Property Development

ACR is also engaged in the Property Development business through its subsidiary, Alsons Land Corporation (ALC). Established on November 25, 1994, ALC was primarily involved in a 72-hole golf course development with a residential component called the "Eagle Ridge Golf & Residential Estate" in General Trias, Cavite.

The Eagle Ridge Golf & Residential Estate (Eagle Ridge) is a joint venture between ALC and Sta. Lucia Realty Development, Inc., which covers a 700-hectare land in General Trias, Cavite. It is divided into four residential enclaves, each having a golf course named after its four golf designers – AOKI, NORMAN, FALDO, DYE.

Aside from the Residential Area, Eagle Ridge also has its commercial community to cater to the needs of its residents. This houses the following – Town Center, Golf Villas, School, Hotel and Townhouses. The project's inventory of 4,071 residential lots, 274 commercial lots and 6,000 shares are divided into three categories namely; Joint Venture, ALC and SLRDI Reserved.

To maximize the use of its remaining land holdings, ALC is also engaged in the development of other types of housing products. Re-packaging its properties to better suit emerging market niches in the property sector, ALC launched "Campo Verde", a joint venture project with Sunfields Realty Development, Inc. The 11-hectare property is a medium cost housing subdivision within the Technopark launched in 2005 located in Batangas, and 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 ranges from: Casa Condessa with a lot area of 90sqm and floor area of 36 sqm; Casa Duquesa with a lot size of 100sqmand floor area of 50sqm; and, Casa Reina with 120sqm lot and a floor area of 80sqm. Its sports and recreation area interweaves ball courts, play parks, swimming pool and a clubhouse with the lush, sprawling greenery.

Campo Verde's Spanish-Themed Homes

Unit	No. of Units	Typical Lot Area	Floor Area
Casa Duduesa	197 units	100 sq. m.	50 sq. m.
Casa Reina	171 units	120 sq. m.	80 sq. m.
Casa Condessa	293 units	90 sq. m.	36 sq. m.
Total No. of Units	661 Units		

Eagle Ridge and Campo Verde

	Eagle Ridge Golf and Residential	Campo Verde
Benefit / Purpose	Commercial and residential	For medium cost housing subdivision
Units Sold	3895	661
Units Available	492	0
Percentage of Completion	100%	100%
Land Area	700ha	115,440sqm

Through subsidiary Kamanga Agro-Industrial Economic Development Corporation, ACR is also developing the Kamanga Agro-Industrial Economic Zone, where the power plant of Sarangani is located in the Municipality of Maasim, Province of Sarangani, and was accredited in 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. The purpose of Kamanga-Agro Industrial Economic Zone is for Sarangani Energy Corporation as well as future expansion.

To further boost ACR's presence in Mindanao, it has also investment in Aviana Development Corporation that is presently developing the Azuela Cove. It is a joint venture project of Ayala Land Inc. (ALI) and the Alcantara Group (AG) in Lanang, Davao City. The 25-hectare wood factory 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 event venue and a waterside cove with some retail components.

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.

Other Investments

In 2007, ACR infused capital in ACR Mining amounting to P195 million to support the latter's acquisition of the 75% interest of Alsons Development and Investment Corporation (ADIC or ALDEVINCO), one of its major stockholders, in the Joint Venture with Southern Exploration Corporation (SECO) 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 at the project area 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.

ACR has divested 91% of ACRMC and retained 9% as portfolio investment. ACRMC Management plans to continue the pre-exploration phase of the Manat Mining Project, although it should be noted that the mining industry is affected by adverse consequences of political uncertainties. A continuous lookout on the stand of the upcoming administration on this activity will be conducted and assurance our stakeholders to be done ensuring that a responsible mining will be pursued.

To further expand its interest in the energy sector, the Company is presently considering several investment opportunities also in Mindanao.

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. The Group conducts majority of its business activities in two major business segments: (1) Power and Energy and (2) Property Development. The Group's other activities consisting of product distribution and investment holding activities are shown in aggregate as Other Investment.

The revenue below represents amounts before eliminations.

Php in '000	2017	2016	2015
Power and Energy	6,892,921	7,191,249	5,002,696
Property Development	29,930	26,699	23,635
Other investments	399,415	674,749	534,538

Income from foreign sources amounting to nil in 2017, P7million in 2016, and P25 million in 2015, respectively. These fees represent technical advisory services related to the operation and maintenance of a power plant in Indonesia.

Wholly-Owned Powerplant

The table below shows the revenue and net income figures of MPC, a wholly-owned subsidiary of ACR

in PHP thousands	2017		2016		2015	
	Revenue	Net Income	Revenue	Net Income	Revenue	Net Income
MPC	735,380	15,652	1,774,020	75,489	2,866,681	95,586

Material Partly-Owned Subsidiaries

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

Name of Subsidiary	Place of Incorporation and Operation	Principal Activity	Proportion Ownership Interest and Voting Rights Held by Non-Controlling Interest		
			2017	2016	2015
SPPC	Philippines	Power generation	45.0%	45.0%	45.0%
WMPC	Philippines	Power generation	45.0%	45.0%	45.0%
Sarangani	Philippines	Power generation	62.5%	25.0%	25.0%

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

Php in '000	2017		2016		2015	
	Revenue and other income	Net income	Revenue and other income	Net income	Revenue and other income	Net income
SPPC	552,471	96,354	711,504	212,627	742,145	365,410
WMPC	1,454,871	70,699	1,652,261	86,163	1,485,698	774,278
Sarangani	3,433,433	390,253	3,503,115	893,236	17,717	11,131

Power Plants

Overview of the Power Plants

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

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) agreement with National Power Corporation (NPC) expired in December 2015.

SPPC operates a 55 MW diesel-fired electricity generating facility located in Alabel, Sarangani Province, 13 kilometers east of General Santos City, also as a merchant plant after its 18 years BOO arrangement with NPC expired on April 28, 2016.

MPC rehabilitated and started operating 98 MW of the 103MW Bunker-Fired Iligan Diesel Power Plants (IDPPs) I and II, which Conal acquired from the Iligan City Government on February 27, 2013. MPC currently operates as a merchant plant and serves various electric cooperatives in Mindanao.

Sarangani's 210MW coal-fired power plant is Maasim, Sarangani Province, of which its first section of 105MW began commercial operations in April 29, 2016. The ground breaking of Phase 2 or Section 2 was done in January 2017 and its expected completion date is the first quarter of 2019.

Sarangani Phase 1 has PSAs for a tenor of 25 years with South Cotobato II Electric Cooperative (SOCOTECO2), Inc. to supply its 70 MW requirement, Agusan del Norte Electric Cooperative, Inc. (ANEKO) for 10 MW, Agusan del Sur Electric Cooperative, Inc. (ASELCO) with 10 MW and Davao del Norte Electric Cooperative, Inc. (DANEKO) with 15 MW.

For Sarangani Phase II, it already has established PSAs for 90% of its capacity for a tenor of 25 years with the following: Iligan Light and Power Inc. (ILPI), Cagayan Electric Power and Light Company, Inc. (CEPALCO), Davao del Sur Electric Cooperative, Inc. (DASURECO), South Cotobato I Electric Cooperative (SOCOTECO1), North Cotobato Electric Cooperative, Inc. (COTELCO), Zamboanga del Sur I Electric Cooperative, Inc. (ZAMSUFECO1), Zamboanga del Norte Electric Cooperative, Inc. (ZANECO) and Misamis Oriental II Electric Cooperative, Inc. (MORESCO2).

SRPI, Kalaong Hydro Power Corp, Siguil Hydro Power Corp., Bago Hydro Resources Corp. and Sindangan Hydro Power Corp. are still under-development.

Presented below are tables summarizing relevant information about the Power Plants.

Part I: Details of the Power Plants

<u>Operating Power Plants</u>	Ownership	Status	Location	Type	Expected Life
Western Mindanao Power Corp.	<p>-55% owned by Alsing Power Holding</p> <p>-Conal Holdings Corporation owns 80% of Alsing Power Holdings, Inc. (20% owned directly by ACR)</p> <p>-Conal Holding Corp. is 100% owned by ACR</p>	started its commercial operation in 1997	9-hectare property in Sitio Malasugat, Sangali, Zamboanga City	Diesel	40 years
Southern Philippines Power Corp.	<p>-55% owned by Alsing Power Holding</p> <p>-Conal Holdings Corporation owns Alsing Power Holdings, Inc. at 80% ; (20% owned directly by ACR)</p> <p>-Conal Holding Corp. is 100% owned by ACR</p>	started its commercial operation in 1998	16-hectare property located in Alabel, Sarangani Province	Diesel	20 years from 2017
Mapalad Power Corporation	<p>-Conal Holdings Corporation owns 100% of Mapalad Power Corporation</p> <p>-Conal Holding Corp. is 100% owned by ACR</p>	started its commercial operation in 2013	8-hectare property in the Municipality of Lugait, Misamis Oriental, and in the City of Iligan	Diesel	20 years from 2013

Sarangani Energy Corp.	-75% owned by Alsons Thermal	Sarangani Phase 1(105 MW) began commercial operations on April 29, 2016	58-hectare Kamanga Agro-Industrial Economic Zone in Maasim, Sarangani	Coal	Expected Life 35 years from operation
Sarangani Phase I	-ACR owns 50%+ 1 share of Alsons Thermal	-Sarangani Phase 2 ground breaking of Phase 2 or Section 2 was done in January 2017			
Sarangani Phase II		-SARANGANI Phase 2 is scheduled for the first quarter of 2019.			
Future Projects					
Siguil Hydro Power Corporation ("Siguil")	100% owned by Alsons Renewable Energy Corp (AREC) -AREC is 80% owned by ACR	under development, target commercial operation date by 2021	Maasim, Sarangani Province	Hydro	35 years
Bago Hydro Resources Corporation	100% owned by Alsons Renewable Energy Corp (AREC) -AREC is 80% owned by ACR	under development, target commercial operation date by 2022	Negros Region	Hydro	35 years
Sindangan Hydro Power Corporation	100% owned by Alsons Renewable Energy Corp (AREC) -AREC is 80% owned by ACR	under development, target commercial operation date by 2022	Zamboanga Del Norte	Hydro	35 years
Kalaong Hydro Power Corporation	100% owned by Alsons Renewable Energy Corp (AREC) -AREC is 80% owned by ACR	under development	5 Hectares Maitum, Sarangani Province	Hydro	35 years

San Ramon Power Inc.	-100% owned by Alsons Thermal Energy Corp. -ACR owns 50%+ 1 share of Alsons Thermal	expected to be in operation by 2022	Sitio San Ramon, Barangay Talisayan, Zamboanga City	Coal	25 years
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Part II: Details of the Power Plants

Operating Power Plants	Capacity	Total Project Cost	Financing	Major Permits/Licenses	Issuance	Validity
Western Mindanao Power Corp.	100 MW	completed	Financed by term loans and already been paid in full	Merchant <i>(see annex for the permits and licenses)</i>	<i>(see annex for the permits and licenses)</i>	<i>((see annex for the permits and licenses))</i>
Southern Philippines Power Corp.	55 MW	completed	Financed by term loans and already been paid in full	Merchant <i>(see annex for the permits and licenses)</i>	<i>(see annex for the permits and licenses)</i>	<i>(see annex for the permits and licenses)</i>
Mapalad Power Corporation	103 MW	completed	Financed by BDO loans (68%) and equity (32%)	Merchant <i>(see annex for the permits and licenses)</i>	<i>(see annex for the permits and licenses)</i>	<i>(see annex for the permits and licenses)</i>

Sarangani Energy Corp.	105MW (Phase 1)	Completed (Phase 1)	Both Sarangani Phase I and Sarangani Phase II are financed by syndicated loans from local banks (70%) and equity (30%)	Merchant <i>(see annex for the permits and licenses)</i>	<i>(see annex for the permits and licenses)</i>	<i>(see annex for the permits and licenses)</i>
Sarangani Phase I	105 MW (Phase 2)	Ongoing construction (phase 2) – Php15 Billion (estimated cost)				
Sarangani Phase II	(Total of 210MW for both)					
Future Projects						
Siguil Hydro Power Corporation (“Siguil”)	15.1 MW	Php 4.25 Billion (estimated cost)	Planned: -partial funding from ACR Commercial Paper + project financing	<i>(see annex for the permits and licenses)</i>	<i>(see annex for the permits and licenses)</i>	<i>(see annex for the permits and licenses)</i>
Bago Hydro Resources Corporation	42.85 MW	under development, and is targeted to be operational by 2022	Planned: -partial funding from ACR Commercial Paper + project financing	<i>Licenses and permits are currently being processed</i>	<i>Licenses and permits are currently being processed</i>	<i>Licenses and permits are currently being processed</i>
Sindangan Hydro Power Corporation	28	under development, and is targeted to be operational by 2022	Planned: -partial funding from ACR Commercial Paper + project financing	<i>Licenses and permits are currently being processed</i>	<i>Licenses and permits are currently being processed</i>	<i>Licenses and permits are currently being processed</i>
Kalaong Hydro Power Corporation	21 MW	No information yet	N/A	<i>(see annex for the permits and licenses)</i>	<i>(see annex for the permits and licenses)</i>	<i>(see annex for the permits and licenses)</i>

San Ramon Power Inc.	105 MW	Php 13.5 Billion (estimated cost)	N/A	<i>(see annex for the permits and licenses)</i>	<i>(see annex for the permits and licenses)</i>	<i>(see annex for the permits and licenses)</i>
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Status of publicly-announced new product or service

1. The second phase of 105MW of the 210MW Sarangani power plant is in advance stage of construction. Bulk of Sarangani's P9-billion capital expenditure in 2018 has been set aside for the construction of Sarangani Phase 2.

The President of the Philippines personally inaugurated the plant's first phase and also attended the ground-breaking for its second phase on January 25, 2017.

ACR and the National Grid Corp. of the Philippines (NGCP) has agreed to connect Sarangani power plant to the General Santos substation. This is in preparation for the expected commencement of its commercial operations in 2019.

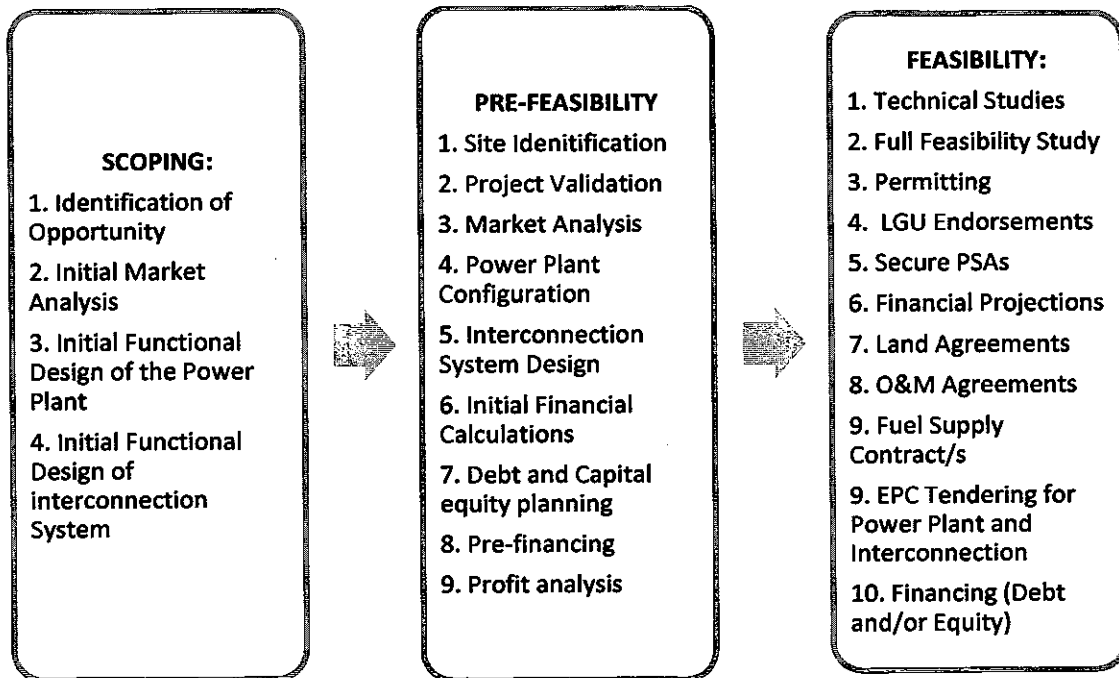
Upon completion of its second phase, SEC's 210MW plan will help provide a sustainable and lasting solution to the power shortage in Mindanao.

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 expected construction of the plant that was previously forecast to commence in the later part of 2013 has been deferred to a later time. The total project cost is estimated at P13.5 billion. The company is still in the process of negotiating with various banks to finance the project. Once in operation, the SRPI coal-fired power plant will service Zamboanga city and other nearby areas.

3. ACR has initially invested P20 Billion in investment for the infrastructure, amenities and products for a Davao property which it is jointly developing with the Ayala group. The project, named Azuela Cove, is a 27-hectare development located in Lanang, Davao City, is expected to break ground this year. The project is a 60% - 40% partnership between ACR and the Ayala group.

Pre-construction procedure

Currently, Sarangani Energy Corporation Phase 2 is the only power plant under construction. As such, several steps were undertaken prior to the construction, in order to identify an opportunity, validate its feasibility, prepare functional designs, conduct several related studies, secure permits and licenses, and enter into PSAs and fuel supply contracts. These steps are shown in the diagram below:



Life of Power Plant

Start of Commercial Operations:

- SARANGANI Phase 1 went into commercial operation on April 29, 2016.
- SARANGANI Phase 2 is scheduled for the first quarter of 2019.
- MPC started its commercial operation in 2013.
- WMPC started its commercial operation in 1997.
- SPPC started its commercial operation in 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 yrs. 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 Plant⁸:

Coal is burnt in the boiler furnace to produce heat. Carbon in the coal and oxygen in the air combines 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 rotate 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.

Diesel-Fired Power Plant⁹

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.

⁸ <http://www.brighthubengineering.com/power-plants/18082-coal-fired-thermal-power-plant-the-basic-steps-and-facts/>

⁹ <http://www.learnengineering.org/2014/10/Diesel-engine-Working.html>

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.

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 is 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, who will transmit the power to the end users.

Sources and Availability of Raw Materials and Supplies

SPPC has fuel supply agreement with Pilipinas Shell Petroleum for the supply of an estimated 2 to 4 million liters of fuel per month until September 1, 2019. Wartsila Corporation of Finland supplies the engine parts and major maintenance services needed by the plant.

MPC and WMPC signed a Fuel Supply Agreement with Phoenix Petroleum Corporation for the supply of approximately 4-8M liters of fuel per month for each plant. The agreement is valid until August 16, 2019 for MPC and December 13, 2018 for WMPC. Similar to WMPC and SPPC, MPC also has agreements with Pilipinas Shell Petroleum Corporation and valid until December 31, 2018 for the supply of its lubricating oils.

Sarangani has a fuel supply and transport agreement with Toyota Tsusho Corporation for low sulfur coal or sub-bituminous coal, which is sourced from Kalimantan, Indonesia with net calorific value of 3,630 to 5,450 Kcal per kilograms with price based on GlobalCoal New Castle Index. The agreement is valid for 10 years from April 2016 until 2026.

Presented below is a summary of the supplies of Raw Materials of the Diesel Power Plants.

POWER PLANTS	FUEL OIL	LUBRICATING OIL	ENGINE PARTS
SPPC	SHELL	SHELL	*purchase orders only*
MPC	PHOENIX	SHELL	*purchase orders only* Wartsila Corporation of Finland
WMPC	PHOENIX	SHELL	Wartsila Corporation of Finland

For SPPC and MPC's supplies of engine parts, these are bought by issuing purchase orders only, and thus, no long term contracts with any supplier.

MPC	
Name of supplier	Type of raw material
Phoenix Petroleum Phils. Inc.	HFO Bunker Fuel
Pilipinas Shell	Lube Oil
WMPC	
Name of supplier	Type of raw material
Phoenix Petroleum Philippines Inc.	Fuel
Wartsila Phils. Inc.	Spare parts
Pilipinas Shell Petroleum Corp.	Lube oil, Argina X40
SPPC	
Name of supplier	Type of raw material
Pilipinas Shell Petroleum Corporation	Fuel
Pilipinas Shell Petroleum Corporation	Lube Oil

For Sarangani Energy Corporation, below is a summary of their suppliers

Name of supplier	Type of raw material
Toyota Tsusho	Coal
Pilipinas Shell Petroleum Corporation	Fuel Oil
Petron	Fuel
Mcmal Cebu Trading Corp	Chemicals

Since coal and diesel are freely traded commodities, the Company is not highly dependent on its suppliers, as it may opt to get supply from the market.

Customers

The Company's sales and growth is not dependent on a single customer as the power plants have secured, or are securing Power Supply Agreements (PSAs) with various distribution utilities.

A PSA is a contract between two parties, one which generates electricity (the seller) and one which is looking to purchase electricity (the buyer). The agreement defines all of the commercial terms for the sale of electricity between the two parties, including when the project will begin commercial operation, schedule for delivery of electricity, penalties for under delivery, payment terms, and termination.

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

1. Mapalad Power Corporation

MPC	Location	Capacity	Years	Start Date	End Date
Cagayan Electric Power and Light Company (CEPALCO)	Cagayan De Oro	30	10 option after 3	24-Jun-16	23-Jun-26
Surigao del Sur I Electric Cooperative, Inc. (SURSECO I)	Bislig, Surigao Sur	4	10 option after 3	26-Dec-16	25-Dec-26

2. Western Mindanao Power Corporation

WMPC	Location	Capacity	Years	Start Date	End Date
Zamboanga City Electric Cooperative Inc. (ZAMCELCO)	Zamboanga City	50	10	Dec 13, 2015	Dec 12, 2025
Cagayan Electric Power and Light Company (CEPALCO)	Cagayan De Oro	30	10 option after 3	Dec 13, 2015	Dec 12, 2025
North Cotabato Electric Cooperative (COTELCO)	Cotabato	5	10	Filed with ERC	

3. Southern Philippines Power Corporation

PSA contracts have expired in April 2018 however, the management team is undertaking enormous efforts to find suitable replacements for the non-renewed contracts and negotiations with other distribution utilities are being discussed.

4. Sarangani Energy Corporation

SARANGANI 1					
South Cotabato Electric Cooperative II (SOCOTECO 2)	South Cotabato	70	25	April 29, 2017	April 29, 2042
Davao Del Norte Electric Cooperative, Inc. (DANECO)	Davao del Norte	15	25	April 29, 2017	April 29, 2042
Agusan del Norte Electric Cooperative (ANEKO)	Agusan del Norte	10	25	April 29, 2017	April 29, 2042
Agusan del Sur Electric Cooperative (ASELCO)	Agusan del Sur	10	25	April 29, 2017	April 29, 2042

SARANGANI 2	Location	Capacity	Years	Start Date*	End Date
Iligan Light and Power Inc. (ILPI)	Iligan City	27	25	n/a	n/a
Cagayan Electric Power and Light Company, Inc. (CEPALCO)	Cagayan De Oro	20	25	n/a	n/a
Davao del Sur Electric Cooperative (DASURECO)	Digos City	15	25	n/a	n/a
South Cotabato I Electric Cooperative (SOCOTECO I)	Koronadal	10	25	n/a	n/a
Cotabato Electric Cooperative Inc. (COTELCO)	Cotabato City	10	25	n/a	n/a
Misamis Oriental Electric Cooperative II (MORESCO 2)	Gingoog	3	25	n/a	n/a
Zamboanga del Sur I Electric Cooperative Inc. (ZAMSURECO I)	Zamboanga del Sur	5	25	n/a	n/a
Zamboanga del Norte Electric Cooperative Inc. (ZANECO)	Zamboanga del Norte	5	25	n/a	n/a

*Sarangani Phase 2 is currently under construction and has not started commercial operations.

SRPI	Location	Capacity	Years	Start Date*	End Date
Zamboanga City Electric Cooperative, Inc. (ZAMCELCO)	San Ramon, Talisayan, Zamboanga City	85 MW	25	Issuance: March 8, 2013	25 years from Commercial Operation Date

*SRPI is currently underdevelopment and has not started commercial operations.

Marketing Process

ACR gathers data from its prospective customers, which includes demand, supply, load profile, forecasts, suppliers, rates. The Company then simulates the technical and commercial/rate impacts of the coming in of its supply. If deemed acceptable, ACR will then proceed to the next step. ACR will supply with the proposed tariff to management and Board of Directors. Next, a series of negotiations and meetings with customer/s will be conducted. ACR undergoes a Competitive Selection Process (CSP) and finally the contract will be awarded to the winning bidder.

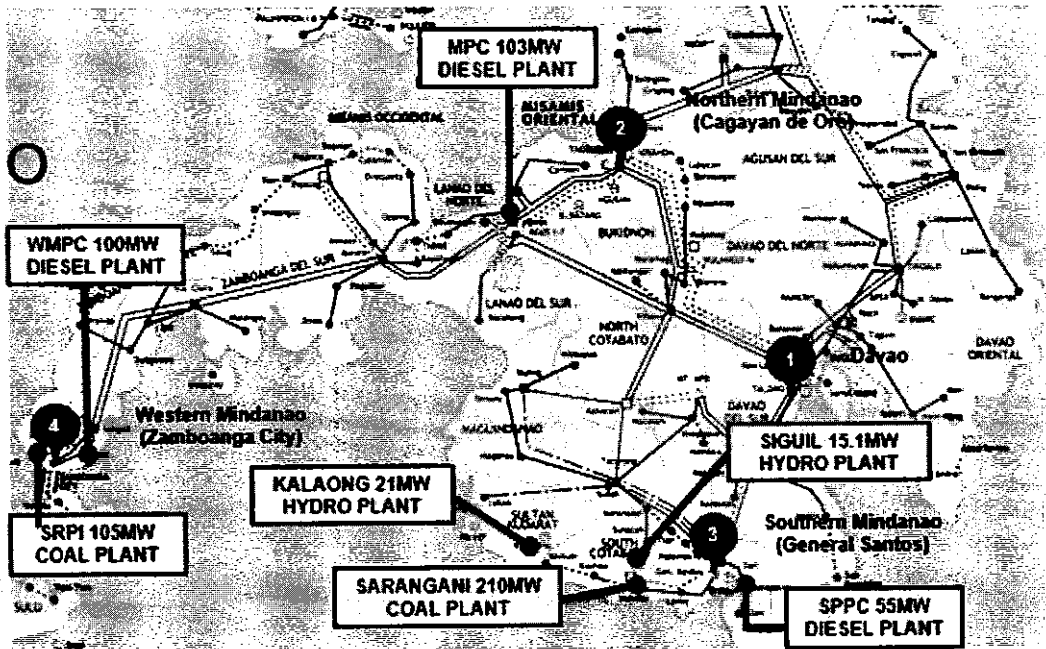
Location of the Power Plants

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. Currently, the first phase of Sarangani Energy Corporation is operational, while the second phase is under construction. SRPI Coal Plant is under-development.

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. Currently, Siguil and Kalaong are under development, and Siguil is targeted to be operational by 2021.



Contract with National Grid Corporation of the Philippines (NGCP)

The Power Plants maintain the following agreements with the NGCP:

MPC	
Parties	Type of Agreement Contract
NGCP and MPC	Metering Service Agreement
NGCP and MPC	Transmission Service Agreement

SARANGANI	
Parties	Type of Agreement Contract
NGCP and SEC	Metering Agreement

WMPC	
Parties	Type of Agreement Contract
NGCP and WMPC	Metering Service Agreement
NGCP and WMPC	Transmission Service Agreement

SPPC	
Parties	Type of Agreement Contract
NGCP and SPPC	Metering Service Agreement
NGCP and SPPC	Transmission Service Agreement

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 15 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 ALDEVINCO by virtue of the deed of sales dated November 21, 2013. Sarangani Energy Corporation is located in the Municipality of Maasim, Sarangani Province.

The power assets were used as collateral in various loans, specifically:

1. the WMPC and SPPC power plants were used as collateral for the loans obtained for finance the construction of the said power plants.¹⁰
2. the CHC power plants, and the real estate owned by MPC, were used as collateral for the rehabilitation of the CHC power plants; and
3. Sarangani's real estate and coal-fired power plant are mortgage 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.

The land development of Azuela Cove is located in Lanang Davao City.

All of these properties are in good condition.

Property, Plant and Equipment (consolidated)

<i>(Amounts in Thousand Pesos)</i>	December 31, 2017	December 31, 2016	December 31, 2015
Main Engine of Power Plant	19,168,223	P 19,236,073	P7,897,194
Land, Buildings and Leasehold Improvements	552,089	4,642,574	4,417,171
Plant Mechanical, Switchyard and Desulfurization Equipment	4,652,844	552,089	872,079
Machinery and Other equipment	726,586	429,137	344,929
Construction in Progress	7,425,077	2,943,872	13,297,824
Cumulative Translation Adjustments	-	-	(2,413,269)
Total	32,524,819	27,803,745	24,415,928
Less: Accumulated Depreciation and Amortization	(9,795,112)	(9,094,868)	(8,739,796)
Net Book Value	22,729,707	P18,708,877	P15,676,132

¹⁰these term loans have already been paid in full

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.

On February 27, 2013, CHC acquired from the Iligan City Government, the 98 MW Bunker-Fired Iligan Diesel Power Plants (IDPPs) I and II valued at P387 million. MPC rehabilitated the two plants at total cost of P800 million, the capacity has now increased to 103MW.

APHC, also a company under the Alcantara Group, entered into a placement agreement (the Agreement) with Indophil Resources N.L., (IRNL or Indophil) to purchase the 207,708,334 shares in two (2) tranches. On December 26, 2011, APHC incorporated Alsons Prime Investments Corporation (APIC) as a wholly owned subsidiary primarily to hold the Indophil investment. The Agreement was concluded on February 6, 2012, with APIC owning 17.26% of Indophil's total outstanding shares.

Subsequently, on September 23, 2014, APIC offered to acquire all Indophil's issued shares not already owned by APIC under a Scheme of Agreement. Under the Scheme, APIC offered Indophil shareholders A\$0.30 cash for each share that they owned. With the consent of Indophil's shareholder's of the scheme during the December 18, 2014 shareholder's meeting and the final approval by the Australia Supreme Court on January 13, 2015, payment to all shareholders on the share register as at the Record Date of January 20, 2015 except for shares already owned by APIC's affiliates, ACR and Alsons Corporation (AC), was completed on January 28, 2015. In July 2015, APIC was bought by a third party and ceased being part of the Alcantara Group. Accordingly, the Joint Voting Agreement of IRNL shares between the Parent Company, APIC and AC was deemed terminated.

On December 11, 2015, the Company entered into a Deed of Assignment of Shares (share swap) agreement with APIC whereby the former assigned and transferred to the latter all its interest in exchange for ownership interest in IRPI. Accordingly, the Company recognized the investment in IRPI amounting to P1,213 million representing the carrying value of the investment at date of the share swap agreement.

The transfer of the Company's investment in IRNL to investment in IRPI has no commercial substance since the Parent Company still exercises significant influence over IRPI due to its representation in the Board of Directors and Operating Committee of the Board of IRPI. Accordingly, ACR treats its investment in IRPI as "Investment in associate" using the equity method in 2015 consolidated financial statements.

Mr. Nicasio I. Alcantara, Director of AC and Alsons Development and Investment Corporation, has been Indophil's non-executive Director since December 2011. Mr. Paul G. Dominguez on the other hand, is also a member of the Board of Directors of Alsons Development and Investment Coporation and is presently the Chairman of IRPI.

Since ACR's capital investments in the next couple of years is centred in growing its power business, the Company does not plan on plowing additional funds to increase its mining investments. Nonetheless, ACR will maintain its current share of 2% in Indophil.

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 June 30 2018, ACR and 50% or more directly or indirectly-owned subsidiaries have a manpower complement of 417 employees, broken down as follows: 6 executives, 24 managers, 103 supervisors and 284 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.

Future Plans

The Company is planning to build a 15.1 MW hydropower plant in Siguil, Sarangani province with an estimated cost of P4.25 billion, and is expected to start commercial operations in the 2021. ACR is currently talking with new partners for its first hydroelectric power plant, and is keeping an open invitation to Toyota Tsusho Corp, who is also the Company's partner in the 210-MW Sarangani Energy Corporation. ACR will also be tapping up to ¥700 Million from the Japanese Government through a Joint Credit Mechanism (JCM)

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. 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.

As the solar farm and the expansion of operations in Indonesia are still in very early stages, there are no additional information yet as of the date of the Prospectus:

Power Plant	Source of Funding	Target Date of Completion	Estimated Cost
Solar Farm	No available information yet	No available information yet	\$1.2M per MW
Expansion of operations in Indonesia	No available information yet	No available information yet	No available information yet

Currently, the Company has in its pipeline the following projects:

Power Plant	Installed Capacity (in MW)	Estimated Project Cost (in billions)	Stages of development	Location
Siguil	15.1	4.25	EPC Contract Signed	Sarangani Province
Bago	42.85	9.29	Advance	Negros region
Sindangan	28	5.96	Advance	Zamboanga Del Norte

Kalaong	13.4	3.77	Under development	Sarangani Province
Sumlog	16	4.5	Under development	Davao Oriental
Andanan	8	2.25	Under development	Agusan Del Sur
Hubo	13	3.66	Under development	Surigao Del Sur
Tago	9	2.53	Under development	Surigao Del Sur

Competition

ACR's main business segment, contributing more than 99% of its Total Revenues, is the Energy and Power business from its power plant operations. Presented below are the major competitors of ACR's power plants.

Merchant plants	Owner	Rated cap. Mw	Dependable Cap, MW	Actual load MW
Therma South, Inc. 1	Aboitiz Power Corporation	150	135	242
Therma South, Inc. II	Aboitiz Power Corporation	150	0	
Therma Marine, Inc. I	Aboitiz Power Corporation	100	96	30
Therma Marine, Inc. II	Aboitiz Power Corporation	100	96	30
FDC Misamis Power Corporation (unit 1 & 2)	FDC Utilities	232	210	100
SMC Global Power Holdings Corp. 1	SMC Global Power Holdings Corp.	150	150	93

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

The diesel power plants of WMPC, SPPC, and MPC are significantly contracted. These plants remain the preferred suppliers of most distribution utilities for peaking and insurance capacities due to their competitive pricing and proven performance over years of reliable operations.

For its property development segment, aside from the numerous housing developments competing in Batangas, Cavite and Laguna areas, a shift in the market forces has prompted a slowdown in sales for the Eagle Ridge Golf and Residential Estates. Economic and affordable housing developments of Filinvest, Camella Homes, and Amaia have gained a foothold in the region.

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
Tomas I. Alcantara Chairman and President	<ul style="list-style-type: none"> * Holds various managing and operating position in the Alcantara group * Former Undersecretary of Department of Trade and Industry * Former Managing Head of the Board of Investments * Former President of the Manila Economic & Cultural Office * MBA from Columbia University * Attended Advanced Management Program at Harvard Business School
Editha I. Alcantara Director 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 * 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
Robert F. Yenke Chief Financial Officer	<ul style="list-style-type: none"> *Vice President and Group Chief Finance Officer of the Alcantara Group since January 16, 2017. *Vice President for Finance and Administration of the Power Business Unit since February 1, 2017. *Holds a degree in BS Business Management from the Ateneo University and a Master's in Business Administration (MBA) from the University of the Philippines





Key Executives in Power Division

Key Executives in power division	Profiles
Joseph C. Nocos Vice President Project Development Head Power Sales and Marketing Head	<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 24 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>MAPALAD POWER CORPORATION</p>	<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>Western Mindanao Power Corporation</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>Southern Philippines Power Corporation</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>ALTO Power Management Corporation</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)

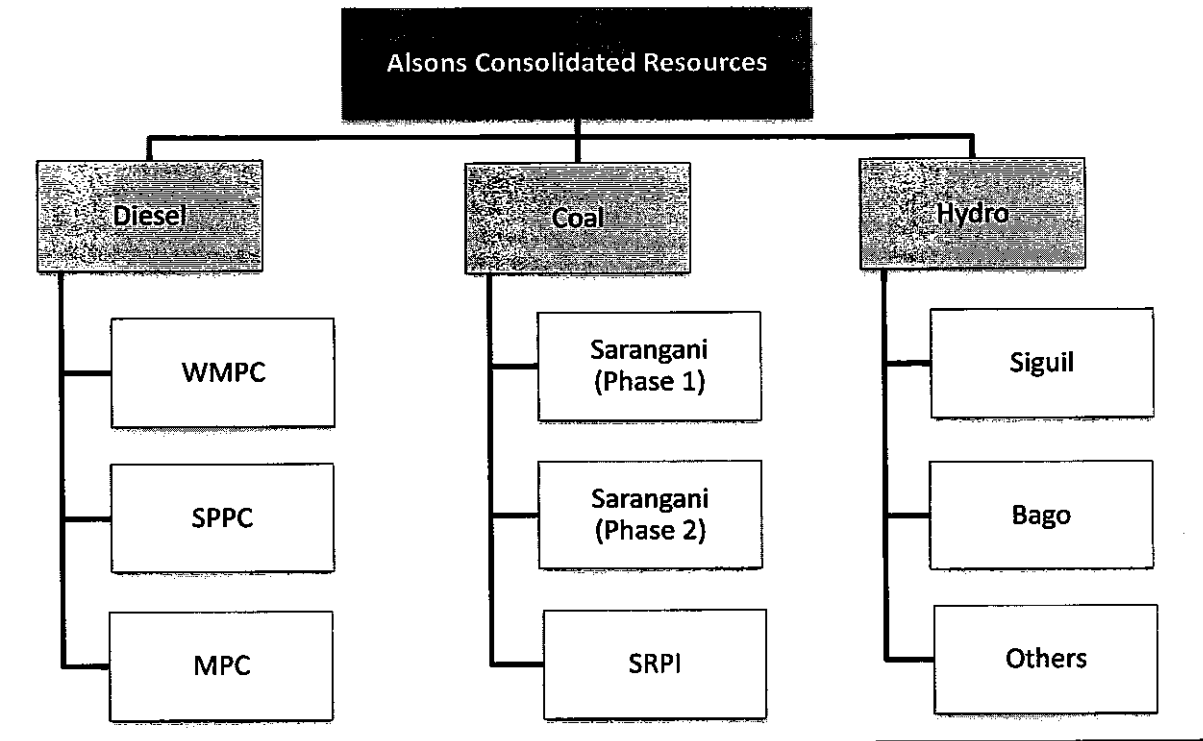
ACR's new power projects are grounded on:

- Committed project sponsors and partners – similar to its existing power plants, ACR and TTC will expand their partnership to the new coal-fired plants
- Partnership with MPIC/GBP could provide for lower cost of funding alternatives and may lead potential for further collaboration, opportunity to cooperate on project pipeline of MPIC/GBP (e.g. energy projects in Luzon, infrastructure projects in Mindanao)
- 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 AF 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 90% 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 363 MW in operation. Around 211.5 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 Phase I which commenced commercial operation only last April 29, 2016, has already contracted its full capacity under long-term PSAs. A coal-fired power plant, Sarangani Phase I, already has PSAs for a tenor of 25 years with South Cotabato II Electric Cooperative, Inc. to supply its 70 MW requirement, Agusan del Norte Electric Cooperative, Inc. for 10 MW, Agusan del Sur Electric Cooperative, Inc. with 10 MW and Davao del Norte Electric Cooperative, Inc. with 15 MW.

For Sarangani Phase II, it already has established PSAs for 90% of its capacity for a tenor of 25 years with the following: Iligan Light and Power Inc., Cagayan Electric Power and Light Company, Inc., Davao Del Sur Electric Cooperative Inc., South Cotabato I Electric Cooperative, North Cotabato Electric Cooperative, Inc., Zamboanga del Sur I Electric Cooperative, Inc., Zamboanga del Norte Electric Cooperative, Inc. and Misamis Oriental II Electric Cooperative, Inc.

San Ramon Power Inc., ACR's third coal fired power plant will be located on a leased site in Zambo Ecozone. This plant is intended to serve the Zamboanga region. SRPI is expected to be in operation by 2019 but has already contracted and signed a 25 year PSA with ZAMCELCO for 80% of its capacity.

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. ACR expects its hydro projects to start construction by mid-2018. 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'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

Alsons Consolidated Resources, Inc.

Declaration of dividends is subject to approval by the Board of Directors. Dividends on preferred shares amounting to P4 million in 2017 and 2016 were applied against the Company's subscriptions receivable from Alsons Corporation. A summary historical dividend declarations is presented in the table below.

Historical Dividend Declarations

<u>Year</u>	<u>Date of Declaration</u>	<u>Per Share</u>	<u>Amount</u>	<u>Date of Payment</u>
2018	May 24, 2018	0.016	100,664,000	July 25, 2018
2018	May 24, 2018	0.02	125,830,000	July 25, 2018
2017	May 25, 2017	0.016	100,664,000	July 25, 2017
2017	May 25, 2017	0.0008	4,400,000	July 25, 2017
2016	May 27, 2016	0.016	100,664,000	July 25, 2016
2016	May 27, 2016	0.0008	4,400,000	July 25, 2016
2015	March 27, 2015	0.0005	3,145,750	March 22, 2016
2015	May 22, 2015	0.01	62,915,000	June 16, 2015
2014	May 23, 2014	0.016	100,664,000	July 24, 2014
2013	March 21, 2013	0.016	100,664,000	June 14, 2013

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.

Subsidiaries

<u>Year</u>	<u>Date of Declaration</u>	<u>Per Share</u>	<u>Amount</u>	<u>Date of Payment</u>
WMPC				
2017	May 23, 2017	P110.72	P150,000,000	July 31, 2017
2016	March 24, 2016	\$11.81	P748,672,000	July 31, 2016
SPPC				
2017	May 23, 2017	P421.94	P350,000,000	July 31, 2017
2016	March 24, 2016	\$6.03	P233,960,200	July 31, 2016

ACR's subsidiaries follow the same dividend policy as the Parent Company.

There are no dividend declarations for the other subsidiaries.

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 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 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 effectivity of 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.

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 DENR. Compliance with existing environmental laws has corresponding costs, which include expenditures for the following: (1) renewal fees for the DENR permit/license to operate; (2) exhaust emission tests and monitoring (costs covered by the environmental guarantee fund), (3) environmental monitoring fund (SPPC P500,000 and WMPC P598,000), and (4) environmental guaranty fund (SPPC P500,000 and WMPC P508,000). SPPC has spent for desulfurization facilities amounting to P11,785. 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) P2,940,145 in 2017; (2) P2,747,044 in 2016; and, (3) P5,130,967 in 2015.

For the list of the major permits and licenses of ACR and its power plants, please see Annex of this Prospectus.

Legal Proceedings

SPPC has a long-outstanding receivable that is disputed by NPC, which SPPC and NPC arbitrated before the Energy Regulation Commission (ERC). On June 3, 2013, ERC decided in favor of SPPC. On July 23, 2013, NPC elevated the case to the Court of Appeals (CA), which also decided in favor of SPPC. On August 17, 2015, the CA denied NPC's motion for reconsideration. On September 18, 2015, NPC elevated the case to the Supreme Court (SC). On July 4, 2016, SC rendered a decision holding NPC liable to pay SPPC for the additional 5 MW from 2005 to 2010 which affirmed ERC's requirement for both parties to reconcile settlement amount. . On November 23, 2016, SC issued its decision to deny the motion for reconsideration submitted by NPC and to render the case with finality.

As at March 22, 2018, SPPC and NPC are still in negotiation for the settlement of the long-outstanding receivables.

In October 2014, the BIR issued a P292-million tax assessment against Conal Holdings Corporation in relation to Conal's acquisition of two diesel power plants from the Iligan City government in 2013. In the Court of Tax Appeals (CTA) decision dated July 17, 2017, CTA has ordered the cancellation of the BIR's tax assessment due to the lack of legal and factual bases.¹¹

Some of the subsidiaries or affiliates of the Company are also from the time to time involved in routine litigation as well as various legal actions incidental to their respective operations as follows. 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.

¹¹ <http://www.bworldonline.com/content.php?section=Corporate&title=cta-junks-p292-m-tax-demand-vs-energy-firm&id=148661>

Market Information

The public trading price of the Company's common shares for the last three (3) year in the Philippine Stock Exchange is presented below:

Market Price of ACR Shares

Year		First Quarter	Second Quarter	Third Quarter	Fourth Quarter
2018	High	1.35	1.34		
	Low	1.28	1.15		
2017	High	1.59	1.94	1.48	1.43
	Low	1.23	1.37	1.35	1.34
2016	High	P1.60	P2.15	P1.68	P1.67
	Low	1.19	1.36	1.60	1.19
2015	High	2.36	2.26	1.98	P1.76
	Low	1.94	1.87	1.41	1.33

Stock Price as of September 6, 2018 was at P1.23 per share.

Stockholders

As of June 30, 2018 ACR has 6,291,500,000 common shares outstanding held by 459 stockholders. 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:

Top 20 Shareholders

<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)	1,147,372,476	18.24%
PCD NOMINEE CORPORATION (NON-FILIPINO)	75,917,001	1.21%
FIRST INTEGRATED CAPITAL SECURITIES, INC.	6,027,574	0.10%
SEC ACCOUNT NO. 2 FAO: VARIOUS CUSTOMERS OF GUOCO	2,090,000	0.03%
ALL ASIA CAPITAL TRUST & INVESTMENT DIVISION A/C#95-001	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%

*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	Tomas I. Alcantara	Filipino
Director and Treasurer	Editha I. Alcantara	Filipino
Director, Executive Vice President and Chief Operating Officer	Tirso G. Santillan, Jr.	Filipino
Director	Alejandro I. Alcantara	Filipino
Director	Ramon T. Diokno	Filipino
Director	Conrado C. Alcantara	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

Tomas I. Alcantara, 71, Filipino, became the Chairman of the Board of Directors and the President of the Company in August 2001. He holds a Bachelor of Science degree in Economics from the Ateneo de Manila University and a Master's 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 Aidx 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, 69, 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., 74, 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 Master's 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, 63, 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, 70, 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 Master's 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.

Conrado C. Alcantara, 45, Filipino, has served as Director of the Company since November 2010. He graduated from the Boston University with a degree in Political Science and attended a Post Baccalaureate Program in Management at Harvard University. He presently serves as a Director and President of Infinicor, Inc. He also became a Director of C. Alcantara and Sons, Inc. in July 2006 and of Alsons Land Corporation in July 2009.

Jacinto C. Gavino, Jr., 68, 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, 78, 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, 72, 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. 66, 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 Gold Corporation since 2007. Mr. Diago has been the Vice President Comptroller of MG Exeo Network since 1991. He has been 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. He held various positions in the Alcantara Group of Companies involved in manufacturing, marketing and shipping operations.

He has obtained his Master's Degree in Business Management from the Asian Institute of Management and his Bachelors 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, 69, 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:

Office	Name	Nationality
Director, President, Chairman of the Board	Tomas I. Alcantara	Filipino
Director and Treasurer	Editha I. Alcantara	Filipino
Director, Executive Vice President, Chief Operating Officer	Tirso G. Santillan, Jr.	Filipino
Chief Financial Officer	Robert F. Yenke	Filipino
Corporate Secretary	Roberto V. San Jose	Filipino
Assistant Corporate Secretary	Angel M. Esguerra III	Filipino

Robert F. Yenke, 57, Filipino, became the Company's Chief Financial Officer on January 25, 2017. He previously served as Regional Treasurer and Finance Director of Intel Singapore for 25 years. He obtained his BS Management degree from the Ateneo de Manila University in 1981, and his MBA at the University of the Philippines in 1991. He also currently serves as the Vice President for Finance and Administration of the Power Business Unit of the Alcantara Group.

During the meeting of the Board of Directors of the Company held on 25 January 2017 at Sarangani Energy Power Plant, Maasim, Sarangani Province, the Board unanimously accepted the retirement of Mr. Luis R. Ymson effective 25 January 2017, and approved the appointment of Mr. Robert F. Yenke as the new Chief Financial Officer and Corporate Compliance Officer with respect to disclosure requirements of the PSE and SEC.

Roberto V. San Jose, 76, 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, 56, 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.

Family Relationship of Directors and Officers

Mr. Tomas I. Alcantara, Mr. Alejandro I. Alcantara, and Ms. Editha I. Alcantara are siblings, while Mr. Conrado C. Alcantara is their nephew. There are no other family relationships known to the Company up to the 4th civil degree.

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.

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 or Audit Committee

Sections 9 and 10 of the Amended By-Laws, which pertain to compensation and other arrangements with the Directors, read:

“ Section 9. Compensation of Directors. Each Director shall receive, for his services as Director such amount as may be fixed by the stockholders for each regular or special meeting of the Board actually attended by him provided, that nothing herein contained shall be construed to preclude any Director from serving the company in any other capacity and receiving such compensation therefore as may be fixed from time to time by the Board of Directors.

Section 10. Profit Sharing. The Board of Directors shall be authorized and empowered to pay or distribute to the members of the Board of Directors and the Executive Committee, and the officers of the Corporation, amounts of up to five percent (5%) of the net income before tax in each year, to be allocated at its discretion. If the income arises from the consolidation, or equity accounting of earnings or subsidiaries or affiliates, the computation of net income subject to profit sharing, shall be based on the cash or property dividends declared and actually received by the Company during the year.”

The aggregate amounts paid by the Company to its Directors and Executive Officers as a group were P3,705,000 and P2,655,000 for the years 2017 and 2016, and P3,210,000 in 2015, respectively. For 2017, the Company estimates that it will pay an aggregate amount of P3,525,000 as compensation to its Directors and Executive Officers.

Summary of Compensation of Directors and Executive Officers

Name and Principal Position	Year	Salary (Php)	Bonus (Php)	Other Annual Compensation Income (php)
Tomas I. Alcantara Chairman and President	2018 est	-	-	P300,000
	2017	-	-	330,000
	2016	-	-	225,000
	2015	-	-	285,000
Editha I. Alcantara Director and Treasurer	2018 est.	-	-	330,000
	2017	-	-	330,000
	2016	-	-	240,000
	2015	-	-	255,000
Tirso G. Santillan, Jr. Director, EVP and COO	2018 est	-	-	330,000
	2017	-	-	330,000
	2016	-	-	300,000
	2015	-	-	375,000
Jose Ben R. Laraya Director	2018 est	-	-	330,000
	2017	-	-	330,000
	2016	-	-	300,000
	2015	-	-	345,000
Ramon T. Diokno Director	2018 est	-	-	330,000
	2017	-	-	330,000
	2016	-	-	285,000
	2015	-	-	300,000
All other Officers and Directors as a group unnamed	2018 est	-	-	1,770,000
	2017	-	-	1,500,000
	2016	-	-	1,305,000
	2015	-	-	1,650,000

Other Annual Compensation received from ACR represents per diems given for every attendance in meeting of the Board, Executive Committee, or Audit Committee. The disclosure on the compensation of Key Management Personnel as a Group is presented in Note 20 of the audited consolidated financial statements.

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. Tomas 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 outstanding warrants or options held by the directors or executive officers of the Company.

Pending Legal Proceedings

None of the directors and officers were involved in any bankruptcy proceedings as of December 31, 2017 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 under Notes 17 (Loans Payable), 18 (Long-term Debt), and 20 (Related Party):

- 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 December 27, 2011, the Company acquired 72% of the outstanding shares of C. Alcantara and Sons, Inc. (CASI) from Aldevinco, for a total consideration of P1.226 billion, which represents the market value of Lanang Landholdings of CASI as determined by an independent third party appraiser.
In 2014, CASI obtained its Tax Clearance from the Bureau of Internal Revenue and approval of the SEC for CASI's liquidation effective March 31, 2014. As a result, ACR received the Lanang Landholdings of CASI as a liquidating dividend amounting to P1.226 billion.
- III. 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 296 preferred shares and 32 common shares for 32.8% ownership in ADC.

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. During the last two fiscal years, ACR paid P469,063 and P2,228,643 in 2017 and 2016, respectively. Included in the amount paid in 2016 amounting to P1,825,442 pertains to legal advisory services on the Fixed-rate Corporate Note facility documentation and review. 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%.

Security Ownership of Certain Record and Beneficial Owners

As of June 2018, 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	Percentage
Common	Alsons Corporation ¹² Alsons Building, 2286 Pasong Tamo Ext., Makati City	Affiliate	AC ¹³	Filipino	2,592,524,072	41.21%
Common	Alsons Power Holdings Corp. ⁹ Alsons Bldg., 2286 Pasong Tamo Ext., Makati City	Affiliate	APHC ¹⁰	Filipino	1,249,999,599	19.87%
Common	Alsons Development and Investment Corp ⁹ 329 Bonifacio St., Davao City	Affiliate	ADIC ¹⁰	Filipino	1,188,524,026	18.89%
Common	PCD Nominee Corporation ¹⁴ (Fil) MSE Bldg., Ayala Ave., Makati City	None	Various ¹⁵	Filipino	1,140,489,577	18.13%

¹² The President and CEO of the Corporation, Tomas I. Alcantara, is the Chairman of the Board of Directors of the Company.

¹³ The respective Boards of Directors of each of AC, APHC and Aldevinco has power to decide how the shares are to be voted.

¹⁴ The PCD Nominee Corporation is not related to the Company

¹⁵ 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 June 30, 2018.

Security Ownership of Management

Title of Class	Name of Beneficial Owner	Amount and Nature of Beneficial Ownership	Citizenship	Percent of Ownership
Directors				
Common	Tomas I. Alcantara	1	Filipino	0.0000%
Common	Editha I. Alcantara	100,000	Filipino	0.0016%
Common	Alejandro I. Alcantara	1	Filipino	0.0000%
Common	Jacinto C. Gavino, Jr.	1	Filipino	0.0000%
Common	Ramon T. Diokno	1	Filipino	0.0000%
Common	Jose Ben R. Laraya	100	Filipino	0.0000%
Common	Conrado C. Alcantara	1	Filipino	0.0000%
Common	Honorio A. Poblador III	100	Filipino	0.0000%
Common	Thomas G. Aquino	100	Filipino	0.0000%
Common	Tirso G. Santillan, Jr.	1	Filipino	0.0000%
Common	Arturo B. Diago, Jr.	1	Filipino	0.0000%
Subtotal		100,307		
Officers:				
Common	Tomas I. Alcantara	-	Filipino	0.000%
Common	Editha I. Alcantara	-	Filipino	0.000%
Common	Robert F. Yenke	-	Filipino	0.000%
Common	Angel M. Esguerra III	-	Filipino	0.000%
Common	Roberto V. San Jose	500,000	Filipino	0.008%
Subtotal		500,000		
Grand Total		600,307		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 Consolidated Changes in ACGR for 2016 on March 29, 2017. 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)".

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 audited consolidated financial statements for the fiscal years ended 2017, 2016 and 2015, and the unaudited interim condensed consolidated financial statements as at March 31, 2018, 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."

Review of First Quarter March 2018 vs. March 2017 Operations

Key Performance Indicators

The Company's operations for the quarter ended March 31, 2018 showed stable gross income at P1,678 million compared to last year's P1,648 million. KPI of the Company are as follows: (Amounts in million pesos, except ratios)

	Mar 2018	Mar 2017
Profitability		
Revenues	P1,678	P1,648
EBITDA	P623	P606
EBITDA Margin	37%	37%
Return on Equity	0.01%	0.08%
Net Earnings Attributable to Equity Holders	(P20)	P35
Efficiency		
Operating Expense Ratio	22%	21%
Liquidity		
Net Debt Coverage	3%	9%
Current Ratio	1.42:1	1.92:1
Debt-to-Equity Ratio	2.28:1	2.0:1
Asset-to-equity Ratio	2.72:1	2.87:1
Interest Rate Coverage Ratio	1.95	2.56

Profitability

Earnings before interest, taxes, depreciation and amortization (EBITDA) margin of the company remain stable at 37%. Sarangani Phase 1 operations continue to generate income for the Group. Return on Equity (ROE) decreased slightly to 0.7% from 0.8% in 2017 due to higher equity reserves earned when the Company divested portion of its investment in ATEC in the last quarter of 2017.

Efficiency

For the three-month ended March 31, 2018, the Company's three diesel plants continue to supply needed back-up power to Mindanao. Operating expense ratio increased slightly to 22% from 21% in the previous year due to the ongoing construction of the Section 2 of Sarangani Energy Corporation. The operating efficiency of all the power plants continues to operate in accordance with the operating plans and budgets.

ACR's cash flows from operation this year decreased from P922 million to P563 million due mainly to timing of payments of trade and other current liabilities during the period. The additional loan drawdown for the construction of Sarangani Phase 2 contributed to the decrease in net debt coverage from 9% in 2017 to 3% this year while current ratio decreased to 1.42:1 from last year's 1.92:1 resulting from lower cash and cash equivalents during the period.

RESULTS OF OPERATIONS

The three months financial results showed P1,678 million revenues, slightly higher than P1,648 million revenues in 2017. Sarangani Phase 1 operations continue to generate revenues for ACR while the existing diesel plants that are currently operating as merchants and with some of their bilateral contracts were no longer renewed. The Company is currently looking into opportunities where some of its diesel engines are best utilized.

Cost of goods sold and services was slightly lower in 2018 at P1,177 million from last year's P1,185 million due mainly to the lower fuel costs as a result of lower energy delivered this year. Gross profit improved this year by 8% from P463 million in 2017 to 50 million this year and gross profit rate from 28% to 29%.

General and administrative expenses increased by 15% from P79.8 million to P91.8 million this year. The continued expansion of Sarangani Energy Corporation increased the administrative costs when some of the corporate re-organization was implemented last year.

Net finance charges this year was at P255 million compared to last year's P270 million. The partial prepayment of long-term debt of the Parent this year and settlement of short-term loans before the end of last year caused the decline in finance charges.

Due to lower costs and finance charges this year, net income improved to P103 million from last year's P82 million. However, Parent net income was a loss at P20 million against the P35 million income earned in the same period last year. The earnings attributable to the parent from Sarangani Energy Corporation is now reduced into half due to the partial divestment of ATEC last year. This divestment however allowed ACR's partnership with GBP wherein 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 to accelerate its foray and entry in other energy-related enterprises in Southern Philippines, including the smaller islands with promising growth in power demands.

REVIEW OF FINANCIAL POSITION

ACR and Subsidiaries continue to post strong balance sheets with total assets of P37,961 million, from P38,237 million at the end of 2017.

Current assets decreased from P9,257 million to P7,991 million brought about by the lower cash and cash equivalents during the period. The decline in cash was due to the partial pre-payment of long-term debt in March this year amounting to P1.4 billion.

On the other hand, non-current assets increased 3% from P28,980 million to P29,970 million. This is due largely to the increase in property, plant and equipment resulting from the on-going construction of phase 2 of Sarangani power plant during the period.

Total liabilities amounted to P24,029 million, lower than the P24,407 million reported at the end of 2017. The decrease in long-term due to partial pre-payment made by the parent resulted to the decrease in total liabilities.

As of March 31, 2018, ACR's current ratio decreased from 1.92:1 to 1.42:1, while its debt to equity ratio increased to 2.28:1 from 2.01:1 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 loans and additional capital expenditures during the period.

Causes of the material changes (5% or more) in balances of relevant accounts as of March 31, 2018 compared to December 31, 2017 are as follows:

- a. Cash and Cash equivalents – Decreased 28%
The decrease is mainly due to the partial re-payment of a long term debt by the parent company to minimize finance charges.
- b. Short-term Cash Investments – Increased 5%
The increase is due mainly to the additional placements made during the period.
- c. Trade and other receivables – Increased 6%
The increase is due mainly to the timing of collection of trade receivables during the period.
- d. Spare Parts and Supplies – Decreased 5%
The decrease is due mainly to the spare parts billed-up of Sarangani Energy during the period as well as usage of the SPPC, MPC and WMPC for their regular maintenance.
- e. Prepaid Expenses and Other Current Assets – Decreased 21%
The decrease was due to the timing of payments of creditable withholding and value added taxes.
- f. Accounts Payable and Accrued Expenses – Decreased 2%
The timing of payments of trade payables led to the decreased in this account during the period.

- g. Income Tax Payable – Increased 151%
Timing of payments of income tax payable led to the increase in this account during the period.
- h. Noncontrolling Interest – Increased 4%
The share of noncontrolling interest in consolidated net income during the period caused the increase in this account.

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 routing 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 affiliates are involved have material effect on the Company's financial condition and results of operations.

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

Discussion on Available-for-sale Financial Assets

The re-measurement movement from December 31, 2017 to March 31, 2018 amounting to 1,606,494 represents only 0.06% of the total Available-For-Sale Financial Assets.

AFS Financial Assets primarily consist of investments in quoted and unquoted equity securities:

	March 31, 2018	December 31, 2017
Acquisition costs:		
Unquoted	P2,222,168,768	P2,222,168,768
Quoted	174,384,498	174,384,498
	2,396,553,266	2,396,553,266
Unrealized loss on changes in fair value:		
Balances at beginning of year	52,922,963	52,922,963
Fair value changes recognized in OCI	(9,602,718)	(9,602,718)
Balances at end of year	43,320,245	43,320,245
	P2,353,233,021	P2,353,233,021

In May 2015, the Parent Company declared its 91% investment in ACR Mining Corporation (ACRMC) as property dividend amounting to P208 million. The Parent Company's remaining 9% interest in ACRMC amounting to P22 million is recognized as AFS investment. ACRMC is still in pre-exploration stage. Pursuant to SEC Memo No. 2, Series of 2014, the Company has obtained approval of the SEC of the Property Dividend. 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.

Changes in Accounting Policies and Disclosures

PFRS 9, Financial Instruments

This standard replaces the guidance in PAS 39. It includes requirements on the classification and measurement of financial assets and liabilities; it also includes an expected credit losses model that replaces the current incurred loss impairment model.

Amendment to PFRS 9, 'Financial instruments', on prepayment features with negative compensation. This amendment confirms that when a financial liability measured at amortized cost is modified without this resulting in de-recognition, a gain or loss should be recognized immediately in profit or loss. The gain or loss is calculated as the difference between the original contractual cash flows and the modified cash flows discounted at the original effective interest rate. This means that the difference cannot be spread over the remaining life of the instrument which may be a change in practice from PAS 39. With regards to the project loan obtained by Sarangani Energy Corporation, the Company does not expect that it will prepay the same since the loan will be paid following the amortization schedule approved by the Company and its lenders.

The standard also requires earlier recognition of impairment losses on trade receivables. It has been the practice of the Company's operating subsidiaries in providing for possible future credit losses and the collection history and practice has always been considered updated, therefore there is no need to recognize impairment losses.

Detailed analysis will be disclosed in the Company's Annual Audited Financial Statements.

ACR has already adopted PFRS 9 beginning January 1, 2018. The adoption of this standard has no material impact to the Company's Financial Statements.

PFRS 15, Revenue from Contracts with Customers

PFRS 15 establishes a new five-step model that will apply to revenue arising from contracts with customers. Under PFRS 15, Revenue is recognized at an amount that reflects the consideration to which an entity expects to be entitled in exchange for transferring goods or services to a customer.

The standard requires entities to exercise judgement, taking into consideration all of the relevant facts and circumstances when applying each step of the model to contracts with the customers. The standard also specifies the accounting for the incremental costs of obtaining a contract and the costs directly related to fulfilling a contract.

The Company adopted PFRS 15 using the modified retrospective method, effective January 1, 2018. The Group elected to apply the method to only those that were not completed at the date of initial recognition.

Sale of power and electricity

Contract with customers for the Group generally includes power distribution to various electric cooperatives. Power generation where capacity and energy dispatched are separately identified, these two obligations are to be combined as one performance obligation since these are not distinct within the

context of the contract as the buyer cannot benefit from the contracted capacity alone without the corresponding energy and the buyer cannot obtain energy without contracting a capacity. The combined performance obligation qualifies as a series of distinct goods or services that are substantially the same and have the same pattern of transfer.

Under the current standards, revenue from power generation is recognized in the period actual capacity is generated. Under PFRS 15, ACR has concluded that revenue should be recognized over time since the customer simultaneously receives and consumes the benefits as the seller supplies power. In this case, the fixed capacity payments for the entire contract period is determined at contract inception and is recognized over time. Specifically, on contracts where capacity payments are fixed but escalates throughout the contract period without any reference to market indices, the fixed escalation is recognized on a straight-line basis over the contract period.

Some contracts with customers provide unspecified quantity of energy, provisional ERC rates. Under PFRS 15, such provisions give rise to variable consideration. The variable consideration is estimated at contract inception and constrained until the associated uncertainty is subsequently resolved.

The adoption of PFRS 15 has no material impact to the consolidated balance sheets, statements of income, statements of comprehensive income and statements of cash flows.

Financial Assets: Impact of the adoption of PFRS 9

Based on the Company's assessment of the adoption of PFRS 9, the adoption of PFRS 9 has no material impact to the Company's Financial Statements.

Review of Year 2017 vs. 2016 Operations

Key Performance Indicators

The Company's operations for the year ended December 31, 2017 showed stable gross income at P1,374 million compared to last year's P1,191 million excluding the one-time gain on recoveries of foregone revenue of P701 million. KPI of the Company are as follows: (Amounts in million pesos, except ratios)

Financial KPI	Calendar Year	
	2017	2016
Profitability		
Revenues	P6,519	P7,107
EBITDA	P2,327	P2,698
EBITDA Margin	36%	38%
Return on Equity	1%	6%
Net Earnings Attributable to Equity Holders	(P21)	P317
Efficiency		
Operating Expense Ratio	41%	28%
Liquidity		
Net Debt Coverage	10%	13%
Debt-to-Equity Ratio	2.21 : 1	2.03 : 1
Current Ratio	1.65 : 1	2.09 : 1

Revenues and Profitability

ACR and subsidiaries posted a decline in its consolidated revenues during the year at P6,518 million, an 8% down from the P7,107 million reported in the previous year. This decline was due mainly to the one time recognition of gain on loss and damages charged to the EPC contractor of Sarangani Phase 1 and the lower energy dispatch of the diesel plants brought about by the lower contracted capacity and energy sales.

Cost of services registered 2% decline at P4,574 million from P4,679 million in 2016. The decline was due mainly to the lower energy dispatched of the 3 diesel plants namely; SPPC, WMPC and MPC. The full operations of Sarangani Phase 1 posted an increase in cost of services from P1,934 million in 2016 to P2,904 million this year.

Due to the one-time gain recognized by Sarangani in 2016, the gross profit declined by 20% from P2,422 million in 2016 to P1,935 million this year.

General and administrative expenses increased by 6% at P562 million in 2017 from P531 million in 2016. The increase is attributable to Sarangani Phase 1 expenses, which is now in full year commercial operations. Operating profit also declined 27% at P1,373 million from P1,892 million reported in the previous year.

Earnings before interest, taxes, depreciation and amortization (EBITDA) slightly decreased from P2,698 million to P2,327 million this year. The last year income includes one-time gain due to construction

penalties charged to Sarangani Phase 1 EPC contractor. The EBITDA margin is slightly lower at 35% this year versus the 38% earned in 2016.

Meanwhile, the finance charges increased by 39% from P865 million to P1,200 million. The interest expense incurred on the project loan to complete the first phase of Sarangani is now fully recognized as an expense after the project was completed and commenced operations. Last year, the interest was capitalized until April 2016 as part of project cost.

On the other hand, the Company realized a net other income of P70 million from a net other charges of P155 million in 2016. The Company realized a gain when its investment in Duta, Inc. was divested this year. The net other charges in 2016 was due to the recognized impairment loss of P245 million on goodwill which was partly negated by the income from insurance claim of SPPC during that year amounting to P70 million.

As a result of the foregoing, the consolidated net income declined 84% from last year's P636 million to P103 million. The income attributable to Parent posted a loss of P21 million this year compared to the income of P317 million in 2016 posting an earnings per share of (P0.004) from P0.050 last year.

Financial Position

As of December 31, 2017, total resources of ACR and subsidiaries remained strong at P38,237 million, increased by 24% versus the P30,810 million level reported in 2016.

Current assets increased 32% from P6,084 million to P9,257 million. The increase came largely from the cash and cash equivalents representing the proceeds of the partial divestment of investment in ATEC and a deposit in interest reserve account on the Fixed Rate Corporate Note (FXCN) of the Parent Company. Noncurrent assets also rose by 17% representing capital expenditures incurred for the construction of the second phase of Sarangani's power plant and the additional deferred project cost incurred for SRPI during the year.

Current liabilities also increased by 103% from P2,910 million to P5,590 million, largely on account of higher current portion of long-term debt and accounts payable and accrued expenses and half of the advances of related party advances of ATEC assigned to Global Business Power Corp. Noncurrent liabilities increased by 8% due to the additional drawdown of project loan for the second phase of Sarangani power plant.

ACR's balance sheet remained strong with a current ratio at 1.65: 1 in 2017 versus the 2.09: 1 level in 2016, while its debt-to-equity ratio increased at 2.21: 1 from 2.03: 1, due to availment of additional debts.

Net cash inflows from operating activities remain stable at P2,348 million, 1.4% down from last year's P2,382 million. The additional payment of prepaid expenses resulted to the decline in cash from operations this year. Net cash used for investing activities was down by 63% from P2,809 million to P1,050 million this year due mainly to the collection of advances from related parties. Together with net cash inflows from financing activities amounting to P1,032 million, largely from loan availments, available funds totaled P1,972 million in 2017, from which P4,023 were used for power plant project construction during the year. The net cash balance after accounting for the above changes reached P4,384 million, 114% higher than the P2,051 million in the previous year.

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

1. Cash and cash equivalents, 113% Increase

The increase in cash and cash equivalents was principally due to the proceeds of the partial divestment of investment in ATEC which was sold to Global Business Power Corp. on November 27, 2017 and remain unused during the year.

2. Short-term cash investments, 347% Increase

Short-term cash investments increased due to the additional placements made during the year.

3. Trade and other receivables, 20% Decrease

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

4. Spare parts and supplies, 5% Increase

The build-up consisted mainly of the purchase coal and spare parts for Sarangani during the year.

5. Prepaid expenses and other current assets, 33% Increase

The increase is due to the higher interest reserve account of the Parent as required by the Corporate Fixed Facility issued during the year as well as the project loan availed by Sarangani Energy Corporation for the construction of Sarangani Phase 2.

6. Property, plant and equipment, 22% Increase

The growth is due mainly to expenditures incurred for the construction of the second phase of Sarangani's power plant.

7. Deferred Tax Assets, 17% Increase

The increase is due largely to the deferred tax impact of the accrued decommissioning liability and impairment losses.

8. Other Noncurrent Assets, 13% Increase

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

9. Accounts payable and other current liabilities, 137% increase

The increase was due mainly to the assignment of the 50% ATEC's to GBP amounting to P1.8 billion and accrued interest on loans during the year.

10. Loans payable, 46% Increase

The increase was due to the availments of short-term working capital facility of SPPC and WMPC during the year.

11. Income tax payable, 67% Decrease

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

**12. Current Portion of Long-Term Debt, 47% Increase
Long-term debt net of Current Portion, 9% Increase**

The increase in long-term debt was due to the additional loan drawn down for the construction of Sarangani Phase 2 power plant. While the maturing principal of the project loan availed for Sarangani Phase 1 caused the 47% increase in current portion of long-term debt.

13. Deferred Tax Liabilities, 6% Increase

The incline in deferred tax liabilities was due to the increase in capitalized interest of the Sarangani Phase 2 power plant which is under construction during the year.

Discussion on Available-for-sale Financial Assets

AFS Financial Assets primarily consist of investments in quoted and unquoted equity securities:

	2017	2016
Acquisition costs:		
Unquoted	P2,222,168,768	P2,222,168,768
Quoted	174,384,498	174,384,498
	2,396,553,266	2,396,553,266
Unrealized loss on changes in fair value:		
Balances at beginning of year	52,922,963	50,979,995
Fair value changes recognized in OCI	(9,602,718)	1,942,968
Balances at end of year	43,320,245	52,922,963
	P2,353,233,021	P2,343,630,303

In May 2015, the Parent Company declared its 91% investment in ACR Mining Corporation (ACRMC) as property dividend amounting to P208 million. The Parent Company's remaining 9% interest in ACRMC amounting to P22 million is recognized as AFS investment. ACRMC is still in pre-exploration stage.

Review of Year 2016 vs. 2015 Operations

Results of Operations

ACR and Subsidiaries posted a significant improvement in its consolidated revenues during the year at P7,107 million, a jump of 42% from the P5,022 million reported in the previous year. This increase was due mainly to the contribution of Sarangani, which commenced commercial operations on April 29, 2016. WMPC and SPPC are now operating as full merchant plants after their ECAs expired on December 12, 2015 and April 12, 2016, respectively.

Cost of services posted a significant increase at P4,684 million, 52% higher than the P3,072 million in 2015. The increase in cost was also due to the start of commercial operations of Sarangani posting a direct cost of P1,934 million. The full operations of SPPC and WMPC as merchant plants in 2016 also posted an increase in cost of fuel as pass-through item.

Gross profit also improved by 24%, P2,422 million from P1,950 million in 2015 due to the contribution of SEC.

General and administrative expenses increased 22% at P531 million from P434 in 2015. The increase is attributable to Sarangani expenses during the year. Operating profit also improved 25% at P1,892 million from P1,516 million reported in the previous year.

Earnings before interest, taxes, depreciation and amortization (EBITDA) jumped 52% from P1,781 million to P2,698 million this year. This big leap is the contribution of Sarangani during the year.

Meanwhile, finance charges increased by 1.67x from P324 million to P865 million. The interest expense incurred on the project loan to complete the first phase of the Sarangani plant is now at fully recognized as an expense after the project was completed and commenced operations. Last year, the interest was capitalized as part of project cost.

On the other hand, the Company realized a net other charges of P155 million from P84 million in 2015 as the Company recognized an impairment loss of P245 million on goodwill this year. This impairment was negated by the income from insurance claim SPPC during the year amounting to P70 million. The last year's one-time realized foreign exchange loss of P218 million was incurred when the Company settled its foreign currency denominated debt.

As a result of the foregoing, the consolidated net income declined 8% from last year's P691 million to P636 million; however the income attributable to Parent recorded an improvement of 69% at P317 million from P188 million in the previous year and posting strong earning per share of P0.05 from P0.029 last year.

Also, In May 2015, the Parent Company declared its 91% investment in ACR Mining Corporation (ACRMC) as property dividend amounting to P208 million. The Parent Company's remaining 9% interest in ACRMC amounting to P21 million is recognized as AFS investment. Pursuant to SEC Memo No. 2, Series of 2014, the Company has obtained approval of the SEC of the Property Dividend. 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.

Review of Financial Position

As of December 31, 2016, total resources of ACR and Subsidiaries remained strong at P30,810 million, increasing by 2% versus the P30,166 million level reported in 2015.

Current assets dropped 23%, from P7,903 million to P6,083 million. The decline came largely from the decrease in cash and cash equivalents of SEC, which were used to complete the first phase of its plant as well as lower prepaid expenses, and a deposit in interest reserve account on the Fixed Rate Corporate Note (FXCN) of the Parent Company. In contrast, noncurrent assets rose by 11%, representing capital expenditures incurred for the completion of the first phase of SEC's power plant and the additional investment made in Aviana Development Corporation during the year.

On the other hand, Current liabilities increased by 44% from P2,025 million to P2,910 million, largely on account of higher current portion of long-term debt and accounts payable and accrued expenses. Noncurrent liabilities decreased by 3%, due to the recognition of the current maturing portion of the Company's long-term debt.

ACR's balance sheet remained strong with a current ratio at 2.09:1 in 2016 versus the 3.90:1 level in 2015, while its debt-to-equity ratio increased slightly at 2.25:1 from 2.08:1, due to availment of additional debts.

Net cash inflows from operating activities significantly improved at P2,382 million, 74% up from last year's P1,368 million. The lower acquisition of spare parts and extended credit terms of trade payables resulted in the improvement of cash from operations this year. Net cash used for investing activities was 97%, a jump to P2,809 million from last year's P1,902 million due mainly to capital expenditures for the completion of the construction of Sarangani plant. Together with net cash inflows from financing activities amounting to P2,827 million, largely from loan availments, available funds totaled P2,682 million in 2016, from which P 3,280 were used for power plant project construction during the year. The net cash balance after accounting for the above changes reached P2,050 million, 48% lower than P3,940 million in the previous year.

Key Performance Indicators

The Company's operations for the year ended December 31, 2016 showed continued improvement in core income at P900 million compared to the P909 million earned in 2014. KPI of the Company are as follows: (Amounts in million pesos, except ratios).

Key Performance Indicators

Financial KPI	Calendar Year	
	2016	2015
Profitability		
Revenues	P7,107	P5,022
EBITDA	P2,698	P1,781
EBITDA Margin	38%	35%
Return on Equity	6%	7%
Net Earnings Attributable to Equity Holders	P317	P188
Efficiency		

Operating Expense Ratio	28%	29%
Liquidity		
Net Debt Coverage	13%	10%
Current Ratio	2.09:1	3.90:1
Debt-to-Equity Ratio	2.03:1	2.08:1

Profitability

The earnings before interest, taxes, depreciation and amortization (EBITDA) of the Company increased from P1,781 million to P2,694 million in 2016 due mainly to higher revenues earned during the year, as a result EBITA Margin improved to 38% from 35% in the previous year. The First Section of Sarangani power plant that began operations effective April 29, 2016, contributed to this improvement.

Return on equity (ROE) remained stable at 6% from last year's 7% while the net income attributable to the equity holders of the parent showed dramatic improvement at P317 million compared to last year's P188 million.

Efficiency

The Company's operating expense ratio decreased to 28% in 2016 from 29% in 2015. The decrease was due mainly to the higher gross income contributed by Sarangani during the year.

Liquidity

As a result of additional project loan drawdowns to complete Sarangani 1 during the year, financial debt increased by 0.44%. Consequently, net debt coverage increased to 15% from last year's 10%. Current ratio on the other hand decreased to 2.09:1 from last year's 3.90:1 due largely to the lower balance of cash and cash equivalents in 2016.

Description of Key Performance Indicators:

- a. **REVENUES.** Revenue is the amount of money that the company subsidiaries receive arising from their business activities and is presented in the top line of the statements of income. The present revenue drivers of the Company are i) Energy and power and ii) Real estate. Revenue growth is one of the most important factors management and investors use in determining the potential future stock price of a company and is closely tied to the earnings power for both the near and long-term timeframes. Revenue growth also aids management in making a sound investment decision.
- b. **EARNINGS BEFORE INTEREST, TAXES, DEPRECIATION AND AMORTIZATION (EBITDA).** The Company computes EBITDA as earnings before extra-ordinary items, net finance expense, income tax, depreciation and amortization. It provides management and investors with a tool for determining the ability of the Company to generate cash from operations to cover financial charges and income taxes. It is also a measure to evaluate the Company's ability to service its debts, to finance its capital expenditure and working capital requirements.
- c. **NET EARNINGS ATTRIBUTABLE TO EQUITY HOLDERS OF PARENT.** Net income attributable to shareholders is one more step down from net income on the income statement. The net income

of a company is just all of the revenues minus all of the expenses including interest expenses and taxes. Net income attributable to shareholders is the net income minus the non-controlling interests. This aids management and investors in identifying company's profit allocated to each outstanding share.

- d. **DEBT-TO-EQUITY RATIO.** This measures the company's financial leverage calculated by dividing its total liabilities by stockholders' equity. It indicates what proportion of equity and debt the company is using to finance its assets.
- e. **CURRENT RATIO.** Current ratio is a measurement of liquidity computed by dividing current assets by current liabilities. It is an indicator of the Company's ability to meet its current maturing obligations. The higher the ratio, the more liquid the Company presents.

Material Changes in Balance Sheet Accounts by 5% or More
December 31, 2016 compared to December 31, 2015

1. Cash and cash equivalents, 48% Decrease

The decrease in cash and cash equivalents (2016: P2,051 million vs. 2015: P3,940 million) was principally due to the usage of the loan for the completion of the construction of Sarangani plant. Cash generated from operations during the year was P2,090 million, 53% higher than previous year's P1,368 million. The proceeds of loan presented in the financing activities amounting to P4,871 million was used to finance the construction and completion of the first phase of Sarangani's power plant.

2. Short-term cash investments, 66% Decrease

Short-term cash investments decreased (2016 P58 million vs. 2015: P173 million) due to the usage of the funds for operating activities

3. Trade and other receivables, 18% Increase

The increase was due to the higher balance of trade receivables. The trade receivable balance of Sarangani during the year amounted to P393 million vs none in 2015.

4. Spare parts and supplies, 31% Increase

The build-up consisted mainly of the purchase coal and spare parts for Sarangani during the year.

5. Prepaid expenses and other current assets, 34% Decrease

The decrease is due to the decline in interest reserve account of the Parent as required by the Corporate Fixed Facility issued during the year. The last year's balance amounted to P894 million to P587 million this year.

6. Investment in Real Estate, 88% Decrease
Investment in Associate, 71% Increase

The infusion into Aviana Development Corp. (ADC) of the Lanang property of the Company in exchange for shares of stock in ADC resulted to the 88% decrease in the Investment in Real and the 71% increase in Investment in Associate.

7. Property, plant and equipment, 19% Increase

The growth is due mainly to expenditures incurred for the completion of the construction of the first phase of Sarangani Energy's power plant.

8. Goodwill, 23% Decrease

The decrease was due to the recognition of partial impairment of the goodwill amounted to P245 million during the year.

9. Deferred Tax Assets, 121% Increase

The Increase is due largely to the deferred tax impact of the accrued decommissioning liability and impairment losses.

10. Other Noncurrent Assets, 12% Increase.

The increase was due to the advance payments made for Sarangani 2 power plant projected amounting to P40 million during the year.

11. Accounts payable and other current liabilities, 8% Increase

Higher balance of trade payables of Sarangani and accrued interest on project loan caused the increase in accounts payable and other current liabilities.

12. Loans payable, 122% Increase

The increase was due the availments of short-term working capital facility of SPPC and WMPC during the year.

13. Income tax payable, 9% Decrease

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

**14. Current Portion of Long-term Debt, 96% Increase
Long-term debt-net of Current Portion, 3% Decrease**

The variances were due to additional loan drawdown to complete the construction of Sarangani 1 Power Plant. The maturing principal within the next twelve months was reclassified to current portion long-term debt which caused the 90% increase.

15. Deferred Tax Liabilities, 17% Decrease

The decline in deferred tax liabilities was due to the reduction of capitalized interest of the Sarangani 1 Power Plant. The reduction was in the form of depreciation expense recognize during the year.

16. Retirement liabilities, 394% Increase

The increase was due mainly to additional accrual during the year due to the re-measurement of retirement benefit obligation as conducted by independent Actuary during the year.

Review of Year 2015 vs. 2014 Operations

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

Revenues and Profitability

ACR and Subsidiaries posted consolidated revenues of P5,022 million in 2015, is lower than the P5,180 million reported in 2014. The 3% decline was due mainly to the lower energy fees brought about by the lower indices during the year in spite of higher energy sales volume generated by the 3 power plants of the Company.

Cost of services was reported at P3,072 million, 13% lower than the P3,548 million in 2014. The change in depreciable life of the power plants of SPPC and WMPC from original ECA period to another 10 years caused the decline in costs of services.

Gross profit improved by 20% in 2015 to P1,950 million from P1,632 million in 2014 due to lower costs.

General and administrative expenses was also lower in 2015 at P434 million from P467 million in 2014 due mainly to lower taxes and licenses. Operating profit as a result significantly improved at P1,516 million from P1,165 million reported in the previous year.

EBITDA was lower in 2015 at P1,591 million P2,088 million in the previous year due mainly to the foreign exchange loss incurred when the Company settled its US Dollar-denominated liability in 2015 at a higher Philippine Peso translation compared to the US Dollar.

Meanwhile, interest income was 8% higher in 2015 at P24 million from P22 million in 2014 due mainly to the higher cash placements during the year. Interest expense was 57% higher at P324 million in 2015 from P207 million in 2014, the interest expenses incurred for the project loan was capitalized to power plant cost of Sarangani Energy Corporation that is currently under completion during the year.

On the other hand, the Company realized a net other charges of P84 million in 2015 from an income of P109 million in 2014. The foreign exchange losses of a US Dollar-denominated debt caused the downturn in other income (charges) account.

Core income without the effect of foreign exchange however improved 23% from P741 million to P909 million and the net income attributable to the Company of P0.064 per share, was 14% higher than last year of P0.056 per share.

The non-recurring foreign exchange loss, however dampened the Company's net income to P691 million, 5% lower than last year's net income of P727 million. The earnings attributable to the equity holders of the parent were reduced to P189 million from last year's P359 million. As a result, basic earnings of P0.030 per share decreased from P0.057 per share in 2014.

Also, In May 2015, the Parent Company declared its 91% investment in ACR Mining Corporation (ACRMC) as property dividend amounting to P208 million. The Parent Company's remaining 9% interest in ACRMC amounting to P21 million is recognized as AFS investment. Pursuant to SEC Memo No. 2, Series of 2014, the Company has obtained approval of the SEC of the Property Dividend. 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.

Financial Position

As of December 31, 2015, total resources of ACR and Subsidiaries remained strong at P30,166 million, increasing by 17% versus the P25,725 million level reported in 2014.

Current assets grew by 1% from P7,843 million to P7,903 million. The increment came largely from the increase in cash and cash equivalents of Sarangani Energy Corporation as well as higher prepaid expenses, and deposit in interest reserve account on the Fixed Rate Corporate Note (FXCN) of the Company. Similarly, noncurrent assets rose by 24%, representing capital expenditures incurred for the on-going construction of the power plant.

On the other hand, current liabilities decreased by 18% in 2015, from P2,463 million to P2,025 million, largely on account of lower current portion of long-term debt and accounts payable and accrued expenses. Noncurrent liabilities escalated by 36%, as Sarangani drew from its project loan to finance its capital expenditures as well as the availment by the Company of its FXCN Facility with various noteholders. Accordingly, ACR's balance sheet remained strong with a current ratio at 3.90:1 in 2015 versus the 3.20:1 level in 2014, and continued to be underleveraged despite an increase in its debt-to-equity ratio, from 1.47:1 to 1.85:1.

Meanwhile, net cash inflows from operating activities decreased 31% from P1,977 million in 2014 to P1,368 million in 2015, as a result of higher acquisition of spare parts and supplies as well as prepaid expenses with a combined amount of P792 million during the year. Together with net cash inflows from financing activities amounting to P1,958 million, largely from loan availments, available funds totaled P3,301 million in 2015, were used for power plant project construction of Sarangani Phase 1 amounting to P1,520 during the year. The net cash balance after accounting for the above changes reached P3,940 million, 57% higher than last year's P2,512 million.

Key Performance Indicators (KPI)

The Company's operations for the year ended December 31, 2015 showed continued improvement in core income at P909 million compared to the P741 million earned in 2014. KPI of the Company are as follows: (amounts in million pesos, except ratios)

Comparative KPIs (2015 vs 2014)

Financial KPI	Calendar Year	
	2015	2014
Profitability		
Revenues	P5,022	P5,180
EBITDA	P1,591	P2,088
EBITDA Margin	32%	40%
Return on Equity	7%	7%
Net Earnings Attributable to Equity Holders	P188	P359
Efficiency		
Operating Expense Ratio	27%	40%
Liquidity		
Net Debt Coverage	8%	18%
Debt-to-Equity Ratio	1.85 : 1	1.47 : 1
Current Ratio	3.90 : 1	3.20 : 1

Profitability

The EBITDA of the Company decreased from P2,088 million to P1,591 million in 2015. EBITDA Margin also decreased from 40% in 2014 to 32% in 2015 due mainly to non-recurring foreign exchange loss during the year resulting from the settlement of the Company's US Dollar-denominated debt.

Return on Equity stood at 7% for both years. Net income attributable to the equity holders of the parent decreased to P188 million from P359 million in 2014 due to the above non-recurring loss during the year. The Company's core income however, improved to P909 million from last year's P741 million.

Efficiency

The Company's operating expense ratio decreased to 27% in 2015 from 40% in 2014. Operating expenses in 2014 was higher due mainly to the higher real property taxes charged to the newly rehabilitated MPC plant, which is a non-controllable item.

Liquidity

As a result of additional project loan drawdowns during the year, financial debt increased by 27%. Consequently, net debt coverage decreased to 8% from last year's 18%. Current ratio on the other hand improved to 3.90:1 from last year's 3.20:1.

Description of Key Performance Indicators:

- **Revenues.** Revenue is the amount of money that the Company and its subsidiaries receive arising from their business activities and is presented in the top line of the consolidated statements of income. The present revenue drivers of the Company are: (i) Energy and power; and (ii) Real estate. Revenue growth is one of the most important factors that management and investors use in determining the potential future stock price of a company and is closely tied to the earnings power

for both the near and long-term timeframes. Revenue growth also aids management in making sound investment decisions.

- **EBITDA.** The Company computes EBITDA as earnings before extraordinary items, net finance expense, income tax, depreciation and amortization. It provides management and investors with a tool for determining the ability of the Company to generate cash from operations to cover financial charges and income taxes. It is also a measure to evaluate the Company's ability to service its debts, to finance its capital expenditure and working capital requirements.
- **Net Earnings attributable to Equity Holders of Parent.** Net income attributable to shareholders is one more step down from net income on the consolidated statements of income. The net income of a company is all of the revenues minus all of the expenses including interest expenses and taxes. Net income attributable to shareholders is the net income minus the non-controlling interests. This aids management and investors in identifying a company's profit allocated to each outstanding share.
- **Debt-to-Equity Ratio.** This measures the Company's financial leverage calculated by dividing its total liabilities by stockholder's equity. It indicates what proportion of equity and debt the Company is using to finance its assets.
- **Current Ratio.** Current ratio is a measurement of liquidity computed by dividing current assets by current liabilities. It is an indicator of the Company's ability to meet its current maturing obligations. The higher the ratio, the more liquid the Company presents.

Notes to Financial Statements

Accounting Policies and Principals

The consolidated financial statements of ACR for the years ended December 31, 2015 and 2014 are presented in accordance with Philippine Financial Reporting Standards applied on a consistent basis.

Seasonality Aspects of the Business

The operations of ACR and its subsidiaries were not affected by seasonality or cyclicity.

Material Changes in Balance Sheet Accounts by 5% or More

1. Cash and cash equivalents , 57% increase

The growth in cash and cash equivalents (2015: P3,940 million vs. 2014: P2,512 million) was principally due to receipt of the loan proceeds by Sarangani and the Company that remain unused as of the end of 2015. Cash generated from operations during the year was P1,368 million, 31% lower than previous year's P1,976 million. The proceeds of loan presented in financing activities amounting to P9,338 million was used to finance the on-going construction of the first phase of Sarangani's power plant.

2. Short-term cash investments, 402% increase

Short-term cash investments increased (2015: P173 million vs. 2014: P34 million) due to funds from operating activities.

3. Trade and other receivables, 56% decrease

The decrease was due to the conversion of a due from related party into an investment in preferred shares amounting to P2.2 billion.

4. Spare parts and supplies, 105% increase

The build-up consisted mainly of the purchase of spare parts for Sarangani during the year which is intended for its upcoming commercial operation in 2016.

5. Prepaid expenses and other current assets, 174% increase

The increase is due to the deposit in interest reserve account of the Parent as required by the Corporate Fixed Facility issued during the year.

6. Noncurrent portion of instalments receivables, 14% decrease

The decrease is due to collection of maturing accounts during the year.

7. Property, plant and equipment, 17% increase

The growth is due mainly to expenditures incurred for the construction of the first phase of Sarangani's power plant.

8. AFS financial assets, 1,904% Increase

The significant increase was due to the investment in preferred shares of Alsons Development and Investment Corporation with a cumulative dividend feature of 4% per annum.

9. Goodwill, 5% Increase

The change in the amount of goodwill was due mainly to the change in foreign exchange rate of Philippine Peso vis-à-vis the US \$ from P44.72 in 2014 to P47.06 in 2015.

10. Retirement Plan assets, 36% Decrease

The decrease was mainly due to settlement of retiring employees of WMPC during the year as a result of the expiration of its ECA with NPC effective December 12, 2015.

11. Deferred Tax Assets, 55% Decrease

The decrease in payable to customers arising from the overbilling charged by Mapalad Power Corporation in the previous year caused the decrease in this account.

12. Accounts payable and other current liabilities, 8% Increase

The increase in accrued interest due to higher loan availments during the year caused the increase in accounts payable and accrued expenses accounts.

13. Loans Payable, 15% Increase

The availment of a short-term working capital facility of Mapalad Power Corporation during the year, caused the increase in this account.

14. Income tax payable, 46% Decrease

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

15. Derivative liability, 100% Decrease

The embedded derivatives arising from the exchange option of APHC-ACR Loan Facility Agreement which was assigned to its Lender Bank in accordance with the Omnibus Loan and Security Agreement. The decline in derivative liability was the result of partial prepayment of the loan during the year thereby resulting to a mark-to-market gain. The salient features of this loan were discussed in Note 18 of the Notes to Consolidated Financial Statements. The derivative liability was a result of re-measurement of the options, such that a mark-to-market loss and the corresponding liability were recognized. In 2015, the loan was fully settled and the remaining balance of derivative liability was derecognized.

16. Current and Long-term debt, 33% Increase

The increment was due to the drawdown from the project loan facility of Sarangani during the year as well as the availment of a P7.2 billion FXCN Facility and the settlement of the US\$100 million UBS loan of the Company.

17. Retirement liabilities, 13% Decrease

The decrease was due mainly to the re-measurement of retirement benefit obligation as conducted by independent Actuary during the year.

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

Mr. Esperidion D. Develos, Jr. has been appointed as Chief Audit Executive and reports directly to the Audit Committee.

External Audit and Audit-Related Fees

The aggregate fees billed for 2017 and 2016 fiscal years for professional services rendered by SGV are as follows:

Fees for the years ended December 31, 2017 and 2016 were P582,200 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 2017 and 2016. The fees and services were approved by the Audit Committee in compliance with the Code of Corporate Governance.

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 Memorandum of Agreements with Government agencies and different Corporations. 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.

a. Operations and Maintenance (O&M) Service Agreements

Under an Advisory Service Agreement, AIL provides PT Makassar Power (PTMP), which is an independent power producer based in Indonesia, with technical advisory services in connection with the operation and maintenance of a power plant in Indonesia for specified monthly fee of \$44,600 from August 2011 to April 2012 and \$46,600 from May 2012 to April 2015. On April 20, 2015, PTMP extended the Advisory Service Agreement with AIL for another year starting May 1, 2015. On April 30, 2016, AIL's contract with PTMP officially ended. Total billings to PTMP amounted to P8 million in 2016 (nil in 2017).

b. Power Supply Agreements

The power plants have entered into PSAs with various distribution utilities and electric cooperatives.

Starting December 13, 2015 and April 29, 2016, WMPC and SPPC, respectively, arranged for PSAs with the following electric cooperatives and distribution utilities:

MPC - The details of MPC's contracted capacity (in Megawatts) with electric cooperatives based on the PSAs entered as at December 31 are as follows:

Contracting Party	Contracted Capacity (in MW)	
	2017	2016
CEPALCO	30	30
ZAMCELCO	18	18
ZANECO	5	5
SURSECO I	4	-
SOCOTECO II	-	30
ANECO	-	15
	57	98

WMPC - WMPC entered into PSAs with the distribution utilities and electric cooperatives listed below.

Contracting Party	Contracted Capacity (in MW)	
	2017	
ZAMCELCO	50	
CEPALCO	30	
	80	

SPPC - Starting April 2016, SPPC entered into PSAs with the following private distribution utilities

Contracting Party	Contracted Capacity (in MW)	
	2017	
DLPC	50	
CLPC	5	
	55	

Sarangani

Contracting Party	Contracted Capacity (in MW)	
	2017	2016
<i>Phase 1 of the Project</i>		
SOCOTECO II	70	70
ILIGAN LIGHT AND POWER INC.	15	15
ANECO	10	10
AGUSAN DEL SUR ELECTRIC COOPERATIVE	10	10
	105	105

Contracting Party	Contracted Capacity (in MW)	
	2017	2016
<i>Phase 2 of the Project</i>		
CEPALCO	20	20
DAVAO DEL NORTE ELECTRIC COOPERATIVE IN.	15	15
DAVAO DEL SUR ELECTRIC COOPERATIVE IN.	15	15
COTABATO ELECTRIC COOPERATIVE INC.	10	10
SOUTH COTABATO I ELECTRIC COOPERATIVE INC.	10	10
ZAMBOANGA DEL SUR I ELECTRIC COOPERATIVE	5	5
ZANECO	5	5
	80	80

SRPI - ACR is also developing through a subsidiary, SRPI, a 105MW Coal-Fired Power Station Project (ZAM100) in Zamboanga City. ZAM100 will supply power to Zamboanga City and other parts of the Zamboanga Peninsula.

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, ERC approved the above PSA. SRPI has not entered into any additional PSA in 2017 AND 2016.

c. Loan Agreements

- On December 12 2012, Sarangani obtained a financing facility consisting of as syndicated term loan in the aggregate principal amount of P9,300 million brokern down as follows: (1) Series 1 Loan in the principal amount of up to P8,600 million for the construction of the Phase 1 100-MW coal-fired power plant and its common or shared areas and facilities; and (2) Series 2 Loan in the principal amount of up to P700 million for the construction of the transmission line. Sarangani should pay interest semi-annually at the rate equal to the higher of (a) PDST-F benchmark bid yield for five year-treasury securities plus 3.5% spread per annum, or (b) 7.5% floor rate, for the first five (5)-year period commencing from the date of initial borrowing; and thereafter, to be adjusted based on the higher of (a) interpolated PDST-R2 benchmark bid yield for eight and one-half (8 ½)-year treasury securities plus 2.75% spread per annum, or (b) interest rate applicable on the initial borrowing.
- On July 15, 2013, MPC entered into a fixed interest rate long-term OLSA amounting to P900 million from a local bank. The loan is payable in 11 semi-annual principal amortizations beginning immediately at the end of August 16, 2014, the first year from loan draw down, up to August 16, 2019. Interest is computed as the sum of the spread and the applicable benchmark rate, based on outstanding facility amount, and calculated on the basis of the actual number of days elapsed in a year of 360 days. The fixed rate shall be subject to a floor rate of 6.25% per annum, excluding gross receipt tax. The interest is payable every six months reckoned from August 16, 2013.
- On November 25, 2015, ACR entered entered into a fixed rate corporate notes facility with various noteholders with aggregate principal amount of P7.5 billion divided into two (2) tranches: (a) Tranche A with principal amount of P5.6 billion, subject to fixed interest rate of 7.24% and payable within five (5) years from the drawdown date and (b) Tranche B with principal amount of P1.9 billion, subject to fixed interest rate of 7.92% and payable with 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.

d. Land Lease Agreement with ZAMBOECOZONE¹⁶

The Zamboanga City Special Economic Zone Authority and Freeport or ZAMBOECOZONE was primarily conceived to be a critical and vital economic hub that would bring about positive change for the city and the region through jobs generation and adequate investments as mandated through Republic Act 7903.

The Act was authored by the late Congresswoman Maria Clara Lorenzo Lobregat and was enacted into law on February 23, 1995, and made operational a year later with the appointment of a Chairman and Administrator as well as the members of the Board by former President Fidel V. Ramos.

By nature of its operation, ZAMBOECOZONE is unique in being both an economic zone and Freeport, and is, in fact, the only Freeport in Visayas and Mindanao. The Authority has two development sites. The first development site consists of the First and Second Industrial Parks. These sites are ideal for information technology, call centers, processing plants, shopping centers, hotels, and retirement centers. The second development site, on the other hand, is located in the hinterlands of barangays Pamucutan and La Paz, and consists of 15, 391 hectares of logged-over forests. The said area is to be developed into agro-forestry and eco-tourism parks and projects.

¹⁶ <http://zfa.gov.ph/index.php/about-us/background.html>

As of May 2018, San Ramon Power Inc. (SRPI) list number eight in ZAMBOECOZONE lists of locators. On January 27, 2013, SRPI entered into a Land Lease Agreement with ZAMBOECOZONE for a period of 31 years from the execution of the Lease Agreement. The leased properties consist of: (a) 300,000 sq.m. for the Main Power Plant Area; and (b) 37,000 sq.m. for the Port Facility Area. Payment of monthly rental will commence on October 1, 2013 and subject to fee escalation. On January 27, 2014, SRPI received billing from ZAMBOECOZONE covering period October 1, 2013 to December 31, 2013. However, SRPI requested for the deferment of the recognition of its rental obligations to ZAMBOECOZONE for the three (3) months period ended December 31, 2013 pending resolution of the certain conditions requisite for the start of rental payments. SRPI requested for revised billing to reflect the three-month deferment of the full rental rates.

On April 2, 2014, ZAMBOECOZONE issued a revised bill to SRPI amounting to P10 million for period starting January 1, 2014 to March 2015. In response to the revised billing, SRPI wrote to ZAMBOECOZONE on October 24, 2014 communicating that while the plant site was cleared of informal settlers, the conflicting positions taken by the Department of Agrarian Reform (DAR) and the Office of Government Corporate Counsel on land use conversion have made the use of the land for industrial purposes uncertain. Despite the issue on land use conversion, SRPI tendered payment of P10 million to show good faith and willingness to continue with the contract. Meanwhile, the payment P10 million is recorded as security deposits under "Other noncurrent assets" account as December 31, 2016. ZAMBOECOZONE has already applied for Land Use Conversion (LUC) exemption from the Department of Agrarian Reform. The pre-application has already been completed and is now just waiting for the certificate from DAR.

As at December 31, 2017, ZAMBOECOZONE has not resolved the pending issue pertaining to the land-use conversion of the land for industrial purposes, including the area for the SRPI Project Site. No major updates as of the date of the Prospectus.

SPPC's lease with SACI

SPPC has a contract for the lease of land owned by Sarangani Agricultural Co., Inc. Until May 2026. The lease contract provides for annual rental of P1.3 million.

e. Energy Conversion Agreement (ECA)

SPPC and WMPC, under separate ECAs with NPC, have constructed a 55 MW and a 100 MW bunker C-fired diesel generator power plants in General Santos City and Zamboanga City, respectively, under a BOO scheme. NPC supplies all fuel necessary to generate electricity, with all electricity generated purchased by NPC at a price calculated based on the formula provided in the ECAs. SPPC and WMPC shall, directly or indirectly, own the power plants and shall operate and manage the power plants and provide all power generated to NPC for a period of 18 years up to April 28, 2016 and December 12, 2015, respectively. Upon expiration of the 18-year cooperation period, the ECAs may be renewed upon the sole option of NPC. On April 28, 2016 and December 12, 2015, ECA with SPPC and WMPC have expired and not renewed by NPC, respectively.

The covering agreements also contain certain provisions with respect to NPC's payment to SPPC and WMPC, subject to certain conditions, of the total remaining amounts of the capacity fees until the end of the cooperation period, in the event of amendment, modification or repeal of any Philippine laws or any government regulations that will materially reduce, prejudice or otherwise adversely affect the

companies' interest in the project or the power plant/station, and/or the economic return on their investments.

The ECAs qualify as operating leases as SPPC and WMPC sell all their outputs to NPC. Energy fees earned on the ECAs amounted to P240 million in 2016 (nil in 2017).

REGULATORY & ENVIRONMENTAL MATTERS

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 effectivity 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 effectivity of 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.

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 SEC 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 SEC 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 SRC provisions, as well as the 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 SEC on December 24, 1974.

ARTICLES OF INCORPORATION AND BY-LAWS

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

The By-Laws of the Company were registered with the SEC 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 is authorized to exist for a term of 50 years from the date of its incorporation. This term may be renewed through an amendment to the Articles approved by the SEC.

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 issuance and sale of the CPs were duly authorized by the Board of Directors of the Company on October 13, 2016.

DOCUMENTS AVAILABLE FOR INSPECTION

Copies of the Articles of Incorporation and By-laws are available for inspection at the principal office of the Company, during normal business hours on any day on which such office is open for business. Copies may also be inspected at the office of the SEC.

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 which 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 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 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 which is levied on the net estate of the deceased at progressive rates ranging from 5% to 20% if the net estate is over ₱200,000.

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 strangers at a flat rate of 30% of the net gifts. A "stranger" is defined as any person who is not a brother, sister (whether by whole- or half-blood), spouse, ancestor and lineal descendant or relative by consanguinity in the collateral line within the fourth degree of relationship. A donation to a

non-stranger will be subject to a donor's tax at progressive rates ranging from 2% to 15% if the net gifts made during the calendar year exceed ₱100,000.

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.

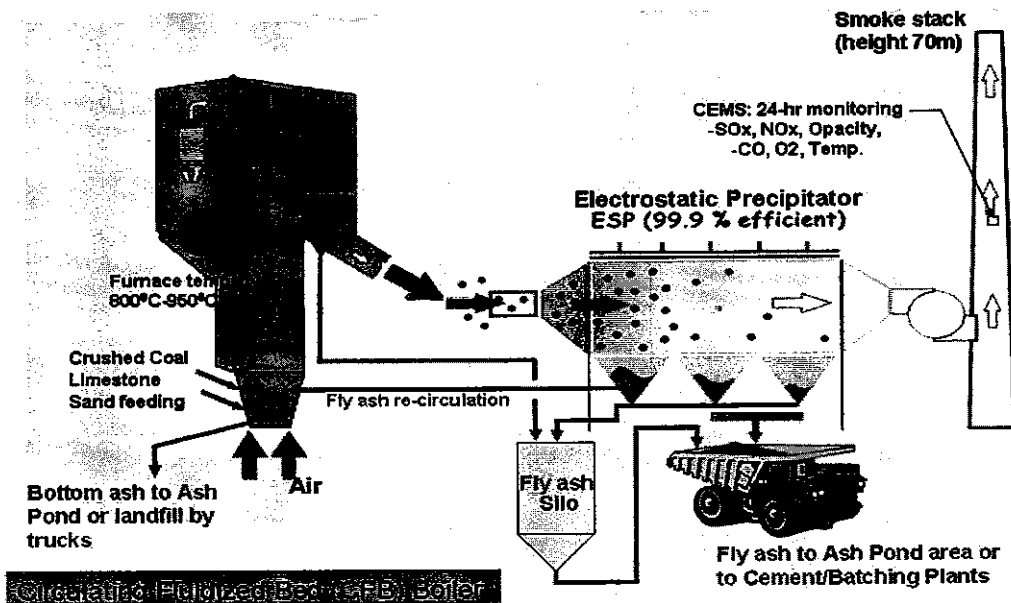
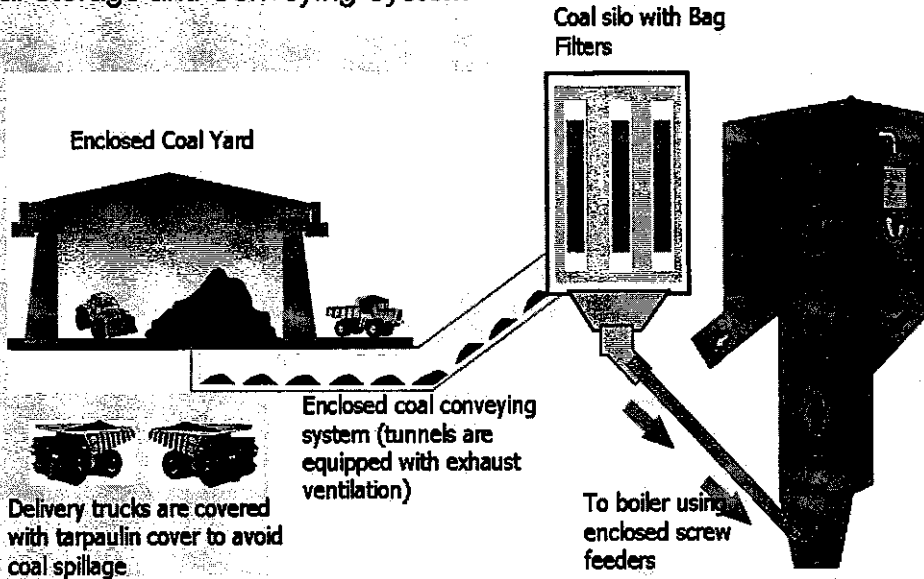
TAXATION OUTSIDE THE PHILIPPINES

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.

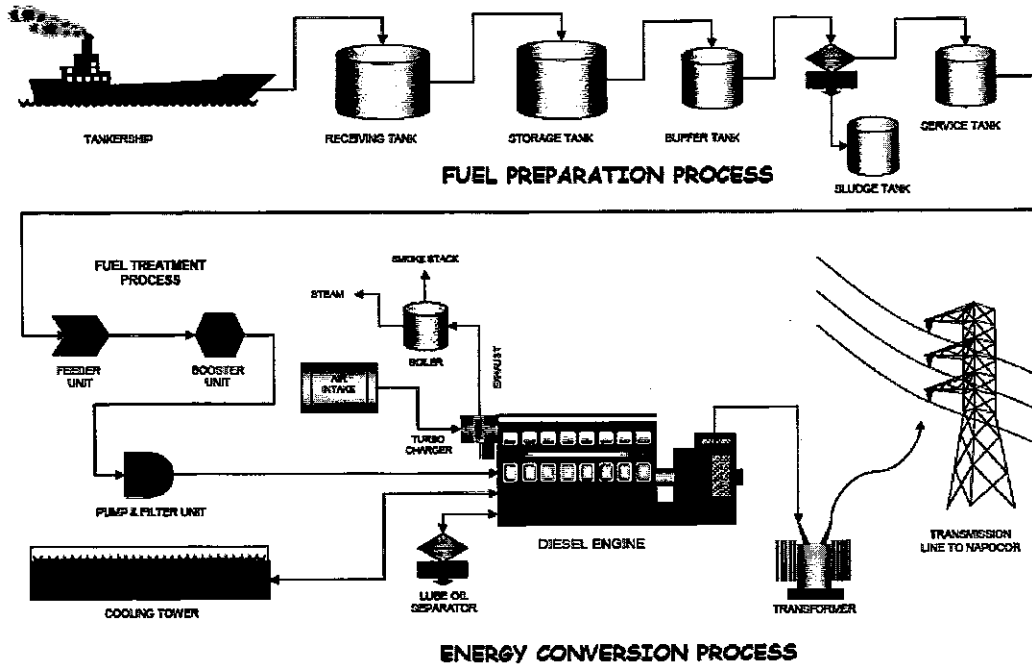
ANNEX 1: PROCESS FLOW

I: Process of a Coal-Fire Thermal Power Plant

Coal Storage and Conveying System



II: Process of a Coal-Fire Thermal Power Plant



ANNEX 2: LIST OF PERMITS AND LICENSES

III: List of regulatory permits and licenses of ACR and its subsidiaries.

I. Alsons Consolidated Resources, Inc.

	Date of Issuance	Governing Regulatory Body	Validity	Status
Amended Articles of Incorporation	August 11, 2014	Securities and Exchange Commission	Valid	
Business Permit	January 29, 2018	City of Makati	December 31, 2018	
Barangay Clearance	January 12, 2018	Barangay Magallanes	December 2018	
Community Tax Certificate	January 27, 2018	City of Makati	December 2018	
Sanitary Permit	January 29, 2018	City of Makati (Environmental Health & Sanitation)	December 31, 2018	

II. Mapalad Power Corporation

	Date of Issuance	Governing Regulatory Body	Validity	Status
Certificate of Incorporation	July 13, 2010	Securities and Exchange Commission	Valid	
Certificate of Registration (BIR Form No. 2303)	April 10, 2013	Bureau of Internal Revenue	Valid	
SSS Registration	March 2013	Social Security System	Valid	
PHIC Registration	April 4, 2013	Philippine Health Insurance Commission	Valid	
HDMF Registration	April 4, 2013	Home Development Mutual Fund	Valid	
Tax Assessment Record 2018	January 10, 2018	Local Government of [Iligan City]	2018	
201 Business Permit	February 1, 2018	Local Government of [Iligan City]	December 31, 2018	
2018 City Environment Management Office (CEMO) Certification	January 18, 2018	Department of Energy and Natural Resources	December 31, 2018	
2018 Corporate Community Tax Certificate (BIR Form 0017)	January 11, 2018	Local Government of [Iligan City]	Annual (2018)	

2018 Barangay Clearance	January 11, 2018	Office of the Barangay Captain of [Barangay Dalipuga, Iligan City]	6 months validity	Subject for renewal
Sanitary Permit	February 9, 2018	Local Government of [Iligan City]	December 31, 2018	
BIR Annual Registration (BIR Form No. 0605)	January 10, 2018	Bureau of Internal Revenue, Revenue District Office No. [RDO 101]	Annual	
BIR Certification 2018 (2018-101-023)	January 11, 2018	Bureau of Internal Revenue	6 months validity	Subject for renewal
2018 PhilHealth Clearance	January 11, 2018	Philippine Health Insurance Commission	Annual	
2018 HDMF Clearance	January 11, 2018	Home Development Mutual Fund	December 31, 2018	
Environmental Compliance Certificate	July 3, 2013	Department of Energy and Natural Resources	Valid	
CR – Chemical Control Order on Polychlorinated Biphenyls	April 3, 2013	Department of Energy and Natural Resources	Valid	
Discharge Permit	March 25, 2015	Department of Energy and Natural Resources	March 24, 2020	
Certificate of Compliance (CoC)	March 10, 2014	Energy Regulatory Commission	5 years validity (2019)	
Hazardous Waste Generator Registration Certificate	March 23, 2016	Department of Energy and Natural Resources	Valid	
Permit to Operate Air Pollution Source and Control Installations	March 24, 2014	Department of Energy and Natural Resources	March 29, 2019	

III. Southern Philippines Power Corp.

	Date of Issuance	Governing Regulatory Body	Validity/ Due Date	Status
Mayor's Permit	January 9, 2018	LGU-Alabel	December 31, 2018	
Community Tax Certificate	January 8, 2018	LGU-Alabel	December 31, 2018	
Barangay Clearance	January 8, 2017	LGU-Alabel	December 31, 2018	
Sanitary Permit to Operate	January 9, 2017	LGU-Alabel	December 31, 2018	
Fire Inspection Safety Certificate	February 2, 2018	BFP-Alabel	February 2, 2019	

Annual Building, Electrical and Mechanical Inspection Fees	September 28, 2017	LGU-Alabel	August 2018	Subject for renewal
Certificate of Compliance	August 5, 2013	Energy Regulatory Commission	August 5, 2018	Subject for renewal
Certificate of Incorporation	March 15, 1996	Securities and Exchange Commission	Valid	
Environmental Compliance Certificate (DG Nos. 1 to 5)	August 25, 1997	Department of Environment and Natural Resources	Valid	
Environmental Compliance Certificate (DG No. 6)	April 6, 2004	Department of Environment and Natural Resources	Valid	
Permit to Operate Air Pollution Source and Control Installation	August 25, 2015	Department of Environment and Natural Resources	August 31, 2020	
Wastewater Discharge Permit	August 25, 2015	Department of Environment and Natural Resources	August 31, 2020	
Annual Baseload Fee	July 26, 2017	Department of Environment and Natural Resources	Valid	For renewal every August-
Compressed Work Schedule	March 6, 2018	Department of Labor and Employment	Valid until the end of every quarter	Quarterly renewal
Permit to Operate Internal Combustion ICE-XII-11-04; ICE-XII-12-04; ICE-XII-26-04; ICE-XII-02-04; ICE-XII-03-04; ICE-XII-04-04; ICE-XII-02-05; ICE-XII-06-04	September 28, 2017	Department of Labor and Employment	1 year validity	
Certificate of Electrical Inspection XII-06-01&02	September 28, 2017	Department of Labor and Employment	1 year validity	
Permit to Operate Crane and Hoist Equipment CHDL-XII-01-14; CHDL-XII-02-14	September 28, 2017	Department of Labor and Employment	1 year validity	
Permit to Operate Steam Boiler DL-XII-03-04; DL-XII-05-04; DL-XII-05-04	September 28, 2017	Department of Labor and Employment	1 year validity	
Permit to Operate Pressure Vessel PVDL-XII-06-04; PVDL-XII-05-	September 28, 2017	Department of Labor and Employment	1 year validity	

04; PVDL-XII-04-04; PVDL-XII-03-04; PVDL- XII-02-04; PVDL-XII-01- 04				
Power Piping Line Operation Permit PPLDL-XII-03-14; PPLDL- XII-02-14; PPLDL-XII-01- 14	September 28, 2017	Department of Labor and Employment	1 year validity	
Vehicle Registration PL:TJO751	January 1, 2018	Department of Transportation	Valid	
Vehicle Registration PL:MA13092	February 5, 2018	Department of Transportation	Valid	
Vehicle Registration PL:NZI243	February 28, 2018	Department of Transportation	Valid	
Vehicle Registration PL:AOA9943	February 21, 2018	Department of Transportation	Valid	
Vehicle Registration PL:MAX537	July 4, 2018	Department of Transportation	Valid	
Vehicle Registration PL:ACA7108	July 12, 2017	Department of Transportation	Valid	
Vehicle Registration PL:NQI910	October 8, 2017	Department of Transportation	Valid	
Vehicle Registration PL:AEA4060	October 9, 2017	Department of Transportation	Valid	
Ratio Station License P- LL-00268-2016; 00269- 2015; 00270-2015	January 19, 2018	National Telecommunications Commission	January 20, 2019	
Network Radio Station License 3FX/FB— 0015664 to 001566-16	May 25, 2017	National Telecommunications Commission	May 31, 2018	For renewal in May
Network Radio Station License 8P-LL-01894 to 01901-16	July 11, 2017	National Telecommunications Commission	July 12, 2018	For renewal in July
Network Radio Station License 11P-LL-002188 to 002198-16	August 16, 2017	Telecommunications Commission	August 6, 2018	Subject for renewal
Radio Station License 2P-LL-02406 to 02407- 16	September 14, 2017	Telecommunications Commission	September 15, 2018	Subject for renewal
Water Permit SP- CV1001419	May 28 2017	National Water Resource Board	Valid, yearly renewal	
First Class Operator's Certificate (RRA)	April 13, 2015	National Telecommunications Commission	Valid until January 30, 2019	

First Class Operator's Certificate (HES)	July 24, 2015	National Telecommunications Commission	Valid until November 18, 2018	
Radio Land Mobile Operator's Certificate	August 16, 2017	National Telecommunications Commission	Valid until August 2, 2021	
BIR 0605	January 05, 2018	Bureau of Internal Revenue	December 2018	

IV. Western Mindanao Power Corp.

	Date of Issuance	Governing Regulatory Body	Validity	Status
Certificate of Incorporation	March 15, 1996	Securities and Exchange Commission	50 Years	
Certificate of Registration (BIR Form No. 2303)	January 17, 2000	Bureau of Internal Revenue	Valid	
VAT Annual Registration Fee	January 5, 2017	Bureau of Internal Revenue	Valid	
2018 Mayor's Permit	January 20, 2018	City Government of Zamboanga	December 31, 2018	
Environmental Compliance Certificate	November 8, 1996	Department of Environment and Natural Resources	Valid	
Community Tax Certificate	January 09, 2018	City Government of Zamboanga	December 31, 2018	
Fire Safety Inspection Certificate	January 18, 2018	Bureau of Fire Protection	December 31, 2018	
Sanitary Permit	January 08, 2018	City of Zamboanga (Office of the City Health Officer)	December 31, 2018	
Barangay Business Clearance	January 04, 2018	City of Zamboanga	December 31, 2018	
Wastewater Discharge Permit	January 3, 2017	Department of Environment and Natural Resources	Valid from December 12, 2016 to December 11, 2021	
Permit to Operate Air Pollution Installation	January 3, 2017	Department of Environment and Natural Resources	Valid from December 9, 2016 to December 8, 2021	

Radio Station LicenseP-II-00001-16	January 18, 2018	National Telecommunications Commission	January 17, 2019	
Vehicle Registration NOP442	February 7, 2018	Department of Transportation LTO	Valid	
Vehicle Registration 3562SB	February 8, 2018	Department of Transportation LTO	Valid	

V. Sarangani Energy Corp.

	Date of Issuance	Governing Regulatory Body	Validity	Status
Certificate of Incorporation	October 15, 2010 (photocopy only available on site)	Securities and Exchange Commission	Valid	
Special Use Agreement in Protected Area for Jetty	June 1, 2014	Department of Environment and Natural Resources	Valid until May 31, 2019	
Wastewater Discharge Permit	April 25, 2013	Department of Environment and Natural Resources	Valid from April 19, 2017 to May 7, 2018	Subject for renewal
Permit to Operate (1 unit 280 KW Doosan Brand Diesel Engine Standby Fire Pump Hydrant)	November 16, 2015	Department of Environment and Natural Resources	Valid from November 16, 2015 to November 14, 2020	
Permit to Operate (1 unit 105 MW Foster Wheeler North American Corporation Brand Circulating Fluidized Bed (CFB) Coal-fired Coiler Provided w/ Electrostatic Precipitator (ESP); Four (4) units 2.5 MW Cummins brand Diesel Engine Generator Set individually provided with Muffler/Silencer)	March 01, 2015	Department of Environment and Natural Resources	Valid from February 11, 2015 to February 10, 2020	
Permit to Operate (1 unit 671 KW Cummins Brand Diesel Engine Standby Generator Set)	March 01, 2015	Department of Environment and Natural Resources	Valid from February 11, 2015 to February 10, 2020	

Permit to Operate (1 unit 60 KVA Cummins Brand Diesel Engine Standby Generator Set provided with Muffler/Silencer)	March 01, 2015	Department of Environment and Natural Resources	Valid from February 11, 2015 to February 10, 2020	
Special Land Use Permit (Water Extraction Facility)	March 29, 2016	Department of Environment and Natural Resources	Valid from April 1, 2016 to April 1, 2017	Conversion of SLUP to FLAG is on process
Radio Station License 2FX-LL-0001 TO 0001-15	Dec. 18, 2017	National Telecommunications Commission	Dec. 18, 2017 to Dec. 21, 2018	
Radio Station License 2FX-LL-0105 to 0106-16	July 20, 2017	National Telecommunications Commission	July 20, 2017 to July 14 2018	Subject for renewal
Radio Station License 3P-LL-4898 to 4900-17	Dec. 15, 2017	National Telecommunications Commission	Dec. 14, 2017 to Dec. 13, 2018	
Radio Station License 14_4P-LL-4894 to 4897-17	Dec. 15, 2017	National Telecommunications Commission	Dec. 14, 2017 to Dec. 13, 2018	
Radio Station License -LL-002036 to 002052-16	Dec. 11 2017	National Telecommunications Commission	Dec. 18, 2017 to Dec. 29, 2018	
Radio Station License - 17P-LL-002072 to 002088-16	Dec. 11 2017	National Telecommunications Commission	Dec. 18, 2017 to Dec. 29, 2018	
Radio Station License LL-001890-13	July 20, 2017	NTC	July 20, 2017 to September 25, 2018	Subject for renewal
Radio Station License -LL-001891-13	July 20, 2017	NTC	July 20, 2017 to September 25, 2018	Subject for renewal
Radio Station License -LL-001892-14	July 20, 2017	NTC	July 20, 2017 to July 11, 2018	Subject for renewal
Radio Station License -LL-001893-14	July 20, 2017	NTC	July 20, 2017 to July 11, 2018	Subject for renewal
CUE - Transformer Area	July 05, 2017	PEZA	Annual	Subject for PTO application of add-on installed machineries.
Certificate of Electrical Inspection.RO12-2017-01	Aug 23, 2017	DOLE	Annual	
Permit to Operate Pressure Vessel CHDL-XII-12-14	August 25, 2017	DOLE	Annual	

Permit to Operate Pressure Vessels PVDL-XII-18-14	August 25, 2017	DOLE	Annual	
Permit to Operate Pressure Vessels PVDL-XII-19-14	August 25, 2017	DOLE	Annual	
Permit to Operate Pressure Vessels PVDL-XII-20-14	August 25, 2017	DOLE	Annual	
Permit to Operate Pressure Vessels PVDL-XII-21a-14	August 25, 2017	DOLE	Annual	
Permit to Operate Pressure Vessels PVDL-XII-21b-14	August 25, 2017	DOLE	Annual	
Permit to Operate Pressure Vessels PVDL-XII-22-14	August 25, 2017	DOLE	Annual	
Permit to Operate Pressure Vessels PVDL-XII-23-14	August 25, 2017	DOLE	Annual	
Permit to Operate Pressure Vessels PVDL-XII-27-14	August 25, 2017	DOLE	Annual	
Permit to Operate Pressure Vessels PVDL-XII-28-14	August 25, 2017	DOLE	Annual	
Permit to Operate Pressure Vessels PVDL-XII-31-14	August 25, 2017	DOLE	Annual	
Permit to Operate Pressure Vessels PVDL-XII-32-14	August 25, 2017	DOLE	Annual	
Permit to Operate Crane and Hoist Equipment CHDL-XII-15-15	August 25, 2017	DOLE	Annual	
Permit to Operate Crane and Hoist Equipment CHDL-XII-15-19	August 25, 2017	DOLE	Annual	
Permit to Operate Elevator and Related Equipment EVDL-XII-20-15	August 25, 2017	DOLE	Annual	
Permit to Operate Steam Turbine No STDL-XII-02-14	August 25, 2017	DOLE	Annual	
Power Piping Line Operation Permit PPLDL-XII-01a-15	August 25, 2017	DOLE	Annual	

Power Piping Line Operation Permit PPLDL- XII-01b-15	August 25, 2017	DOLE	Annual	
Power Piping Line Operation Permit PPLDL- XII-01c-15	August 25, 2017	DOLE	Annual	
Power Piping Line Operation Permit PPLDL- XII-01d-15	August 25, 2017	DOLE	Annual	
Coastal Radio Station License FC-LL-0028-16	Dec. 18, 2017	National Telecommunications Commission	Dec. 18, 2017 to November 29, 2018	
Fire Safety Inspection Certificate		PEZA		Awaiting issuance
Pleasure Yacht License LIC 0041012	March 20, 2017	Maritime Industry Authority	March 20, 2017 to March 19, 2018	Subject for renewal
Conditional Water Permit. NO. 07-19-17-047	July 19, 2017	National Water Resources Board (NWRB)	Annual	
License to Handle Controlled Precursors & Essential Chemicals	March 22, 2017	Philippine Drug Enforcement Agency (PDEA)	March 22, 2017 to Mar. 25, 2018	Renewal application is in process
Network Radio Station License LL-002017- 16_FX.FB-LL-002018- 16_17P-LL-002019 to 002035-16	Dec. 18, 2017	NTC	Dec. 18, 2017 to Dec. 29, 2018	
Network Radio Station License -LL-002053- 16_FX.FB-LL-002054- 16_17P-LL-002055 to 002071-16	Dec. 18, 2017	NTC	Dec. 18, 2017 to Dec. 29, 2018	
Certificate of Non- Coverage CNC-OL-R12- 2016-09-11186	September 9, 2016	Department of Environment and Natural Resources	Valid	One time application
Permit to Operate Steam Boiler No. DL-XII-03-15	May 20, 2016	Department of Labor and Employment	Valid from August 25, 2017 to August 12, 2018	Subject for renewal
Permit to Operate Pressure Vessel No.: PVDL- XII-04-15	January 13, 2017	Department of Labor and Employment	Valid from December 23, 2016 to December 23, 2017	Payment for renewal is in process. Inspection conducted on Jan. 22, 2018

Permit to Operate Internal Combustion engine ICE No. ICE-XII-11-15	January 13, 2017	Department of Labor and Employment	Valid from December 23, 2016 to December 23, 2017	Payment for renewal is in process. Inspection conducted on Jan. 22, 2018
Registration of Establishment under Rule 1020 of Occupation Safety and Health Standards of DOLE	June 23, 2012	Department of Labor and Employment	Valid	One time application; Valid until the organization declares bankruptcy or closure
Deepwell # IWI - Permit No. 023793	April 28, 2016	National Water Resources Board	One time application / w/ Annual Water Charge	
Deepwell #IW2 - Permit No. 023792	April 28, 2016	National Water Resources Board	One time application / w/ Annual Water Charge	
Deepwell IW3 - Permit No. 023791	April 28, 2016	National Water Resources Board	One time application / w/ Annual Water Charge	
Siguil River Permit No. 023461	February 26, 2015	National Water Resources Board	One time application / w/ Annual Water Charge	
Siguil River Permit No. 023462	February 26, 2015	National Water Resources Board	One time application / w/ Annual Water Charge	
Deepwell A/IW 4 - Permit No. 023463	February 26, 2015	National Water Resources Board	One time application / w/ Annual Water Charge	
PDEA CPECS / DBB regulations of CPECS		Philippine Drug Enforcement Agency		Semi-annual submission of report is carried out
First Class Operator's Certificate	December 08, 2016	National Telecommunications Commission	Valid from December 8, 2016 to November 29, 2019	

Permit to occupy (Admin and Service building) 1) Fire Fighting and Safety Building 2) Laboratory 3) Clinic 4) Admin Building		Philippine Economic Zone Authority		On process/ Ongoing review of drawings with Project Team
Permit to Occupy EP Electrical and Control Building		Philippine Economic Zone Authority		For checking if permits already collected. Application submitted last August 2017.
Building Permit Heavy Equipment Garage		Philippine Economic Zone Authority		On process/ As of Jan. 23, 2018 – for PEZA OR insurance
Building Permit Warehouse Extension Project		Philippine Economic Zone Authority		On process/ Occupancy permit application was submitted last Jan. 2018, 2018
Building Permit LFO Fueling Station		Philippine Economic Zone Authority		For issuance
Certificate of Compliance (Main Plant)	April 19, 2016	DOE – ERC	Valid from April 19, 2016 to April 18, 2021	
Certificate of Compliance (Siguil)	April 28, 2015	DOE – ERC	Valid from Apr. 28, 2015 – Apr. 28, 2020	
Permit to Operate the Non-Commercial Private Port	November 03, 2014	PPA	Valid from November 17, 2014 to November 17, 2019	
Statement of Compliance of a Port Facility	November 25, 2014	DOTC-OTS	Valid from November 25, 2014 to November 24, 2019	
BIR Annual Registration Fee	January 11, 2017	Bureau of Internal Revenue	Valid	