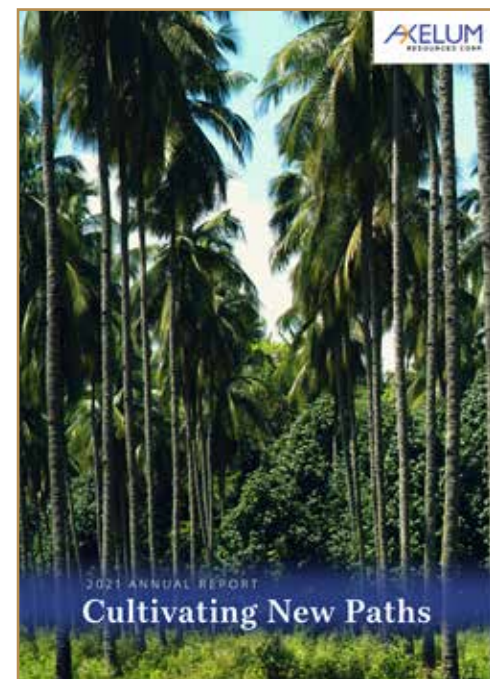


2021 ANNUAL REPORT

Cultivating New Paths



About the Cover

The cover depicts a reshaped yet familiar setting, characterized by the warmth and presence of tall coconut trees, while **Cultivating New Paths** of growth through resilience, adaptability, and innovation. Axelum continued to flourish despite lingering uncertainties, retooling strategies and seizing unique opportunities to thrive in this new reality.

About the Report

Cultivating New Paths, summarizes Axelum’s remarkable journey in 2021, filled with unprecedented learnings and experiences, that helped pave its way amidst a challenging environment. The 2021 Annual Report documents the strength of Axelum’s business performance, anchored on versatility and a forward-looking mindset, while creating value for stakeholders.

Table of Contents

About the
Report

2

About Axelum

4

Business Overview

8

Messages from
the Chairman and
President

24

Leadership

30

Corporate
Governance

38

Investor
Relations

60

Sustainability
at a Glance

62

Awards and
Recognition

64

Management
Discussion and
Analysis

65

Contact
Information

79



1986



Fiesta Brands, Inc. (FBI) gained control of the manufacturing facility of Red V Coconut Products Ltd. (Red V) in the Municipality of Medina, Misamis Oriental. FBI commenced initial operations to produce high-quality desiccated coconut and coconut milk powder.

1990

- FBI pioneered the first ultra-high temperature coconut manufacturing plant in the Philippines, to add coconut water and coconut milk/cream to its growing range of product offerings.



- FBI acquired the marketing and distribution hub of Red V Foods Corp. in the United States, including its brands, patents and trademarks, to establish significant market presence in North America.

2003



FBI set up Fiesta Ingredients Australia Pty. Ltd. (FIA) to capitalize on growing demand for premium coconut products in Australia and New Zealand.

2010



- Axelum Resources Corp. was incorporated to house operations of coconut water.



- Forged partnership with Vita Coco, the world's largest and most popular coconut water brand today.

2017

Axelum Resources Corp. consolidates all of the assets of FBI including operations in the United States and Australia.

2019



Axelum Resources Corp. launched its Initial Public Offering in the Philippine Stock Exchange to support business expansion.

2021

Axelum Resources Corp. completes future-proofing activities to reinforce core competencies, as it resumes long-term growth momentum in a renewed business landscape.



Mission

We are a local company with a global mindset, whose main purpose is to nurture people with our products. Axelum aims to be the definition of excellence in food and beverage manufacturing, distribution, and product development.

Axelum unceasingly strives to be:

- a foreign exchange earner,
- a labor-intensive employer,
- a developer of livelihood in socially depressed areas,
- a leader in cutting-edge technology, and
- a promoter of spiritual and honorable Filipino values.

Vision

To be the premier player within the food and beverage industry known for our dedication to excellence, client satisfaction, and product innovation through our greatest asset: **Our People**.

Core Values

QUALITY - We commit to deliver premium products to our customers.

MALASAKIT - We care and support our local communities by creating sustainable livelihoods that provide economic security and a sense of pride for the Filipino worker.

BAYANIHAN - We believe in the Filipino practice of 'bayanihan' – a spirit of communal work and cooperation. We are united in everything that we do and committed to helping our fellow workers perform their tasks. Working as one cohesive team is engrained in our culture.

CONSTANT IMPROVEMENT - We constantly improve our practices through continuous learning.

INTEGRITY - We do our work with integrity and accountability. We do so by giving due diligence to the task assigned, and by being punctual, complete, and accurate in doing the tasks assigned without rework.

FELLOWSHIP - We strive for individual transformation for the betterment of everyone. We commit to recognizing and appreciating each one's efforts, and being open and receptive to others' comments and suggestions.



Supply Chain

The Coconut

The coconut is a versatile fruit from the coconut palm (*Cocos nucifera*), and is considered a major crop grown abundantly in tropical regions. The coconut tree can grow up to 80-feet tall, and takes around three to eight years to bear fruit, with an average lifespan of between 60-80 years old. The coconut yields edible white meat and water, known for its rich health properties, and has been extensively used commercially as a universal food ingredient for various cuisines and delicacies. The white meat is processed into a wide array of products mainly coconut oil, desiccated coconut, coconut milk powder, coconut milk/cream and coconut cooking oil, among other variants. The liquid component is packaged into a nutritious thirst-quenching beverage, offering a strong alternative to conventional drinks. Recently, coconut products are being utilized as raw inputs for non-food items.



Parts of the Coconut



White Meat

- Desiccated Coconut
- Coconut Milk Powder
- Sweetened Coconut
- Coconut Milk/Cream
- Reduced Fat Coconut

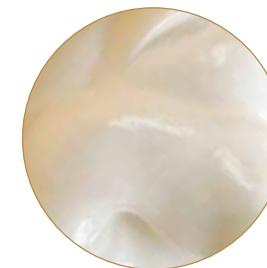
- Coconut Cooking Oil
- Toasted Coconut
- Roasted Coconut
- Crude Coconut Oil
- Paring Cake



• Desiccated Coconut



• Coconut Milk Powder



• Coconut Milk/Cream



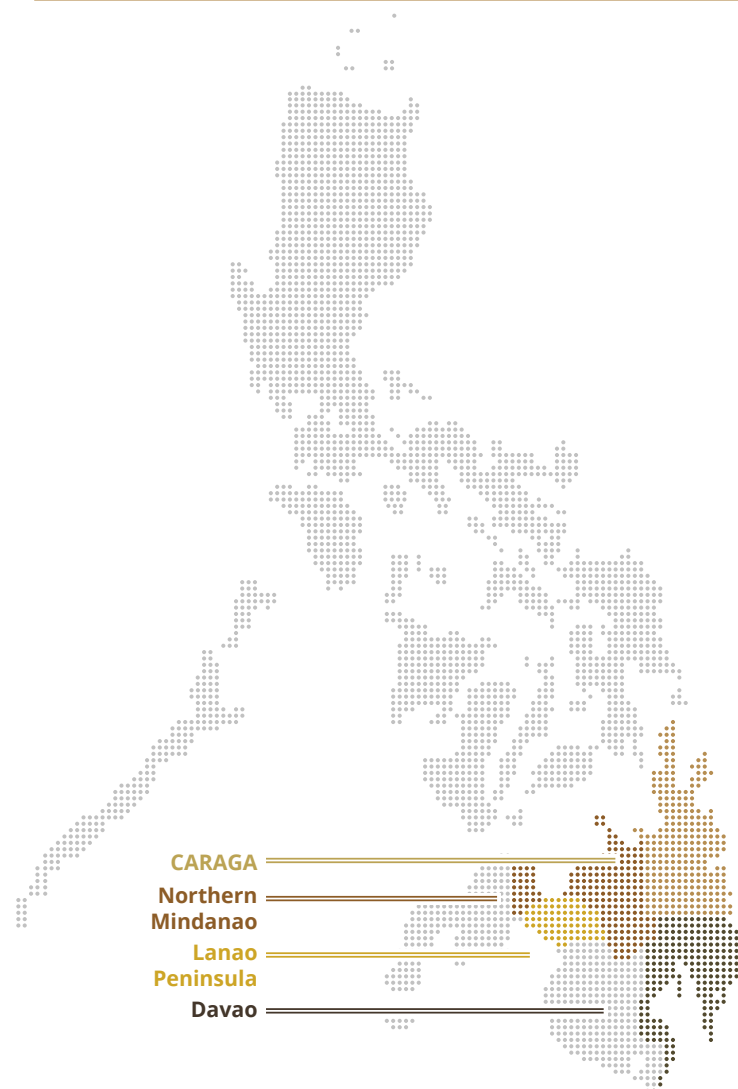
• Toasted Coconut



Coconut Water

- Regular Coconut Water
- Organic Coconut Water
- Pressed Coconut Water

Raw Material Sourcing



Axelum sources its primary raw material from the most-dense coconut populated areas in the country, which collectively accounts for approximately 30%-35% of total annual harvests. These areas are composed of the CARAGA, Lanao Peninsula, Northern Mindanao and Davao regions, which are located within a 200-kilometer radius from its main production facility, the Medina Plant. These sourcing areas feature unique characteristics conducive to the growth of high-quality coconut trees including year-round tropical climate with adequate rainfall, typhoon-free and close proximity to lowlands with rich soil content.

Since 1986, Axelum has been repeatedly transacting with bulk traders and thousands of coconut farmers. Raw coconuts are delivered to the Medina Plant or collected at offsite nut buying stations to facilitate the seamless flow of nut supply. Axelum purchases fresh coconuts at above-market prices to guarantee sufficient allocation for its daily requirements and augment household income of coconut farmers.

Despite the pandemic, Axelum managed to maintain a stable supply of raw materials, allowing it to continuously service increasing orders of its major customers.



Manufacturing and Exporting Operations

Axelum's manufacturing model makes full-use of the entire coconut, translating to zero-waste generated from raw materials. Coconut shells are utilized as feedstock to fuel industrial boilers that produce culinary-grade steam. This significantly reduces the risks posed by pollutant emissions that are harmful to the natural environment.

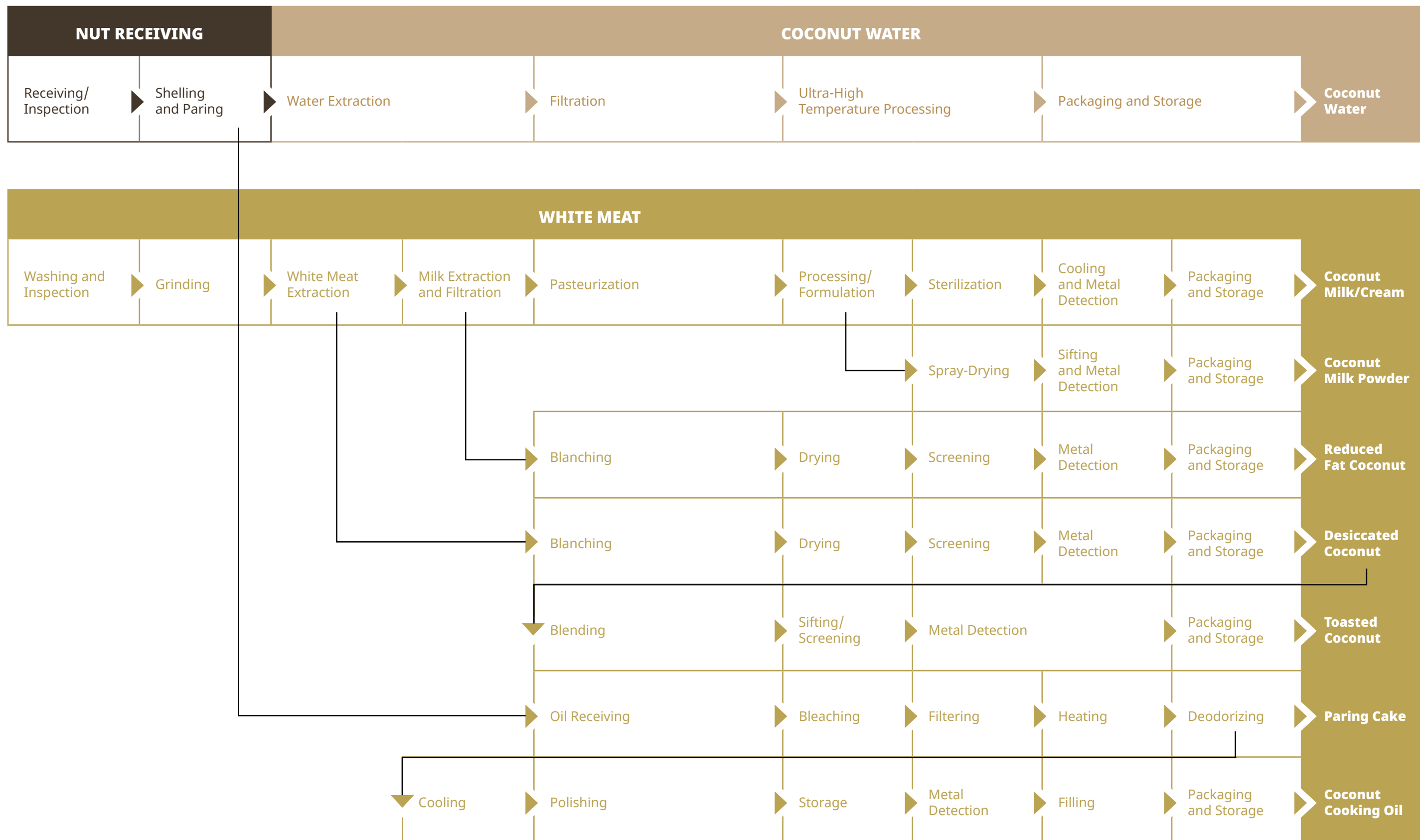
Axelum's products are divided into two main segments: White Meat and Coconut Water.

Coconut white meat is converted into various globally in-demand products using modern technology primarily for international markets. Core white meat product segments include desiccated coconut, coconut milk powder, sweetened coconut, coconut milk/cream, coconut cooking oil, reduced fat coconut, toasted coconut, roasted coconut, paring cake and other selected variants.

Coconut water is extracted, processed and packed in recyclable Tetra Pak material, offering a refreshing substitute to conventional drinks. Coconut water has garnered massive mainstream appeal owing to its delightful taste and proven health benefits.



Manufacturing Process





Best-in-Class Products

Axelum offers a wide array of premium coconut products that conform to the most stringent international quality standards on food manufacturing and safety. For over three decades, Axelum has built a global reputation anchored on superior quality, reliability and technical expertise, while cementing itself as the preferred supplier to renowned consumer brands.

WHITE MEAT

Desiccated coconut is made from shredded high-quality pure white coconut meat and is dried to retain the natural flavor or aroma of the coconut. It is rich in fiber and carries a maximum fat of 70%. Desiccated coconut is an ideal ingredient for confectioneries and bakeries. Axelum offers desiccated coconut including organic, toasted, roasted and sweetened variants, prepared in granulated cuts, flakes and chips. Axelum's desiccated coconut products are marketed under homegrown brand Fiesta and Red-V.

Coconut milk powder is a fine, creamy white powder produced from freshly squeezed coconut milk blended with natural stabilizers, developed and perfected to address the cooking requirements of manufacturers, food service chefs and homemakers, that is shelf-stable and easy-to-use. Coconut milk powder is a staple in Southeast Asian cuisine and a key input for confectioneries, baked goods, food sauces, desserts and savory dishes. Axelum's Fiesta branded coconut milk powder is available in industrial and retail packaging.

Coconut milk/cream is the pure extract of coconut meat, combined with natural stabilizers and ultra-high temperature processed to preserve the freshness and natural flavor of newly-squeezed coconut milk. Coconut milk/cream is popularly used in liquid applications and presents as an excellent milk alternative. Axelum's coconut milk/cream products are sold under the labels Fiesta and Fiesta Tropicale.

Reduced fat coconut is made from shredded pure white meat, defatted and dried to 45%-55% fat content. It is best used for applications that require low-fat high-fiber recipe, adding an exciting texture and chewiness to a host of bakery offerings. Axelum's reduced fat coconut products are branded as Cocorich.

Coconut cooking oil is extracted from the dried white meat. Axelum's coconut cooking oil products are marketed domestically under the brand Romantika and comes in industrial and retail packaging.

Sweetened coconut is the shredded flesh of ripened coconut with a soft and chewy texture that can be prepared in unique fancy cuts. Sweetened coconut is regularly used as batter for baked goods.

Toasted coconut is made from desiccated coconut and is available in both sweetened and unsweetened varieties. This textural nutty ingredient is commonly used for baking, cereals, granola and decorative cake toppings.

COCONUT WATER

Coconut water is the clear liquid inside the fresh coconut that makes for a nutritiously delicious better-for-you drink. Coconut water is processed using advanced ultra-high temperature technology to preserve the quality and flavor of natural coconut water. Coconut water can be mixed with a variety of beverage concoctions as juice base. Axelum produces coconut water in 330 mL and 500 mL ready-to-drink packaging.



Multiple Quality Certifications

Axelum is committed and strictly adheres to the highest standards in food manufacturing, handling and safety. Axelum's manufacturing operations is backed by multiple quality certifications from major local and international certifying bodies. Every year, Axelum is subjected to around 25-30 comprehensive audits conducted by regulators, customers and independent auditors.

As a result of this rigorous discipline, Axelum has been an accredited supplier to some of the largest multinational consumer brands for the last three decades, limiting customer switching opportunities and solidifying its industry position as the preferred global supplier of world-class coconut products.



Global Standard For
Food Safety Issue 7 AA

BRC
(British Retail Consortium)



General Principles of Food Hygiene
and Hazard Analysis and Critical
Control Points (HACCP) System

TUV SUD PSB Philippines



Good Manufacturing
Practices (GMP)

TUV SUD PSB Philippines



Laboratory Quality
Management System

PNS ISO/IEC 17025:2005



Kosher Certification

OK Kosher Certification



Customs-Trade Partnership
Against Terrorism (CTPAT)

Bioterrorism



SEDEX Members
Ethical Trade Audit



Halal Certification
Islamic Da'wah Council
of the Philippines



Halal Certification
Halal Development
Institute of the Philippines



Unilever Sustainable Certified
Supplier - Coconut



USDA Organic Certification Certified to 3 Organic Standards:
(1) US Department of Agriculture, (2) European Union, and
(3) Japanese Agricultural Standard



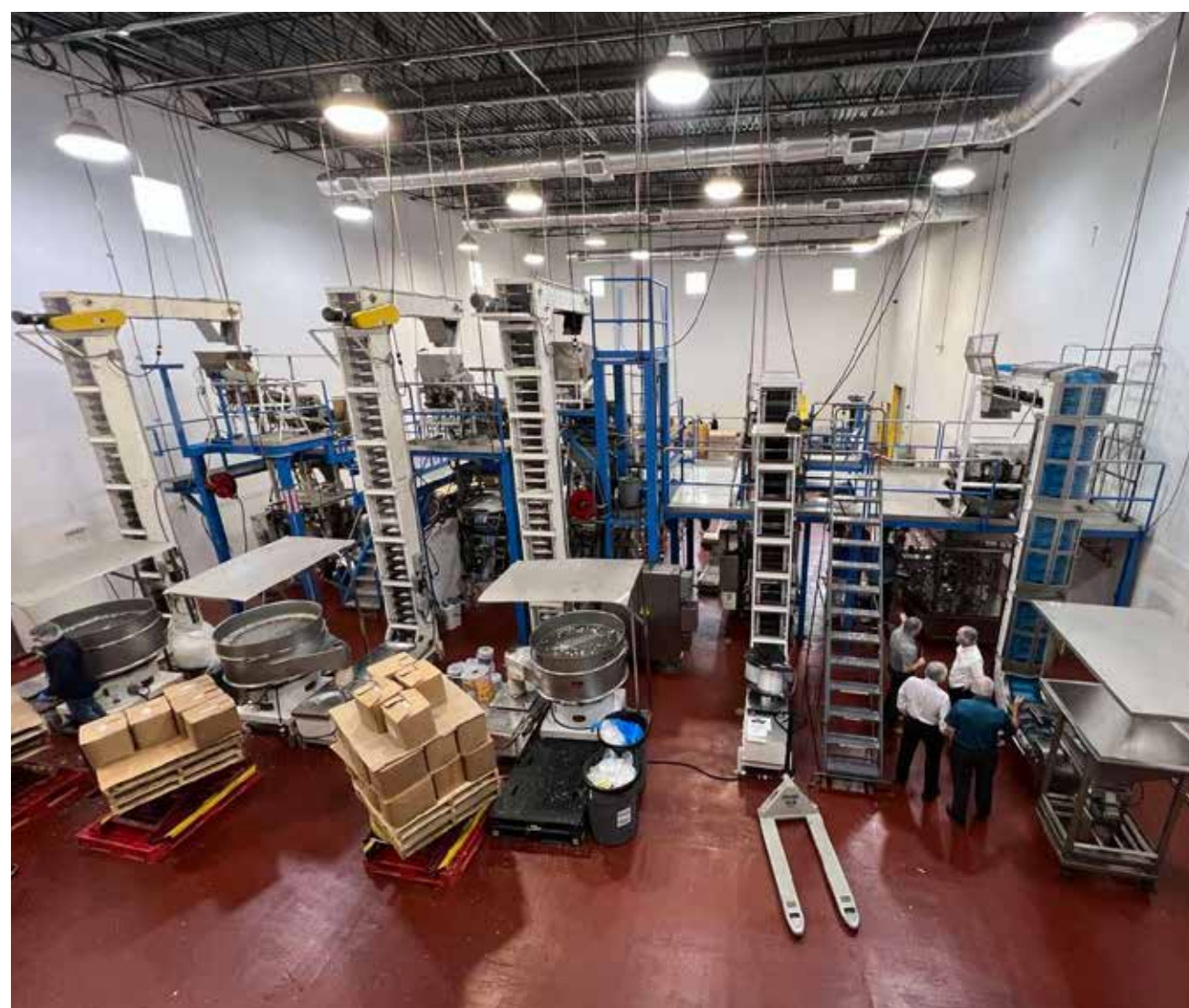
**Control Union
Certifications**

Global Distribution —— Network and Top-Tier Customers

Axelum exports to over 30 markets spanning across various cities in North America, Australia, Europe, South America, and Asia. Axelum operates distribution centers located in the United States, Australia, and Spain. These facilities enable direct customer access, priority account servicing and on-the-ground market intelligence to stay up-to-date with evolving industry trends and preferences. To further market reach, Axelum has partnered with reputable distributors in key geographies to capitalize on local knowledge and expertise.



Axelum caters to a rapidly-growing customer base composed of top-tier domestic and international food companies. In addition, Axelum supplies to foodservice players, retail chains and private label. On average, Axelum has forged and maintained longstanding relationships with majority of its key customers for more than 30 years.





Projects and Innovations



Improving Production Efficiencies

Part of Axelum's inherent discipline is its concerted focus on innovation and development to enhance overall operations. Last year, Axelum continued to strengthen core competencies by undertaking initiatives that are key in a post-pandemic economic scenario. First, Axelum reconfigured some of its main production equipment to increase daily production rate by 15%-35% particularly for coconut milk powder. Moreover, Axelum re-engineered its existing coconut water setup by installing ancillary tanks and chillers to boost mid-production storage volumes and enable simultaneous integration of multi-product processing lines. At the nut opening plant, Axelum made way for additional shelling stations and expanded its nut bodega to increase nut processing and nut storage capacity by up to 30% and 20%, respectively. Moving forward, Axelum will continue to strategically invest on modernization and technology to adapt and future-proof its business in the long-term.



Expanding Storage Capabilities

In response to robust global demand for coconut products, notwithstanding the prevailing international shipping contagion, Axelum initiated plans to extend its existing finished goods warehouse in 2021. This project will entail the construction of additional pallet positions, resulting to up to 30% increase in total warehousing capacity upon completion. From a strategic standpoint, this will provide substantial headroom for Axelum to accelerate manufacturing operations as it caters to increasing orders from a growing network of blue-chip customers.

Financial Highlights

	2021	2020	2019
Income Statement <i>(in Php thousands)</i>			
Sales	6,359,548	5,167,662	5,302,655
Gross Profit	1,736,453	1,298,052	1,549,132
Earnings Before Interest, Taxes, Depreciation and Amortization (EBITDA)	1,150,993	837,408	1,168,314
Operating Income (EBIT)	816,623	529,644	930,879
Net Income	715,333	526,414	774,807
Balance Sheet <i>(in Php thousands)</i>			
Cash and Cash Equivalents	1,155,276	2,290,245	2,862,223
Total Assets	10,081,581	10,226,040	10,558,937
Total Liabilities	887,732	1,492,862	1,975,926
Total Equity	9,193,849	8,733,178	8,583,011
Cash Flows Statement <i>(in Php thousands)</i>			
Net Cash Flows Provided by Operating Activities	165,412	658,474	1,204,192
Net Cash Flows Used in Investing Activities	(313,717)	(163,071)	(668,955)
Net Cash Flows Provided by (Used) in Financing Activities	(1,030,399)	(1,067,027)	2,075,924

	2021	2020	2019
Key Financial Ratios			
Current Ratio	5.88	3.41	2.97
Debt-to-Equity Ratio	0.10	0.17	0.23
Return on Assets	7.1%	5.1%	7.3%
Return on Equity	7.8%	6.0%	9.0%
Margins and Other Information			
Gross Profit Margin	27.3%	25.1%	29.2%
EBITDA Margin	18.1%	16.2%	22.0%
Operating Margin	12.8%	10.2%	17.6%
Net Income Margin	11.2%	10.2%	14.6%
Capital Expenditure <i>(in Php thousands)</i>	199,479	426,277	724,944
Earnings Per Share (Basic)	₱0.18	₱0.13	₱0.23
Earnings Per Share (Diluted)	₱0.18	₱0.13	₱0.23

Chairman's Message



“

While the pandemic has caused substantial disruptions across multiple industries, at the same time, it has opened doors for advancement and innovation.”

the increasing requirements of our top-tier customers.

Second, we defined our brand of compassion by prioritizing the welfare of our entire workforce and heeding our nation's call to humanity. Our remote working setup ensured the safety of our employees, without comprising individual productivity while promoting stronger family ties at home. Moreover, we organized vaccination drives for our people to protect them from critical

illness. Furthermore, we actively supported initiatives of our local government by extending financial assistance and donating essential resources to contain community transmissions. At Axelum, we are firmly committed to our country's economic recovery through these humble contributions, as we strive to partake in the broader solution. With sincerest appreciation, we laud the national government for its aggressive inoculation program, resulting to an increasing rate of immunity of the general population.

Third, we have proven time and again throughout our storied history, that we can always count on the Lord's guidance, from whom we draw profound courage and inspiration in the face of adversity. We attribute our success to our faith in Him and amongst each other, bound with a common mindset and passion, to serve one another and the thousands of lives that depend on us.

Looking ahead, we give credence to the saying that every crisis is an opportunity. While the pandemic has caused substantial disruptions across multiple industries, at the same time, it has opened doors for advancement and innovation. To date, we are witnessing rising global demand for our products due to its known nutritional properties and health benefits. Given our readiness and adaptability,

we believe that Axelum is uniquely positioned to capitalize on this massive opportunity in the years to come.

In closing, we fervently pray for healing for all those who were painfully devastated and critically affected by COVID-19. As we adjust to this new reality, we take comfort knowing that each day brings us a step closer to a brighter tomorrow. We also pray for our newly-elected leaders, may the Lord bestow on them the grace of fortitude and empathy, to govern our country with integrity and exercise sound judgment for the greater good.

It is within this spirit that we thank our Board for constantly imparting its wisdom beyond the confines of our regular sessions. Our heartfelt gratitude goes to all our employees, business partners and stakeholders for their lasting commitment and engagement. Finally, we thank our shareholders for your enduring trust and confidence.

ROMEO I. CHAN
CHAIRMAN AND
CHIEF EXECUTIVE OFFICER



Fellow Shareholders,

As we mark the second year of the pandemic, we take a moment to reflect on some important realizations that have enabled us to flourish amidst prolonged uncertainty and stress.

Allow me to summarize this thought in three emphatic words, which stood as guiding principles throughout these challenging times; resilience, compassion and faith.

First, we owe our resilience to the rigor and discipline of our people for relentlessly searching for ways to retool under a renewed business environment. We integrated unique

experiences into our strategies to keep us in a strong position to continue thriving in the long-term. In addition, we reinforced core competencies specifically for nut processing and warehousing to meet rising global demand for coconut products. Likewise, we completed various projects to boost manufacturing output, improve production yields and enhance capacity utilization. Despite all these efforts, we still encountered significant headwinds particularly the prevailing global shipping situation and escalating raw material costs. Nonetheless, we managed to stabilize our supply chain, allowing us to continue servicing



Dear Shareholders,

The Philippine economy grew by 8.3% in the first quarter of 2022, a sharp rebound following a steep contraction in 2020. Locally, we witnessed the recovery of most industries due to the easing of pandemic restrictions and multi-sectoral cooperation to inoculate majority of the population. As global economies re-open and transition to the endemic phase, these developments have significantly contributed to an improved overall business landscape.

More than two years into the pandemic, we have managed to translate unprecedented learnings into strategic opportunities,

to further strengthen our business and cultivate new growth avenues, through capital investments, safeguarding our people and active stakeholder engagement.

Our 2021 financial performance exceeded pre-pandemic levels, posting record topline, gross profit and pre-tax income. Sales grew by 20% to ₱6.4 billion, while gross profit expanded by 12% to ₱1.7 billion, owing to the larger contribution of high-margin products. Pre-tax income went up by 5% to ₱896 million, due to efficient resource management, resulting to lower interest charges and higher foreign



exchange gains. Net income increased by 36% to ₱715 million, despite the expiration of tax holiday for the coconut water segment.

For the first quarter of 2022, Axelum's topline rose by 14% to ₱1.7 billion, attributed to steady volumes and higher average selling prices across core product segments. Gross profit improved by 16% to ₱432 million, due to operational efficiencies that partially mitigated elevated input costs. Pre-tax income jumped by 32% to ₱243 million, resulting to a net income growth of 25% to ₱182 million.

Looking ahead, we have set a three-point strategic agenda that will propel us to the next stage of growth. First, we plan to widen our global distribution network through reputable partnerships and penetrating new geographies. Last year, we successfully increased distribution coverage of Luzon and entered the South American market through growing relationships with incumbent customers.

Second, we will continue to invest in beefing up manufacturing capabilities by deploying incremental capacity and modernizing existing facilities. In 2021, we completed various operational upgrades including the expansion of the nut opening plant and nut bodega, while finalizing construction plans for the extension of the main finished goods warehouse. In addition, we are committed to upgrade our back-end infrastructure and systems through strategic investments in cutting-edge technology and digitalization.

Third, we are gearing up to unlock the massive potential of our business-to-consumer segment by leveraging on synergies and scale with our proven business-to-business model, to enhance product offerings specifically for the retail sector. At present, we are incubating multiple products targeted for the rapidly-growing all-natural food market, with planned new product launches starting in the second half.

Moving on to community development, we prioritized the welfare of our people by vaccinating our entire workforce including dependents, to shield them from critical illness. Despite the pandemic, we stayed connected with our host communities through various social activities. In 2021, we awarded new academic scholarships to 39 students to pursue formal college education. On another hand, we pioneered our Fairtrade program by distributing essential grocery bundles to 930 enrolled farmer beneficiaries.

In terms of climate action, we responded by lowering our direct carbon footprint by up to 19% in 2021, through efficient diesel consumption. Moreover, we utilized over 44,000 tons of coconut shells as feedstock, while installing computerized boilers that require up to 35% less coconut shells to generate culinary steam for our manufacturing operations, thus further reducing carbon emissions. On waste management, we recycled up to 20% of wastewater for other purposes, while converting around 71% of used Tetra packaging materials into 2,183 pieces of regular

chipboards, that served as table dividers, among other uses, to observe physical distancing. Finally, we are making steady progress in our most ambitious infrastructure and service project to date, the on-going construction of the San Isidro Polymedic General Hospital, located in Barangay San Luis, Gingoog City. Scheduled to be operational by end-2022, this secondary-tier hospital is envisioned to provide professional medical services to community residents particularly indigent patients.

As an organization, we are fortunate to be comprised of like-minded individuals who share our vision in espousing for a sustainable future. We are encouraged that this collective spirit will enable us to promote social development and inclusion to the broader population in the long-term.

For 2022, we march forward with renewed optimism in spite of lingering worries particularly the threat of virus mutations, geopolitical risks and rising inflation. Nonetheless, the past two years have been a clear demonstration of our resilience and unique ability to thrive in this new reality.

In the coming months, we will continue to reinforce our position as the leading fully-integrated manufacturer, exporter and



retailer of globally in-demand consumer food essentials, primarily best-in-class premium coconut products.

At this point, we would like to express our sincerest appreciation to our Board of Directors for the invaluable insights, to our management team for being pro-active servant leaders, to our employees for their hard work and unwavering 'malasakit', and to our shareholders for your trust.

In closing, we would like to take this moment to earnestly pray for our new government leaders, may the Lord bless them with profound wisdom and courage to dutifully serve the Filipino people, especially those most in need, with compassion and integrity, and to guide them in shepherding our country towards a better tomorrow.

We are offering Axelum as the Lord's Vineyard, and everything that we do is for the greater glory of our Lord Jesus Christ.

Ad Majorem Dei Gloriam!

HENRY J. RAPEROGA
PRESIDENT AND
CHIEF OPERATING OFFICER



“

The past two years
have been a clear
demonstration of our
resilience and unique
ability to thrive in this
new reality amidst
formidable headwinds.”

Board of Directors



Romeo I. Chan
Chairman and Chief
Executive Officer
Founding Member

Nationality: Filipino
Age: 72
Date of Appointment:
February 27, 2015

Education and Professional Qualification:

Bachelor of Arts Degree, Major in Behavioral Science (Cum Laude and Department Honors) from Ateneo de Manila University

Current Directorships and Positions:

Publicly-Listed Companies

Chairman and Chief Executive Officer of Axelum Resources Corp.

Non-Listed Companies

Chairman and Chief Executive Officer of the Fiesta Group of Companies, Gingoog Medina Development Corporation, Cocorich Food Corporation and Medina Development Foundation
Chairman of 1052 Tradehouse Inc., 888 TradeAll Inc., Allcoco Development Corp., Buco Corporation, Cocoderivatives Inc., Fiesta Brands Inc., Fresh Fruit Ingredients Inc., Muenster Ingredients Mfg. Inc. and First International Diversified Manpower Services Inc.
President of Metro Properties Inc., Coco Deuce Holdings, Inc., APO 315 Holdings Inc., Eschimox Holdings Inc. and SAB-PHP Holdings Inc.
Executive Director of Philippine Tennis Academy Foundation and Greenridge East Holdings, Inc.

Previous Affiliations

Managing Director at Saudi Bautechnik
Sales Director at Hitachi Union, Inc.



Ricardo C. Lopa, Jr.
Non-Executive Director

Nationality: Filipino
Age: 66
Date of Appointment:
April 08, 2015

Education and Professional Qualification:

Bachelor of Arts Degree in Interdisciplinary Studies from Ateneo de Manila University

Current Directorships and Positions:

Publicly-Listed Companies

Non-Executive Director of Axelum Resources Corp.

Non-Listed Companies

President of Monkey Eagle Brewery
Director of Primegates Property, Inc.

Previous Affiliations

General Manager at Asya Resorts
Farm Manager at Hacienda Luisita, Inc.



Henry J. Raperoga
President and Chief
Operating Officer
Founding Member

Nationality: Filipino
Age: 62
Date of Appointment:
February 27, 2015

Education and Professional Qualification:

Bachelor of Science Degree in Commerce,
Major in Accounting from Polytechnic University of the Philippines
Certified Public Accountant, 1982
Master's Degree in Business Management at the
Ateneo Graduate School of Business (Academics Completed)

Current Directorships and Positions:

Publicly-Listed Companies

President and Chief Operating Officer of Axelum Resources Corp.

Non-Listed Companies

President of the Fiesta Group of Companies, Fresh Fruit Ingredients Inc., Cocoderivatives Inc., 1052 Tradehouse Inc., 888 TradeAll Inc., Buco Corporation, Muenster Ingredients Mfg. Inc. and Fiesta Brands Inc.
President and Director of Red V Foods Corp., ALLCOCO Development Corp., Blissful Cherubims Holdings, Inc. and Theol Holdings, Inc.
Director of Fiesta Ingredients Australia Pty. Ltd.
Vice-President and Treasurer of Metro Properties, Inc.

Previous Affiliations

Accounting Manager at Service Systems International, Inc.
Auditor at Sycip Gorres Velayo & Co.



Jason M. Rosenblatt
Non-Executive Director

Nationality: American
Age: 45
Date of Appointment:
August 04, 2017

Education and Professional Qualification:

Bachelor of Arts Degree in Economics from Duke University
Master's Degree in Business Administration from
University of Chicago

Current Directorships and Positions:

Publicly-Listed Companies

Non-Executive Director of Axelum Resources Corp.
Non-Executive Director of LBC Express Holdings, Inc.

Non-Listed Companies

Director of Crescent Fund Management Pte. Ltd.

Previous Affiliations

Partner at Laurasia Capital Management
Managing Director at ICBC Standard Bank
(formerly Standard Bank)
Head of Principal Strategies at DKR Oasis



Laurito E. Serrano
Lead Independent Director

Nationality: Filipino
Age: 61
Date of Appointment:
May 15, 2019

Education and Professional Qualification:

Bachelor of Science Degree in Commerce (Cum Laude),
Major in Accounting from Polytechnic University of the Philippines
Master's in Business Administration Degree from
Harvard Graduate School of Business
Certified Public Accountant, 1982

Current Directorships and Positions:

Publicly-Listed Companies

Lead Independent Director of Axelum Resources Corp.
Independent Director of 2GO Group, Inc., Rizal Commercial
Banking Corporation, Pacific Online Systems Corporation and
Anglo Philippine Holdings Corporation

Non-Listed Companies

Director of MRT Development Corporation and financial advisor
to various companies

Previous Affiliations

Partner at Sycip Gorres & Velayo Co.
(Corporate Finance Consulting Group)



Raymundo N. Suarez
Independent Director

Nationality: Filipino
Age: 59
Date of Appointment:
May 15, 2019

Education and Professional Qualification:

Undergraduate Degree from De La Salle University

Current Directorships and Positions:

Publicly-Listed Companies

Independent Director of Axelum Resources Corp.

Non-Listed Companies

Managing Director of 1008 Credit Corporation and NAREZ
Development Corporation
Director of Kayano Development Corp.

Previous Affiliations

Harvest Credit Corporation
Enterprise Credit and Finance Corporation
Maxi Credit Corporation



Rosemarie P. Rafael
Independent Director

Nationality: Filipino
Age: 64
Date of Appointment:
May 15, 2019

Education and Professional Qualification:

Bachelor of Arts Degree in International Studies from
Maryknoll College

Current Directorships and Positions:

Publicly-Listed Companies

Independent Director of Axelum Resources Corp.

Non-Listed Companies

Chairwoman and President of AIC Group of Companies Holding
Corporation (also known as Airspeed Group of Companies),
Airspeed International Corporation, ASP Airspeed Philippines, Inc.
and 1Sycamore Food Ventures, Inc.
President of Women's Business Council Philippines, Inc.
Director of Amazing Philippines Digital Economy Corporation,
Linex Corporation, TGL Transglobal Logistics, Inc., and Newlife
Christian Center – Tanza

Previous Affiliations

Sales Officer at Thai International Airline Ltd.
Air Freight Sales Manager at LEP International Pty. Ltd.

Awards and Recognition

Woman Entrepreneur of the Year for BEST Business in Tackling the
Pandemic, 2021 APEC BEST AWARDS
2021 Woman Entrepreneur of the Year, 2021 ASEAN Business Awards
Woman of Substance, 2021 Asia Leaders Awards
Circle of Excellence Awardee for Global Filipino Executive,
2021 ASIA CEO Awards



Key Officers



Paul Rene Z. Tayag
Senior Vice-President
Founding Member

Nationality: Filipino
Age: 71

Education and Professional Qualification:

Bachelor of Science Degree in Industrial Engineering from University of the Philippines Diliman
Master's Degree in Business Administration from University of the Philippines Diliman

Current Directorships and Positions:

Publicly-Listed Companies

Senior Vice-President of Axelum Resources Corp.

Non-Listed Companies

Senior Vice-President of Fiesta Equities, Inc.
Vice-President of the Fiesta Group of Companies, Fresh Fruit Ingredients Inc., Cocoderivatives Inc., 1052 Tradehouse Inc., 888 TradeAll Inc., Buco Corporation and Muenster Ingredients Mfg. Inc.
Director of Red V Foods Corp., Fiesta Ingredients Australia Pty. Ltd. and Fiesta Ingredients España

Previous Affiliations

Various executive positions at Smith Bell Group of Companies
Faculty Member of the University of the Philippines Diliman (College of Engineering and College of Business Administration)



Karilagan Imelda Z. Gorospe
Vice-President for
U.S. Operations

Nationality: Filipino
Age: 56

Education and Professional Qualification:

Bachelor of Science Degree in Commerce, Major in Accounting from St. Paul College of Manila
Outstanding Accounting Student Award (St. Paul College of Manila, 1986)
Master's in Business Administration from Ateneo Graduate School of Business (Academics Completed)
Certified Public Accountant, 1987
Makati Elementary School, 1978 (Class Valedictorian)

Current Directorships and Positions:

Publicly-Listed Companies

Vice-President for U.S. Operations of Axelum Resources Corp.

Non-Listed Companies

Senior Vice-President of Red V Foods Corp.



Preciosa D. Castillo
Corporate Secretary

Nationality: Filipino
Age: 68

Education and Professional Qualification:

Bachelor of Science Degree in Business Administration, Major in Accounting (Cum Laude) from University of the East
Certified Public Accountant, 1975
Management Development Program of the Asian Institute of Management

Current Directorships and Positions:

Publicly-Listed Companies

Corporate Secretary of Axelum Resources Corp.

Non-Listed Companies

Chairman and President of 1189 Holdings, Inc.
Director of Primegates Property, Inc. and Prevalij Finance Corp.
Treasurer of Tragtek Holdings, Inc. and Sagmil Holdings, Inc.
Corporate Secretary of Metro Properties, Inc., SAB-PHP, Holdings, Inc., ALLCOCO Development Corp., MEDMISOR Holdings Inc., 888 Tradeall, Inc. and Fiesta Group of Companies.

Previous Affiliations

Vice-President at FMMC Group of Companies
Audit Supervisor at Sycip Gorres Velayo & Co.



Macario R. Pelaez
Vice-President for
Manufacturing

Nationality: Filipino
Age: 53

Education and Professional Qualification:

Bachelor's Degree in Electrical Engineering from Technological Institute of the Philippines (Manila Campus)
Registered Electrical Engineer, 1994

Current Directorships and Positions:

Publicly-Listed Companies

Vice-President for Manufacturing of Axelum Resources Corp.

Non-Listed Companies

Lifetime Member of the Institute of Integrated Electrical Engineers and Medina Cocos Nucifera Eagles Club

Previous Affiliations

Engineering Manager at Mofels Food Corporation
Plant Manager at Speed Outline Resources
Production Manager at Taiyu Food Products Corporation



Maria Theresa Z. Paguirigan
Vice-President,
Chief Finance Officer,
Treasurer and Assistant
Corporate Secretary

Nationality: Filipino
Age: 41

Education and Professional Qualification:

Bachelor of Science Degree in Accountancy from
St. Paul College of Manila
Certified Public Accountant, 2001

Current Directorships and Positions:

Publicly-Listed Companies

Vice-President, Chief Finance Officer, Treasurer and Assistant
Corporate Secretary of Axelum Resources Corp.

Previous Affiliations

Supply Chain Finance and Audit Partner at Unilever
Audit Manager at Isla Lipana & Co.
Senior Associate at Sycip Gorres Velayo & Co.



Dominic V. Isberto
Compliance Officer

Nationality: Filipino
Age: 47

Education and Professional Qualification:

Bachelor's Degree in Management Engineering from
Ateneo de Manila University
Bachelor of Laws Degree from University of the Philippines
Admitted to the Integrated Bar of the Philippines, 2000

Current Directorships and Positions:

Publicly-Listed Companies

Compliance Officer of Axelum Resources Corp.

Previous Affiliations

Corporate Secretary at Alliance Global Group, Inc., Emperador Inc.
and Global-Estate Resorts, Inc., Twin Lakes Corporation,
Eastwood City Estates Association, Inc., Suntrust Properties, Inc.
and Fil-Estate Properties, Inc.
Vice-President for Corporate Advisory and Compliance
at Megaworld Corporation



Paul C. Cheah
Vice-President and Investor
Relations Officer

Nationality: Filipino
Age: 38

Education and Professional Qualification:

Bachelor's Degree in Business and Finance from
Heriot Watt University
Master's Degree in Business Administration from
Ateneo Graduate School of Business
CFA Investment Foundations Certificate, 2016

Current Directorships and Positions:

Publicly-Listed Companies

Vice-President and Investor Relations Officer of
Axelum Resources Corp.
Independent Director of ATN Holdings, Inc.

Previous Affiliations

Head of Investor Relations, Corporate Governance and
Risk Management at Philex Mining Corporation
Head of Investor Relations and Corporate Governance
at Max's Group, Inc.
Investor Relations Associate Manager at Ayala Land, Inc.
Corporate Planning and Investor Relations Manager at Cebu Air, Inc.
Senior Financial Analyst at Globe Telecom, Inc.
Research Analyst at BDO Unibank, Inc.
Finance Associate at Deutsche Knowledge Services

Board Committees

Charters of the various working Board Committees
can be accessed in the Company's website.

Executive Committee

Mr. Romeo I. Chan - Chairman
Mr. Henry J. Raperoga
Mr. Jason M. Rosenblatt
Mr. Ricardo C. Lopa, Jr.

Audit Committee

Mr. Laurito E. Serrano - Chairman
Mr. Raymundo N. Suarez
Ms. Rosemarie P. Rafael

Corporate Governance and Nomination Committee

Mr. Laurito E. Serrano - Chairman
Ms. Rosemarie P. Rafael
Mr. Raymundo N. Suarez

Board Risk Oversight Committee

Ms. Rosemarie P. Rafael - Chairwoman
Mr. Raymundo N. Suarez
Mr. Henry J. Raperoga

Related Party Transaction Committee

Mr. Raymundo N. Suarez - Chairman
Ms. Rosemarie P. Rafael
Mr. Romeo I. Chan



Corporate — Governance

Axelum upholds the highest standards in corporate transparency, integrity and best practices in the conduct of its business, guided by the principles of the Organization for Economic Co-operation and Development (OECD) through the ASEAN Corporate Governance Scorecard.

Axelum complies with the Revised Corporation Code of the Philippines and statutory requirements of the Securities Exchange Commission (SEC), Philippine Stock Exchange (PSE), Department of Environment and Natural Resources (DENR) and other relevant regulatory bodies.

Rights of — Shareholders

DIVIDEND POLICY

Axelum hereby adopts a dividend policy of distributing up to 15% of the reported net income of the immediately preceding fiscal year, payable primarily in cash within 30 days from the declaration date, subject to the financial condition, operational requirements, and future expansion plans and programs of the Company. The Company's Board of Directors, in its discretion, may also decide to declare dividends to be payable in property or shares instead of in cash.

The Company may declare dividends only out of its unrestricted retained earnings, which represent the net accumulated earnings of the Company with its capital unimpaired which are not appropriated for any other purpose. Any regular cash or stock dividend declaration shall be subject to the exclusion of any retained earnings for expansion, if any, or other purposes. In the case of stock dividends, it should have been approved by at least 2/3 of the Company's total outstanding capital stock at a regular or special meeting called for the purpose. The Company shall likewise conduct a periodic review of the available unrestricted balance of retained earnings for purposes of earmarking any surplus thereof for future capital expenditures or for distributing the same as special cash or stock dividends.

The payment of cash dividends shall be subject to the approval by the Board of Directors and will depend, among others, upon the Company's earnings, cash flow, financial condition, future expansion plans and programs, and operational requirements.

The Board of Directors shall periodically review, amend or update the foregoing dividend policy.

RIGHT TO PARTICIPATE IN DECISIONS CONCERNING FUNDAMENTAL CORPORATE CHANGES

Axelum acknowledges the right of shareholders to participate in decisions concerning fundamental corporate changes including amendments to its Articles of Incorporation, increase of authorized capital stock and issuance of additional shares, and transfer of all or substantially all assets that may in effect result in the sale of the Company.

RIGHT TO PARTICIPATE EFFECTIVELY AND VOTE IN GENERAL SHAREHOLDER MEETINGS

Shareholders shall have the right to nominate, elect, remove and replace directors and vote

on certain corporate acts in accordance with the Revised Corporation Code of the Philippines.

Election of Directors shall take place during the Annual Stockholders' Meeting of the Company. As mandated by the Revised Corporation Code, cumulative voting shall be used in the election of directors. In voting upon any matter subject to shareholders' approval during the annual or any special stockholders' meeting, poll voting shall be encouraged. The Company shall also make it easy for shareholders to exercise proxy voting by making available in its website sample proxy materials.

The minutes of any annual or special shareholders' meeting shall be posted on the Company website within five (5) business days from the date of the meeting and, in the interest of transparency, the results of the votes taken during the most recent annual or any special shareholders' meeting shall likewise be available in the Company website.

The Board shall be transparent and fair in the conduct of the meetings of the shareholders. The shareholders may personally attend such

meetings and are likewise informed that if they cannot attend, they shall have the right to appoint a proxy. Subject to the requirements of the By-Laws, the right to designate a proxy shall not be unduly restricted.

Pursuant to Sections 23 and 57 of the Revised Corporation Code and SEC Memorandum Circular No. 06, Series of 2020 allowing voting through remote communication or in absentia, shareholders may participate in the Annual Stockholders' Meeting by remote communication and cast their votes by remote communication or in absentia on or before the deadline set by the Company.

Although directors may be removed with or without cause, a director shall not be removed without cause if it will deny minority shareholders representation in the Board. The Company shall encourage active shareholder participation in the Annual Stockholders' Meeting by sending to the Company shareholders the notice therefor at least ten (10) business days or such other periods required by law prior to the date of the



meeting and posting said notice in the Company website and publication in a newspaper of general circulation.

Minutes of the most recent Annual Stockholders' Meeting, which contains details of the voting procedures and results, quorum, agenda and resolutions, questions raised by shareholders and responses provided by the Board and other matters, can be viewed and downloaded from the Company's website. The most recent Annual Stockholders' Meeting was held on June 24, 2021 via remote communication to conform to the government's regulation on social distancing and prohibition on mass gatherings. All members of the Board were in attendance.

The Company appointed R.G. Manabat & Co. to count and validate the votes at the 2022 Annual Stockholders' Meeting held on July 29, 2022.



MARKETS FOR CORPORATE CONTROL IN AN EFFICIENT AND TRANSPARENT MANNER

If deemed necessary, the Board may engage professional independent parties to evaluate the fairness of transaction prices in cases of mergers, acquisitions and/or takeover requiring shareholders' approval.

EXERCISE OF OWNERSHIP RIGHTS BY ALL SHAREHOLDERS

Beyond the Annual Stockholders' Meeting, Axelum regularly communicates with various institutional and retail shareholders through one-on-one meetings, email, conferences and roadshows.



Equitable Treatment of Shareholders

SHARES AND VOTING RIGHTS

It shall be the duty of the directors to promote shareholder rights, remove impediments to the exercise of shareholders' rights and allow possibilities to seek redress for violation of their rights. They shall encourage the exercise of shareholders' voting rights and the solution of collective action problems through appropriate mechanisms. They shall be instrumental in removing excessive costs and other administrative or practical impediments to shareholders participating in meetings and/or voting in person. The directors shall pave the way for the electronic filing and distribution of stockholder information necessary to make informed decisions subject to legal constraints.

Each common share entitles the person in whose name it is registered in the books of the Company to one (1) vote with respect to all matters to be taken up during the annual meeting of stockholders. Shareholders may cast their votes by remote communication or in absentia, or by proxy. Please refer to Annex "A" of the Company's Definitive Information Statement disclosed on June 21, 2022 via PSE EDGE for the procedures and requirements for voting and participation in the most recent annual stockholders' meeting last July 29, 2022.

NOTICE OF ANNUAL GENERAL MEETING

The Company's notice of meeting is entirely in the English language and includes a detailed explanation for each item in the meeting agenda requiring shareholders' approval. There is no bundling of several items into the same resolution. Sample proxy documents are attached to the notice distributed to shareholders prior to the meeting. The Definitive Information Statement, which is distributed together with the notice of meeting, contains the profiles of directors for election/re-election and auditors seeking appointment/re-appointment.





INSIDER TRADING

All directors, officers and employees of the Company are mandated to strictly observe and maintain the confidentiality of all material non-public information that they may acquire or learn by reason of their position. Directors, officers and employees are prohibited from: (i) trading the Company's securities based on this inside information, or (ii) tipping or passing such inside information to someone who may use such information to trade the securities of the Company, during prescribed trading blackout periods.

The Company enforces a trading blackout period for covered individuals starting from at least five (5) trading days before and two (2) full trading days after disclosure of material information. Directors are required to report their dealings in the Company's securities within three (3) business days.

RELATED PARTY TRANSACTIONS

The Company recognizes that related party relationships are normal in commerce and business, and transactions between and among related parties create financial, commercial and economic benefits to parties and/or to the entire group where they belong. The Company has adopted a Material Related Party Transaction Policy which applies to all entities within the group, taking into account their respective size, structure, risk profile and complexity of operations.

The policy is intended to provide a mechanism for identification, review, approval and reporting of related party transactions, and the determination, monitoring and management of material related party transactions.

Any related party transactions must be:

- at arm's length, which must be on terms no less favorable than any such terms offered by, nor more favorable than any such terms given to, unrelated third parties under the same or similar transactions or circumstances;
- in compliance with applicable laws, rules and regulations and the requirements in the policy; and
- to the best interest of the Company and insure that no stakeholder is unduly advantaged.

Through this Policy, the Company endeavors to enhance transparency in its transactions and promote the best interest of its shareholders and other stakeholders.

The Related Party Transaction Committee, which is chaired by an independent director and composed of a majority of independent

directors, is responsible for reviewing material related party transactions to determine whether they are in the best interest of the Company and its shareholders. In the event of related party transactions, directors are required to abstain from participating in the Board discussion on a particular agenda when they are conflicted. All directors and employees are mandated to promptly disclose any related party transactions with the Company to determine potential areas of conflict of interest.

PROTECTING MINORITY SHAREHOLDERS FROM ABUSIVE ACTIONS

All related party transactions are required to be executed at fair value and arm's length basis. In case of related party transactions requiring shareholders' approval, minority shareholders have the right to participate and vote during the annual or special stockholders' meeting.



Role of Stakeholders

For over three decades, Axelum has forged longstanding and mutually-beneficial relationships with its various stakeholders, whose contributions are key to its success. In 2022, Axelum amended its dividend policy to state that dividends are payable to eligible shareholders within thirty (30) days of declaration.

CUSTOMER WELFARE

Axelum recognizes that customer health and safety is of utmost priority and, pursuant thereto, adopted the following:

- The Company's core manufacturing operations strictly adheres to the highest standards in food processing and is backed by multiple quality certifications issued by local and international certifying bodies.
- The Company is accredited by the British Retail Consortium, Global Standard for Food Safety Issue 7, Good Manufacturing Practices (TÜV SÜD), Laboratory Quality Management System PNS ISO/IEC 17025:2005, Kosher Certification, Halal Certification, Customs-Trade Partnership Against Terrorism, Organic and Sustainability Certifications, among others.
- The Company is subjected to around 25-30 yearly operational audits by its customers and independent parties to ensure conformity with best practices.
- Finished products undergo extensive quality assurance procedures to guarantee freshness and food safety.



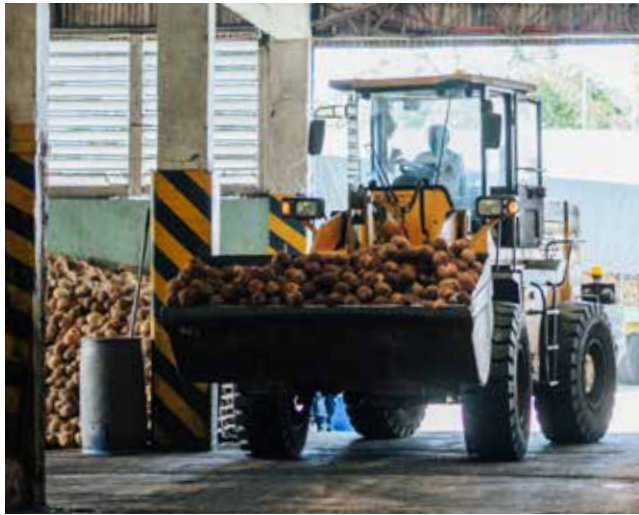
SUPPLIER/CONTRACTOR SELECTION

Axelum transacts with top reputable suppliers with a proven track record in terms of product quality and reliability.

The following is a summary of the Company's supplier accreditation process:

- Profiling is conducted to ensure that the supplier is legitimate and compliant with local government regulations
- Supplier products are subjected to outlining which involves validation of all relevant technical documents and certifications.
- To promote fairness and integrity in supplier transactions, the Company observes the following:
 - » No purchase can be made to a supplier who is related to any employee up to the third-degree of consanguinity.
 - » Commercial transactions are exclusively conducted by Purchasers. Only End-Users are permitted to discuss technical concerns to suppliers in the presence of Purchasers.
 - » Non-preferential treatment is strictly observed during product canvassing. Shortlisted suppliers are given equal opportunity to submit individual quotations with a prescribed period of time.
 - » Receiving cash or any gifts in kind are strictly prohibited. In cases of proven ethical breach, employee involved is subjected to outright termination.
 - » Soliciting personal favors from suppliers is strictly prohibited.

All suppliers are required to abide by the Company's Supplier Code of Conduct, and are expected to be transparent, responsible and ethical in the conduct of business. The Company implements yearly audits and physical inspections of supplier facilities including adherence to social and environmental practices.



VALUE CHAIN

Axelum promotes environmentally-sound practices within its business value chain. The Company implements the following activities to safeguard its natural eco-systems:

- Coconut shells are utilized as feedstock to fuel industrial boilers that generate culinary-grade steam. This initiative results to zero-waste from raw materials and eliminates the risk of pollutant emissions that may harm the natural environment.
- The Company operates a modern wastewater treatment facility to ensure that effluents comply with regulatory standards prior to discharge.
- The Company operates a Tetra Pak recycling plant that converts used packaging materials into alternative goods such as chipboards and sleeping mats.

COMMUNITY INTERACTION

Axelum actively engages host communities through its social programs that center on education, health, livelihood and spiritual formation. In addition, approximately 5,000 community residents render various professional services in its main production facility, the Medina Plant. Axelum provides financial assistance and donations in-kind to support various initiatives of the local government, including its COVID-19 response.

ANTI-CORRUPTION

Axelum observes the principles of integrity and transparency in the conduct of its business.

The Company does not engage in any form of corruption in all of its dealings with both the private and public sector. Employees undergo regular training in topics related to anti-corruption. Axelum implements its Code of Ethics and Conflict of Interest policies, which can be viewed in the Company's website.

SAFEGUARDING CREDITOR'S RIGHTS

Axelum acknowledges the role of its creditors as key business partners. The Company honors all of its contractual obligations and provides access to pertinent information subject to regulatory disclosure rules.

ENVIRONMENTAL, ECONOMIC AND SOCIAL ISSUES

Axelum publishes a separate Sustainability Report which details its materiality assessment and performance in addressing various environmental, economic and social issues. The Company's Sustainability Report may be viewed in the corporate website.

STAKEHOLDER CONTACT

The Company discloses the following contact information through its Corporate Website and Annual Report, which stakeholders may refer to voice concerns or complaints for violation of their rights:

Mr. Paul C. Cheah
Vice-President and Investor Relations Officer
Email: paul.cheah@axelum.com.ph
Tel: +63 (2) 8851 0739

EMPLOYEE HEALTH, SAFETY AND WELFARE

Axelum maintains an on-site clinic equipped with the necessary equipment and ambulance service to render basic healthcare and first-aid response to medical emergencies. Employees are encouraged to undergo annual physical examination and regular vaccination. The Company ensures that occupational hazards are identified and immediately addressed to prevent major accidents. All personnel are required to wear personal protective clothing and observe proper sanitation in designated work areas.

EMPLOYEE TRAINING AND DEVELOPMENT

Employees are subjected to mandatory yearly trainings for the purposes of skills development and career advancement. The Company offers various learning courses conducted in-house or through third-party professionals including selected modules accredited by the Technical Education and Skills Development Authority (TESDA).

COMPENSATION POLICY BEYOND SHORT-TERM FINANCIAL MEASURES

Axelum has a compensation policy for employees that account for corporate performance beyond short-term financial

measures, including long-term incentives, retirement, variable bonuses, among others.

WHISTLEBLOWING

Axelum has adopted a whistleblowing policy to encourage directors, officers, employees, suppliers, business partners, contractors and subcontractors, and others to report suspected or actual occurrence(s) of illegal, unethical or inappropriate events (behaviors or practices) without retribution. The policy provides the formal mechanism and an avenue to raise such concerns and an assurance that whistleblowers will be protected from and shall not receive any reprisals, harassment or disciplinary action as a result of any report where the report is made in good faith and the whistleblower believes it to be true and is not made maliciously or for personal gain. The Company's whistleblowing policy can be viewed in the corporate website.

Whistleblowers may make a report by sending it directly to:

Office of the President
Axelum Resources Corp.
1052 EDSA Magallanes Village,
Makati City 1232
Email: axelum@axelum.com.ph
Tel: +63 (2) 8851 0731



Disclosures and Transparency

TRANSPARENT OWNERSHIP STRUCTURE

The Company submits its public ownership report on a quarterly basis, which contains the direct and indirect shareholdings of directors, principal officers, principal/substantial shareholders, affiliates, and others. The Company is likewise required to submit a report on any change in shareholdings of its directors, principal officers, and principal/substantial shareholders for a specific month. These reports can be viewed in the corporate website.

BOARD ATTENDANCE

The Company's Board of Directors is composed of seven (7) members, majority of which are non-executive directors. For 2021, the Company held a total of 16 meetings with complete attendance of all the directors in all the meetings.

Board	Name	No. of Meetings Held during the year	No. of Meetings Attended	%
Chairman	Romeo I. Chan	16	16	100%
President	Henry J. Raperoga	16	16	100%
Non-Executive	Jason M. Rosenblatt	16	16	100%
Non-Executive	Ricardo C. Lopa, Jr.	16	16	100%
Independent	Laurito E. Serrano	16	16	100%
Independent	Rosemarie P. Rafael	16	16	100%
Independent	Raymundo N. Suarez	16	16	100%

BOARD REMUNERATION

Axelum observes the principles of integrity and transparency in the conduct of its business.

RELATED PARTY TRANSACTIONS

The Company's Related Party Transactions policy can be viewed in the corporate website. Details on related party transactions are disclosed in Note 21 of the Company's Audited Financial Statements.

DIRECTORS AND KEY OFFICERS TRANSACTIONS IN COMPANY SHARES

Below is a summary of the transactions of the directors and key officers in company shares as of December 31, 2021:

Title of Class	Name	Balance as of December 31, 2020	Acquired	Disposed	Balance as of December 31, 2021
DIRECTORS					
Common	Romeo I. Chan	375,855,142	-	-	375,855,142
Common	Henry J. Raperoga	373,338,887	-	-	373,338,887
Common	Jason M. Rosenblatt	1	-	-	1
Common	Ricardo C. Lopa, Jr.	208,471	-	-	208,471
Common	Laurito E. Serrano	1	-	-	1
Common	Rosemarie P. Rafael	350,001	-	-	350,001
Common	Raymundo N. Suarez	4,001	-	-	4,001
KEY OFFICERS					
Common	Preciosa D. Castillo	125,061,386	-	-	125,061,386
Common	Paul Rene Z. Tayag	111,211,035	-	-	111,211,035
Common	Karilagan Imelda Z. Gorospe	1,860,000	-	-	1,860,000
Common	Maria Theresa Z. Paguirigan	722,000	-	-	722,000
Common	Macario R. Pelaez	2,450,000	-	-	2,450,000
Common	Dominic V. Isberto	-	-	-	-
Common	Paul C. Cheah	100,000	-	-	100,000
Common	Jose Armando R. Nañawa*	134,471,952	-	-	-
Total		1,125,632,877	-	-	991,160,925

*Mr. Jose Armando R. Nañawa retired effective on March 31, 2021 and ceased to report his SEC Form 23-B.

AUDIT AND AUDIT RELATED FEES

Axelum appointed R.G. Manabat & Co. as external auditor, with Ms. Rohanie C. Galicia as partner in-charge for audit year 2021. Details of fees paid to R.G. Manabat & Co. in the last two years are as follows:

Year	Audit and Audit Related Fees	Other Fees
2021	₱4,800,000.00	₱250,000.00
2020	₱4,800,000.00	₱250,000.00



MEDIUM OF COMMUNICATION

Axelum is committed to the timely and accurate disclosure of material information to regulators and the investing community, including financial results, major corporate transactions, press releases and other disclosable information. The Company's Investor Relations Office actively engages shareholders and other stakeholders through pre-arranged meetings, small group discussions, email, virtual platforms, roadshows and conferences. The Company submits its annual and quarterly report to regulators, organizes separate briefings with various analysts and reaches out individually to business journalists. For more information, the general public may access the Company's website at www.axelum.ph.

FINANCIAL REPORTING

The Company releases its Audited Financial Statements and Annual Report (SEC Form 17-A) within 120 days from the end of fiscal year. The true and fair representation of the Audited Financial Statements and Annual Report are affirmed and attested to by key officers of the Company and its external auditor.

COMPANY WEBSITE

The following information are uploaded in Axelum's corporate website at www.axelum.ph:

- Financial Statements
- Analysts' Presentation
- Downloadable Annual and Quarterly Report
- Notice of Annual Stockholders' Meeting
- Minutes of Annual Stockholders' Meeting
- Articles of Incorporation and By-Laws
- SEC Current Reports/PSE Disclosures
- Public Ownership Report and Statement of Changes in Beneficial Ownership

INVESTOR RELATIONS

The Company has appointed Mr. Paul C. Cheah as Vice-President and Investor Relations Officer. For inquiries, Mr. Cheah may be reached at the following:

Email: paul.cheah@axelum.com.ph
Telephone: +63 (2) 8851 0739



Responsibilities of the Board

BOARD DUTIES

The Board shall be primarily responsible for the institution of, and compliance with, the principles of good corporate governance. It is the Board's responsibility to foster the long-term success of the Company, and to sustain its competitiveness and profitability in a manner consistent with its corporate objectives and the best interests of its stockholders and other stakeholders. The Board shall conduct itself with utmost honesty and integrity in the discharge of its duties, functions and responsibilities to ensure a high standard of best practice for the Company, its stockholders and other stakeholders.

POLICIES RELATING TO THE BOARD:

Board Diversity Policy

- » The Company shall promote and observe a policy on diversity in the composition of its Board of Directors.
- » Diversity in age, gender, ethnicity, experience, field expertise, and personal qualities shall be considered by the Company and by the Board to ensure a mix of competent directors and key officers.

Policy on Multiple Board Seats

- » A director shall exercise due discretion in accepting and holding directorships outside of the Company. A director may hold directorships outside of the Company provided that these positions do not detract from his capacity to diligently perform his duties as a director of the Company.



- » However, as a matter of policy, the non-executive members of the Board of Directors may concurrently serve as directors in a maximum of five (5) publicly-listed companies to ensure that they have sufficient time to fully prepare for meetings, review Management's proposals/ views, and oversee the long-term strategy of the Company.

Access to Information

- » To enable the Board to properly fulfill their duties and responsibilities, Management provides directors with complete and timely information about the matters in the agenda of the meetings. Directors are given independent access to Management and the Corporate Secretary, as well as to independent professional advice should they need to do so in connection with their duties as directors.

COMPANY MISSION AND VISION

Axelum aims to be the definition of excellence in food and beverage manufacturing, distribution, and product development consistent with its mission.

“

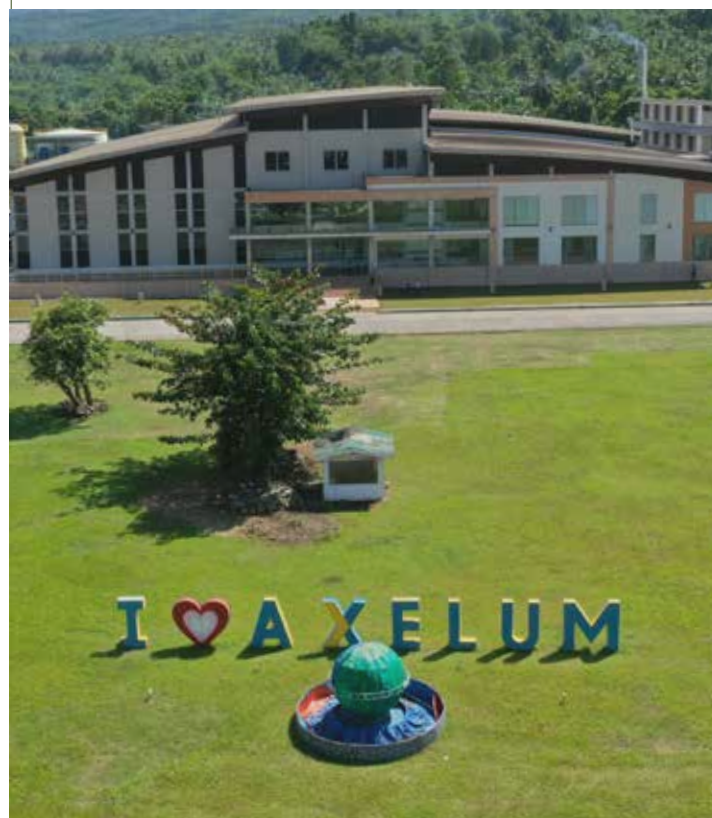
We are a local company with a global mindset whose main purpose is to nurture people with our products.”

Axelum unceasingly strives to be:

1. a foreign exchange earner,
2. a labor-intensive employer,
3. a developer of livelihood in socially depressed areas,
4. a leader in cutting edge technology, and
5. a promoter of spiritual and honorable Filipino values

The Company's vision is to become the premier food manufacturer known for its dedication to excellence, client satisfaction, and product innovation through our greatest assets: Our People.

The Board reviews the mission and vision annually and the last review was conducted in 2021. In addition, the Board plays a leading role in the process of developing, implementation, monitoring and review of the Company's strategies.



BOARD STRUCTURE AND COMPOSITION

The Board shall be composed of such number of directors as provided in the Articles of Incorporation, who shall be duly elected by the stockholders that are entitled to vote in accordance with the By-Laws, the Revised Corporation Code and the Securities Regulation Code.

The Board of Directors should, as far as practicable, be composed of qualified individuals with diverse backgrounds (gender, age, ethnicity, culture, skills, competence and knowledge) to effectively enable the Board to decide on corporate matters with the benefit of the varied experiences of the board members. A majority of the Board should be non-executive directors.

The Board shall be composed of seven (7) directors who shall be elected at each annual meeting of the stockholders, to serve for a term of one (1) year. Each director shall be eligible for re-election in accordance with the Articles of Incorporation of the Company.

The names of directors submitted for election or re-election shall be accompanied by sufficient biographical details to enable shareholders to make an informed decision in respect of their election.

As a publicly listed company, and unless another number is required by law, the Company shall have at least two (2) independent directors or such number as to constitute at least twenty percent (20%) of the members of the Board, whichever is higher. The Independent Directors must possess qualifications as required by law and the Corporate Governance Manual of the Company.

Independent directors may serve for a maximum cumulative term of nine (9) years, after which, the independent director shall be perpetually barred from re-election as independent director in the Company. Such independent director, however, may continue to qualify for nomination and election as a non-independent director. In exceptional cases, however, the Company may retain an independent director who has already served for nine (9) years; provided, that the Company should provide meritorious justifications therefor and seek stockholders' approval during the annual stockholders' meeting. The nine-year maximum term for independent directors shall be reckoned from 2012, as per SEC Memorandum Circular No. 9 series of 2011 and SEC Memorandum Circular No. 4 series of 2017.

The Board shall designate a Lead Independent Director among the Independent Directors.



CODE OF ETHICS

The Company's Code of Ethics, including the process to implement and monitor compliance, can be viewed in the corporate website. Directors, senior management and employees are required to comply with the code.

BOARD COMMITTEES

Corporate Governance and Nomination Committee

The Corporate Governance and Nomination Committee shall consist of a minimum of three (3) members appointed by the Board of Directors, all of whom should be independent directors including the Chairman. It shall have the powers and duties defined in the Manual on Corporate Governance and in the By-laws of the Company, as may be applicable. The Chairman and members of the Committee shall be appointed annually by the Board. Vacancies shall be filled by election by the Board, and any member of the Committee may be removed by the Board. The Committee shall have the power and authority to delegate any of its duties or responsibilities herein to a subcommittee comprised of one or more members of the Committee.

The Charter of the Corporate Governance and Nomination Committee including its duties and responsibilities can be viewed in the corporate website. The Committee is tasked to assist the Board in the performance of its corporate governance responsibilities, including the functions that were formerly assigned to a Nomination and Remuneration Committee such as establishment of a formal and transparent procedure to develop a policy for determining the remuneration of directors and officers that is consistent with the Company's culture and strategy as well as the business environment in which it operates.



Summary of Committee Meetings and Attendance for 2021

Director	No. of Meetings Held	Attendance
Mr. Laurito E. Serrano (Chairman, Independent Director)	2/2	100%
Ms. Rosemarie P. Rafael (Independent Director)	2/2	100%
Mr. Raymundo N. Suarez (Independent Director)	2/2	100%



Audit Committee

The Audit Committee shall consist of a minimum of three (3) non-executive directors appointed by the Board of Directors, the majority of whom, including the Chairman, shall be independent. All members must have relevant knowledge and/or experience in areas of accounting, auditing and finance. All Committee members should be financially literate, have adequate understanding of the Company's financial management systems and environment and at least one member of the Committee should have accounting or related financial management expertise or relevant business experience as determined by the Board.

The Chairman of the Audit Committee is a Certified Public Accountant and an experienced financial advisor to several companies while its members have experience in financial and credit management and are currently holding, or have held, top executive positions in other companies.

The Audit Committee is primarily responsible for recommending the appointment and removal of the Company's external auditor to the Board. The Charter of the Audit Committee, including its other duties and responsibilities, can be viewed in the corporate website.

Summary of Committee Meetings and Attendance for 2021

Director	No. of Meetings Held	Attendance
Mr. Laurito E. Serrano (Chairman, Independent Director)	4/4	100%
Ms. Rosemarie P. Rafael (Independent Director)	4/4	100%
Mr. Raymundo N. Suarez (Independent Director)	4/4	100%

BOARD PROCESS

Board Meetings and Attendance

The schedule of Board meetings is finalized prior to the start of the year and the Board meets a minimum of six (6) times during the year. Board materials are circulated to directors at least five (5) business days in advance of the meeting. A majority of the members of the Board shall constitute a quorum for its meetings, while a majority of the directors present is required for the approval of any resolution. The Corporate Secretary plays a significant role in supporting the Board in the discharge of its responsibilities.



Board Appointment and Re-Election

The criteria and procedure for the nomination and election of directors, including the independent directors, are disclosed by the Company in its Definitive Information Statement that is distributed to stockholders before the annual stockholders meeting. The names of directors submitted for election or re-election shall be accompanied by sufficient biographical details to enable shareholders to make an informed decision in respect of their election.

The Board shall be composed of seven (7) directors who shall be elected at each annual meeting of the stockholders, to serve for a term of one (1) year. Each director shall be eligible for re-election in accordance with the Articles of Incorporation of the Company. However, Independent Directors may only serve for a maximum cumulative term of nine (9) years, after which, the independent director shall be perpetually barred from re-election as an independent director in the Company but may continue to qualify for nomination and election as a non-independent director. In exceptional cases, however, the Company may retain an independent director who has already served for nine (9) years; provided, that the Company should provide meritorious justifications therefor and seek stockholders' approval during the annual stockholders' meeting. The 9-year maximum term for independent directors shall be reckoned from 2012, as per SEC Memorandum Circular No. 9 series of 2011 and SEC Memorandum Circular No. 4 series of 2017.



Board Remuneration

The Board approved the following compensation policy for the directors of the Company:

- A fixed monthly allowance in the initial amount of ₱120,000 plus an additional month in December for a total of 13 months, which monthly allowance may be increased at the discretion of the Chairman of the Board depending on the performance of the Company in the succeeding years.
- The amount of ₱50,000 as per diem for attendance at Board meetings, with a maximum total amount of ₱300,000 to be given as per diem for each director.
- Additional compensation of up to 2% of the net income before tax of the Company, which shall be apportioned and distributed to the directors in such manner as determined at the discretion of the Chairman of the Board.

Internal Audit

The Company has a separate internal audit function through the Internal Audit Department, which reports to the Audit Committee, and is headed by Mr. Jazz A. Villanueva. The Internal Audit Department is tasked to monitor and evaluate the adequacy and effectiveness of the Company's internal control system including financial reporting control and information technology security, and ensure the integrity of the financial reports and protection of the assets of the Company for the benefit of all shareholders and stakeholders.



Risk Oversight

The Company established a Board Risk Oversight Committee for the purpose of assisting the Board of Directors in overseeing the Company's practices and processes relating to risk assessment and risk management; maintaining an appropriate risk culture, reporting of financial and business risks and associated internal controls. The Board Risk Oversight Committee will assist the Board in providing framework to identify, assess, monitor and manage the risks associated with the Company's business.

It helps the Board to adopt practices designed to identify significant areas of business and financial risks and to effectively manage those risks in accordance with Company's risk profile.

Every year, the Board of Directors, through the Risk Oversight Committee and Audit Committee, reviews the Company's material controls and risk

management system to ensure adequacy and effectivity.

Enterprise Risk Management

The Company's risk management focuses on safeguarding shareholder value to manage unpredictability of risks and minimize potential adverse impact on its operating performance and financial condition.

The Board Risk Oversight Committee annually reviews the Company's approaches to risk management and recommends to the Board the changes or improvements to key elements of its processes and procedures. After submission of the Board Risk Oversight Committee's recommendation, the Board then evaluates the risk management system.



Risk Exposure	Risk Management Policy	Objective
1. Financial Risks	<p>The Company's policy is to ensure that the scheduled principal and interest payments are well within its ability to generate cash from its business operations.</p> <p>The Company is likewise committed to maintain adequate capital at all times to meet shareholders' expectations, withstand adverse business conditions and take advantage of business opportunities.</p>	<p>The Company's objective is to protect investment in the event that there would be significant fluctuations in the exchange rate.</p> <p>On the other hand, the Company's objectives to manage its liquidity are:</p> <ol style="list-style-type: none"> to ensure that adequate funding is available at all times; to meet commitments as they arise without incurring unnecessary costs; and to be able to access funding when needed at the least possible cost. <p>The long-term strategy is to sustain a healthy debt-to-equity ratio.</p>
2. Operational Risks	It is the policy of the Company to be prepared for any event which triggers a material business impact or modifies the existing risk profile.	The Company's objective is to protect investments in the event that there would be significant events that would result in material impact to the Company's operations.

The Board, thru the Board Risk Oversight Committee and Audit Committee, reviews the effectiveness of the Company's, including its subsidiaries and affiliates, risk management system with emphasis on monitoring of existing and emerging risks as well as risk mitigation measures and on identifying risks before these causes significant trouble for the business. Based on the set guidelines, directors are assigned specific areas of business where they monitor compliance of the risk management system. Criteria used for review are compliant with established guidelines and controls and the appropriateness of risk management and risk mitigation measures performed.



Risk Exposure	Risk Management Policy	Objective
1. Hazards and natural or other catastrophes	Have an emergency response and contingency action plan	Allow the business to continue operations even during natural disaster or calamity
2. Regulatory developments	Review of new laws and regulations	Ensure the business is compliant with all laws and regulations
3. Supply of raw materials and packaging materials	Maintain diverse group of suppliers, get at least three quotations from suppliers	Prevent overdependence on a single supplier, ensure the best price possible
4. Consumer taste, trends and preferences	<p>Market study and analysis</p> <p>Maintain close relationships with customer's marketing and research and development team to stay up-to-date with evolving market behavior</p>	Be aware of trends and preferences to develop new products or adopt existing strategy
5. Competition	<p>Industry scanning</p> <p>Constant product innovation</p>	Be aware of trends and preferences to develop new products or adopt existing strategy
6. Philippine economic and political conditions	Review of business and political situation	Ensure that the business can immediately adapt to changes in economic and political conditions and can devise strategies to meet these changes

Risks to Minority Shareholders

The majority shareholder's voting power in the Company may affect their ability to influence and determine corporate strategy.

People on the Board

The positions of Chairman and Chief Executive Officer are concurrently held by Mr. Romeo I. Chan. The Company has elected Mr. Laurito E. Serrano as Lead Independent Director. The duties and responsibilities of the Chairman and Lead Independent Director are disclosed in the Company's Manual on Corporate Governance. All of the Company's non-executive directors have diverse backgrounds in various industries and possess the skills and competencies to effectively discharge their functions.

Board Performance

As part of the Company's commitment to good corporate governance, all directors and key officers of the Company, including, but not limited to the Corporate Secretary, Internal Auditor, and Compliance Officer, shall undergo annual training on corporate governance, which training should be for at least four (4) hours.

All newly-elected directors and key officers shall be required to a seminar on corporate governance, which seminar should be for at least eight (8) hours, with the following topics sufficiently covered therein: Revised Code of Corporate Governance, ASEAN Corporate Governance Scorecard and SEC Annual Corporate Governance Report, board responsibilities; illegal activities of corporations/directors/officers, insider trading, protection of minority shareholders, short swing transactions, liabilities of directors, confidentiality, conflict of interest, related party transactions, case studies, and financial reporting and audit.

The Company's Board, key officers and selected employees participated in a corporate governance seminar conducted by the Center for Global Best Practices on March 25, 2021.

For 2022, the Company is planning to institute a process that would objectively assess the performance of the Board, Board committees and directors relative to the discharge of their duties and responsibilities

Investor Relations

Axelum is primarily responsible for managing stakeholder engagement particularly with shareholders and media practitioners. The Investor Relations Department coordinates the dissemination of accurate and structured material information in a timely manner to regulators and the general public.

The Investor Relations Department organizes small group meetings, one-on-one sessions, non-deal roadshows and participates in conferences with senior management to engage institutional and retail investors. In lieu of briefings, the Investor Relations Department meets buy and sell-side analysts on a quarterly or as needed basis. Due to the COVID-19 pandemic, interaction with investors were limited to videoconferencing, mobile and email inquiries.

Axelum regularly updates its corporate website which serves as the initial touchpoint of the investing community. The Investor Relations Department ensures that the latest presentation materials and other relevant information are uploaded and easily accessible online. In addition, the Investor Relations Department supports the conduct of Axelum’s yearly shareholders’ meeting and the publication of its glossy annual and sustainability reports. Recently, the Investor Relations Department has expanded its role aligned with Axelum’s overall sustainability program.

Axelum has appointed Mr. Paul C. Cheah, as Vice-President and Investor Relations Officer. For investor queries and feedback, Mr. Cheah may reached via email at paul.cheah@axelum.com.ph.

In 2021, Axelum held more than 30 virtual meetings with various institutional and retail investors. To date, Axelum maintains active research coverage from four (4) local brokers and is in constant discussions with other equity houses for potential new initiations.

Equity Research Coverage

INITIATION DATE	INSTITUTION	RECOMMENDATION
11/20/2019	First Metro Securities	BUY
07/13/2020	Regina Capital	BUY
09/04/2020	AB Capital	BUY
09/29/2021	Chinabank Securities	BUY





Sustainability at a ————— Glance

At Axelum, we are committed to advancing sustainable development in ways that create meaningful impact particularly for our host communities. Aligned with the United Nations Sustainable Development Goals, we share in the mindset of generating value that help address gaps in today's society. Our business is anchored on a solid and evolving ESG-foundation, that serve as our guide in espousing for equality, resiliency and inclusivity for our countrymen.

Through the years, we have tightened our grip on the principles of sustainability, resulting to a more comprehensive agenda that respond to a broader spectrum of issues with greater impact. We strive to build on the gains

we have made as community enablers by consistently exploring new avenues to further lasting change.

Foremost, we have identified recurrent challenges that obstruct our path towards proactive economic and social inclusion. Despite COVID-19, we were unrelenting in our mission to help ease poverty by affording educational opportunities for the youth, reaffirming our belief that formal education is fundamental to a sustainable future for the next generation. In 2021, Axelum granted college scholarships to 39 eligible students.

To promote financial stability, Axelum has instituted social programs that offer alternative livelihood options to community residents including gainful

employment, agriculture and technical skills development. As of 2021, Axelum's total workforce is composed of approximately 5,000 people, majority of whom are residents from host communities. In addition, Axelum operates an organic community farm that distributes assorted seedlings and trains farming groups to cultivate a variety of fruits and vegetables. Harvested crops are sold to local markets and vegetable traders to augment household income. Last year, Axelum handed out packs of coconut seedlings to 31 farmer beneficiaries.

Addressing the need for basic healthcare, Axelum is constructing the San Isidro Polymedic General Hospital located in Gingoog City. This project is envisioned to provide professional and affordable

medical services to community members particularly indigent patients. This hospital will feature 100-beds, charity wards, hemodialysis center, laboratory and diagnostics, imaging and intensive care. To date, project completion is at 55% and scheduled to be operational by the end of 2022.

With regards to our environmental blueprint, Axelum invested in a state-of-the-art wastewater treatment plant and is fully compliant with regulatory effluent standards. In 2021, Axelum managed to recycle up to 20% of its total wastewater for other purposes. Moreover, Axelum is finalizing plans to set up a modern solar panel facility to power manufacturing operations during peak hours. This initiative

will limit dependence on traditional energy sources. In addition, Axelum has installed modern computerized boilers, which generate culinary-grade steam and requires up to 35% less coconut shells, thus further reducing overall carbon footprint.

For an in-depth view of our overall ESG framework, please refer to our separate 2021 Sustainability Report.

Awards and Recognition



ASIA'S BEST SUSTAINABILITY REPORT (FIRST TIME)

- Silver Award
- Asia Sustainability Reporting Awards 2020
- May 19, 2021

CERTIFICATE OF APPRECIATION

- Invaluable participation in the Sustainability Showcase: Notable ESG Projects forum
- Philippine Stock Exchange and Securities and Exchange Commission
- December 06, 2021

PLAQUE OF RECOGNITION

- Top 10 Real Property Taxpayer (Industrial Category)
- From the Office of the Provincial Treasurer, Misamis Oriental
- November 29, 2021

CERTIFICATE OF APPRECIATION

- Invaluable support to the Coast Guard Station Northeastern Misamis Oriental
- Coast Guard District Northern Mindanao
- April 26, 2021

Management Discussion and Analysis

The following discussion of the Group's recent financial condition and results of operations should be read in conjunction with the Group's Audited Consolidated Financial Statements as of December 31, 2021 and 2020 and for each of the three years in the period ended December 31, 2021, and notes thereto, which form part of the SEC Form 17-A as Annex B.

Financial Condition

2021 vs 2020

The Group had consolidated total assets of ₱10,082 million and ₱10,226 million as of December 31, 2021 and 2020, respectively.

Assets

CURRENT ASSETS

- Total consolidated current assets amounted to ₱4,559 million representing 45% of total consolidated assets and ₱4,815 million representing 47% of total consolidated assets as of December 31, 2021 and 2020, respectively.
- Cash and cash equivalents amounted to ₱1,155 million and ₱2,290 million as of December 31, 2021 and 2020, respectively. AXLM invests the proceeds from its IPO in interest-bearing time deposits with banks, with original maturities not exceeding three months and with interest rates ranging from 0.09% to 1.25% in 2021 and 0.06% to 1.25% in 2020 and are carried at cost which approximates fair value. The decrease by ₱1,135 million or 50% was mainly because of the settlement of debts and purchase of own shares. Refer to section on Cash Flows for the detailed movement in cash and cash equivalents account.
- Trade and other receivables closed down to ₱756 million which are mainly from customers and other non-trade receivables and represents about 17% of the total consolidated current assets. The increase by ₱181 million or 32% was

mainly because of higher sales in 2021. Moreover, in 2021, the Parent Company was subjected to the payment of the new excise tax on sweetened beverages imposed by the government for its coconut water exports. After the payment of the tax, the Parent Company at its option may file a claim for excise tax credit/refund pursuant to relevant sections of the National Internal Revenue Code or may avail of a claim for product replenishment in accordance to the relevant revenue regulation. As of December 31, 2021, the Company has a receivable from government related to its excise tax payment, included under other receivables, amounting to ₱43 million. Foreign exchange rate impact, primarily from the translation from U.S. dollars into Philippine pesos, also increased receivables. 70% of the total trade and other receivables are current and only 6% are over 90 days due. Trade receivables are generally on a 30-60 day term.

- Inventories are stated at cost which approximates its net realizable value as of the reporting dates. Given the global shipping concern brought about by COVID-19 pandemic, the Group's finished goods inventories increased by ₱723 million or 85% from December 31, 2020 inventory balance. Finished goods in 2021 and 2020 represent 74% and 63% of the total inventories, respectively.
- Prepaid expenses and other current assets comprise 12% of total consolidated current assets and represent the Group's input VAT, advances to suppliers and other prepayments. Input VAT which pertains to taxes paid on purchases of goods and services mainly represents 89% and 77% of the prepaid expenses and other current assets account as of December 31, 2021 and 2020, respectively. In 2021, the Group directly written off input VAT amounting to ₱28 million.

NON-CURRENT ASSETS

- Of the Group's total consolidated assets, noncurrent assets comprise 55% (₱5,522 million) and 53% (₱5,411 million) as of December 31, 2021 and 2020, respectively.
 - In April 2020, AXLM sold all its ROP bonds at a premium resulting to a gain amounting to ₱16,594.
 - Property, plant and equipment include buildings and site improvements, plant machinery and equipment, as among others.
- It accounts for 67% of the total consolidated noncurrent assets. Capital expenditures aggregated ₱199 million and ₱426 million in 2021 and 2020, respectively, composed of various projects such as installation of new manufacturing plant facilities and plant's rehabilitation of various equipment.
- Goodwill and other intangible assets represent the difference between the total fair value of identifiable assets purchased and the total consideration paid by AXLM in 2016.

Liabilities

- Total consolidated liabilities amounted to ₱888 million and ₱1,493 million as of December 31, 2021 and 2020, respectively.
- Loans payable representing 29% (₱253 million) and 60% (₱901 million) of the total consolidated liabilities as of December 31, 2021 and 2020, respectively, pertain to short-term borrowings, particularly packing credit loans, availed by the Group from various banks. As of December 31, 2021, all packing credit loans were fully paid and the loans payable represents only the revolving credit line of RVF.
- Accounts payable and accrued expenses represent 57% (₱509 million) and 31% (₱458 million) as of December 31, 2021 and 2020, respectively.
- Other liabilities include lease liabilities, retirement benefit obligation and other liabilities.

Equity

- Total consolidated equity amounted to ₱9,194 million and ₱8,733 million as of December 31, 2021 and 2020, respectively.
- In May 2019, AXLM was authorized by its BOD and Stockholders to undertake an IPO of its shares with the PSE. Subsequently in August 2019 and September 2019, the PSE and SEC, respectively, approved AXLM's application for IPO.
- AXLM is a public company under Section 17.2 of the Securities Regulation Code (SRC) and its shares of stock were officially listed for trading in the PSE on October 7, 2019. AXLM's IPO consisted of 800 million common shares comprising of 700 million primary shares (300 million shares out of unissued capital stock and 400 million shares out of treasury stock) and 100 million secondary shares, both at an offer price of ₱5.00 per share.

Treasury Shares

- » On March 11, 2020, AXLM's BOD approved the authorization of the buy-back program of AXLM's common shares to enhance shareholder value. The said program shall be for a term of six (6) months commencing on March 16, 2020 and ending on September 16, 2020. AXLM's BOD may, at its discretion and upon management's recommendation, extend the period by another six (6) months to end on March 16, 2021. AXLM shall be authorized to buy back up to ₱500 million worth of common shares. Such amount may be increased from time to time by AXLM's BOD as the circumstances may warrant and subject to the availability of unrestricted retained earnings. On September 23, 2020, AXLM's BOD approved the extension of its share buy-back program until December 31, 2020 which was further extended until June 30, 2021 on December 29, 2020. On June 24, 2021, AXLM's BOD approved another extension of its share buy-back program until December 31. On December 23, 2021, the AXLM's BOD approved the extension of AXLM's share buy-back program until June 30, 2022. AXLM shall be authorized to buy back up to ₱800 million (increased from an original amount of ₱500 million) worth of common

shares. Such amount may be increased from time to time by the BOD as the circumstances may warrant and subject to the availability of unrestricted retained earnings. As at December 31, 2021, AXLM acquired 185,488,500 of its own common shares or a total cost of ₱543 million which is included as part of "Treasury Shares" in the 2021 Statement of Financial Position.

Dividends

- » On March 11, 2020, AXLM's BOD approved the declaration of cash dividends in the amount of ₱0.03 per share or a total of ₱120 million out of the unrestricted retained earnings of AXLM as at December 31, 2018 and were paid to stockholders of record as of April 1, 2020 on April 24, 2020.
- Considering only interest-bearing liabilities, the Group's net gearing ratio and net interest-bearing debt-to-EBITDA stood at 0.03x and 0.22x, respectively, as of December 31, 2021.

2020 vs 2019

The Group had consolidated total assets of ₱10,226 million and ₱10,559 million as of December 31, 2020 and 2019, respectively.

Assets

CURRENT ASSETS

- Total consolidated current assets amounted to ₱4,815 million representing 47% of total consolidated assets and ₱5,077 million representing 48% of total consolidated assets as of December 31, 2020 and 2019, respectively.
- Cash and cash equivalents amounted to ₱2,290 million and ₱2,862 million as of December 31, 2020 and 2019, respectively. AXLM invests the proceeds from its IPO in interest-bearing time deposits with banks, with original maturities not exceeding three months and with interest rates ranging from 0.06% to 1.25% in 2020 and 1.50% to 4.00% in 2019 and are carried at cost which

approximates fair value. The decrease by ₱572 million or 19% was mainly because of the settlement of debts and purchase of own shares. Refer to section on Cash Flows for the detailed movement in cash and cash equivalents account.

- Trade and other receivables closed down to ₱575 million which are mainly from customers and other non-trade receivables and represents about 12% of the total consolidated current assets. The increase by ₱73 million or 14% was mainly because of the restrictions that affected

the collection schedule. 70% of the total trade and other receivables are current and only 2% are over 90 days due. Trade receivables are generally on a 30-60 day term.

- Inventories are stated at cost which approximates its net realizable value as of the reporting dates. Given the uncertainty in the supply chain brought about by COVID-19 pandemic, the Group increased its minimum stocking level from 2 months to 5 months for those inventories needed in the production. This resulted to an increase by ₱214 million or

19% from the previous year's inventory balance. Finished goods represent 63% of the total inventories.

- Prepaid expenses and other current assets comprise 13% of total consolidated current assets and represent the Group's input VAT, advances to suppliers and other prepayments. Input VAT which pertains to taxes paid on purchases of goods and services mainly represents 77% and 76% of the prepaid expenses and other current assets account as of December 31, 2020 and 2019, respectively.

NON-CURRENT ASSETS

- Of the Group's total consolidated assets, noncurrent assets comprise 53% (₱5,411 million) and 52% (₱5,482 million) as of December 31, 2020 and 2019, respectively.
- In April 2020, AXLM sold all its ROP bonds at a premium resulting to a gain amounting to ₱16,594.
- Property, plant and equipment include buildings and site improvements, plant machinery and equipment, as among others. It accounts for

69% of the total consolidated noncurrent assets. Capital expenditures aggregated ₱426 million and ₱725 million in 2020 and 2019, respectively, composed of various projects such as installation of new manufacturing plant facilities and plant's rehabilitation of various equipment.

- Goodwill and other intangible assets represent the difference between the total fair value of identifiable assets purchased and the total consideration paid by AXLM in 2016.

Liabilities

- Total consolidated liabilities amounted to ₱1,493 million and ₱1,976 million as of December 31, 2020 and 2019, respectively.
- Loans payable representing 60% (₱901 million) and 69% (₱1,360 million) of the total consolidated liabilities as of December 31, 2020 and 2019, respectively, pertain to short-term borrowings, particularly packing credit loans, availed by the Group from various banks. In 2019, AXLM availed bank loan amounting to ₱1,350 million to pay off certain obligations. As of December 31, 2019, such bank loan has been reduced to ₱500 million. In January 2020, AXLM converted the outstanding balance of ₱500 million to a term loan of 5 years, with quarterly principal payments amounting to ₱25 million. In June 2020, the BOD approved the reallocation of the total amount of ₱1 billion from the use of proceeds raised from its IPO to be used

instead to prepay loans and save on interest expense. In July 2020, the Parent Company paid ₱786 million including interest amounting to ₱6 million from the proceeds of its IPO as full payment for the said term loan.

- Accounts payable and accrued expenses represent 31% (₱458 million) and 16% (₱321 million) as of December 31, 2020 and 2019, respectively. As of December 31, 2020, AXLM has accrued marketing and promotion of about ₱52 million, and directors' and certain key officers' remuneration of about ₱12 million and ₱22 million, respectively. Refer to "Selling Expenses" and "General and Administrative Expenses" sections for details.

- In July 2020, AXLM fully paid its mortgage liability from the proceeds of its IPO.
- Long-term debt mainly consists of the term loan agreement of RVF. In August 2020, RVF paid

₱82 million plus interest as full payment for its long-term debt.

- Other liabilities include lease liabilities, retirement benefit obligation and other liabilities.

Equity

- Total consolidated equity amounted to ₱8,733 million and ₱8,583 million as of December 31, 2020 and 2019, respectively.
- In May 2019, AXLM was authorized by its BOD and Stockholders to undertake an IPO of its shares with the PSE. Subsequently in August 2019 and September 2019, the PSE and SEC, respectively, approved AXLM's application for IPO.
- AXLM is a public company under Section 17.2 of the Securities Regulation Code (SRC) and its shares of stock were officially listed for trading in the PSE on October 7, 2019. AXLM's IPO consisted of 800 million common shares comprising of 700 million primary shares (300 million shares out of unissued capital stock and 400 million shares out of treasury stock) and 100 million secondary shares, both at an offer price of ₱5.00 per share.
- Treasury Shares**
 - On March 11, 2020, AXLM's BOD approved the authorization of the buy-back program of AXLM's common shares to enhance shareholder value. The said program shall be for a term of six (6) months commencing on March 16, 2020 and ending on September 16, 2020. AXLM's BOD may, at its discretion and upon management's recommendation, extend the period by another six (6) months to end on March 16, 2021. AXLM shall be authorized to buy back up to ₱500 million worth of common shares. Such amount may be increased from time to time by AXLM's BOD as the circumstances may warrant and subject to the availability of unrestricted retained earnings. On September 23, 2020, AXLM's BOD approved the extension of its share buy-back program

until December 31, 2020 which was further extended until June 30, 2021 on December 29, 2020. As at December 31, 2020, AXLM acquired 79,429,000 of its own common shares or a total cost of ₱211 million which is included as part of "Treasury Shares" in the 2020 Statement of Financial Position.

- Dividends**
 - In March 2019, AXLM issued a total of 550 million shares of stock dividends to common and redeemable preferred share (RPS) stockholders (at par value of ₱1.00 per share), in proportion to their respective shareholdings, out of AXLM's unissued common and RPS stock. Further, all the 900 million RPS were converted at the rate of one RPS to one common share.
 - On March 11, 2020, AXLM's BOD approved the declaration of cash dividends in the amount of ₱0.03 per share or a total of ₱120 million out of the unrestricted retained earnings of AXLM as at December 31, 2018 and were paid to stockholders of record as of April 1, 2020 on April 24, 2020.
- Considering only interest-bearing liabilities, the Group's net gearing ratio and net interest-bearing debt-to-EBITDA stood at 0.11x and 1.11x, respectively, as of December 31, 2020

Key Performance Indicators

	December 31, 2021	December 31, 2020
Current Ratio	5.88	3.41
Debt-to-Equity Ratio	0.10	0.17
Asset-to-Equity Ratio	1.10	1.17

Notes:

Current Ratio	=	Current Assets / Current Liabilities
Debt-to-Equity Ratio	=	Total Liabilities / Total Equity
Asset-to-Equity Ratio	=	Total Assets / Total Equity

Results of Operations

The Group's consolidated operating results for the years ended December 31, 2021, 2020, and 2019 in absolute terms and expressed as a percentage of total sales are compared below:

For the years ended December 31 All amounts in Php thousands, except percentages								
	2021	% of Sales	2020	% of Sales	% Change 2021 vs 2020	2019	% of Sales	% Change 2020 vs 2019
Sales	6,359,548	100	5,167,662	100	23	5,302,655	100	(3)
Cost of Sales	4,623,095	73	3,869,610	75	19	3,753,523	71	3
Gross Profit	1,736,453	27	1,298,052	25	34	1,549,132	29	(16)
Selling Expenses	521,306	8	420,488	8	24	321,436	6	31
General and Administrative Expenses	398,524	6	347,920	7	15	296,817	6	17
Income from Operations	816,623	13	529,644	10	54	930,879	18	(43)
Interest Income	5,649	0	55,469	1	(90)	18,018	0	208
Interest and Other Finance Charges	(34,076)	(1)	(73,981)	(1)	(54)	(109,115)	(2)	(32)
Other Income	107,841	2	62,513	1	73	15,530	0	303
Income before Income Taxes	896,037	14	573,645	11	56	855,312	16	(33)
Income Tax Expense	(180,704)	(3)	(47,231)	(1)	283	(80,505)	(2)	(41)
Net Income	715,333	11	526,414	10	36	774,807	15	(32)
EBITDA, before one-offs	1,150,993	18	837,408	16	37%	1,168,314	22	(28)
EBITDA, after one-offs	1,179,120	19	837,408	16	41%	1,168,314	22	(28)
Net income, after one-offs	743,460	12	526,414	10	41%	774,807	15	(32)
Other Key Financial Ratios								
Return on equity	8%		6%			9%		
Return on total assets	7%		5%			7%		

Notes:

Return on Equity	=	Net Income / Total Equity
Return on Total Assets	=	Net Income / Total Assets

2021 vs 2020

SALES

- The Group generated sales of ₱6,359 million and ₱5,168 million for the year ended December 21, 2021 and 2020, respectively.
- The Group delivered strong growth with sales up 23% year on year primarily driven by strong performance in almost all products most particularly desiccated coconut, coconut water and sweetened coconut. Average selling prices also went up in 2021 by 27% as against 2020.
- Market volume for desiccated coconut increased by 15% while sweetened coconut and coconut milk powder volumes both grew by 7%. Coconut water production remained at full-swing with delivered volume growth at 14%. Collectively, these core product segments accounted for 86% of consolidated topline.
- The related party transactions that were eliminated in the consolidated financial statements for the years ended December 31, 2021 and 2020 pertain to sales made to RVF amounting to ₱1,850 million and ₱1,005 million, respectively, and FIA amounting to ₱377 million and ₱386 million, respectively.

COST OF SALES

- Cost of sales for the year ended December 31, 2021 closed at ₱4,623 million, resulting in a gross profit of ₱1,736 million, primarily due to higher raw material prices as compared to same period in 2020 as well as rising shipping costs brought about by the global shipping issues during COVID-19 pandemic.
- Average coconut prices went up by 28% year on year. Price ranges from ₱7,200 to ₱7,700 per Metric Ton (MT) in 2020 but increased to levels of ₱9,000 to ₱10,600 per MT of coconut in 2021.
- To meet its rapidly-growing demand for its products, the Company's nut opening plant has been processing on average 18% more coconuts daily for 2021 as compared to 2020. The Company's manufacturing plants are also producing at maximum output for its main product segments resulting to higher production volume.
- The pandemic continues to affect supply chains worldwide with shipping lines scaling back their capacities and the freight cost nearly tripled

over the past year. Freight costs increased to ₱238 million in 2021 from ₱69 million in 2020.

- Cost of sales for 2021 translate to 73% of sales which was lower than 2020's cost of sales of 75% mainly due to higher production volume in main product segments despite higher raw material prices and rising shipping costs.

GROSS PROFIT

- Due to volume growth and despite higher raw material and shipping costs, the Group's gross profit increased by 34% as compared in 2020 and translate to 27% gross margin in 2021 as compared to 25% in 2020.

SELLING EXPENSES

- With the higher sales in 2021, selling expenses also increased by 24% from 2020, but still translate to 8% of sales for both years.
- Freight which represented 44% of the selling expenses increased by 42% as compared to 2020.

GENERAL AND ADMINISTRATIVE EXPENSES

- General and administrative expenses aggregated ₱398 million and ₱348 million which translates to a 6% and 7% of sales for the years ended December 31, 2021 and 2020, respectively.
- In December 2020, AXLM's BOD approved a remuneration policy for its directors which covers fixed and variable components, including per diem during directors' attendance in the board meetings.

INTEREST INCOME

- Interest income in 2021 represents mainly interest earned from the Parent Company's in bonds. The Parent Company has invested its unutilized or temporary

excess funds in ROP bonds starting about Q1 2018. Interest income earned from ROP bonds amounted to ₱3.9 million and ₱4 million for the year ended December 31, 2021 and 2020, respectively. In 2020, the Parent Company sold all its ROP bonds at a premium.

- Proceeds from IPO were also invested in short-term time deposits. Interest income earned for the year ended December, 2021 and 2020 amounted to ₱1.5 million and ₱51 million, respectively.

INTEREST AND OTHER FINANCE CHARGES

- Interest expense and other financing charges mainly represent interest incurred from AXLM's short term borrowings (packing credit loans) and long-term bank loans of AXLM (5-year term loan converted in January 2020) and its subsidiary, RVF, for some tangible assets used in operations in Atlanta, Georgia.
- Interest expense significantly reduced by almost ₱40 million or 54% due to prepayment of loans.
- The long-term bank loans of AXLM and RVF were fully paid in the third quarter of 2020. Moreover, the Parent Company fully paid its packing credit loans as of December 31, 2021. Remaining bank loan pertain only to RVF's revolving credit line.

OTHER INCOME

- Other income represents commission income earned from a third party at a fixed percentage, gain on sale of investment in bonds, rent income, net foreign exchange gain (loss) and other items recovered and saved by the Group in the course of its operations.
- Foreign exchange rate impact from the translation from U.S. dollars into Philippine pesos resulted to a net foreign exchange gain of almost ₱100 million in 2021 as compared to a net foreign exchange loss of ₱13 million in 2020.

INCOME TAX EXPENSE

- Income tax expense for the year 2021 totaled ₱181 million. This consisted of current income tax totaling ₱157 million representing regular

corporate income tax and a ₱24 million deferred tax.

- Income tax expense for the year 2021 increased by ₱133 million due to higher earnings as compared to 2020.
- The group's effective tax rate significantly increased to 20% as compared to 8% the previous year. The Parent Company's income tax holiday as BOI incentive for its coconut water operations expired in January 2021 which made its income from its coconut water operations taxable starting February 2021.
- On March 26, 2021, BOI granted the Parent Company an ITH for its agglomerated coconut milk powder product and other plant-based infused coconut milk powder products line. The Parent Company will have an ITH of four years from May 2021 or actual start of commercial operation whichever is earlier but in no case earlier than the date of registration. Actual commercial operation started in April 2021.
- On July 9, 2021, BOI granted the Parent Company an ITH for its organic/non-organic plant-based infused coconut drinks and juices products. The Parent Company will have an ITH of six years from July 2021.
- Although the Philippine corporate tax rate now is at 25% as compared to 30% last year, coconut water operations account for 25% of the Parent Company's operations alone while the new projects were only approved later this period.

NET INCOME

- As a result of the foregoing, net income for the year ended December 31, 2021 reached ₱715 million for a net income margin of 11%, a 36% increase from last year's net income of ₱526 million for a net income margin of 10%.

2020 vs 2019

SALES

- The Group generated sales of ₱5,168 million for the year ended December 31, 2020, down by 3% as compared to ₱5,303 for the year ended December 31, 2019.
- Market volume demand for the Group's products remained strong in 2020, however stricter COVID-19 related government restrictions during first half of 2020, such as road checkpoints, reduced the Parent Company's access to coconut supply and weighed down both the export and domestic businesses and affected the Group's volumes. As the production capabilities of the Parent Company was initially hampered, the Group decided to slow down forward-selling activities to both in the local and export markets as it might cause default on its contracts for failure to deliver on time, due to the uncertainties brought about by the COVID-19 pandemic. As the restrictions are becoming lenient, the Group was able to regain its growth trajectory starting third quarter of 2020.
- For coconut water alone, the Group was able to sell about 27.1 million liters in 2020 as compared to about 22.5 million liters in 2019 (20% increase). Coconut water represents about 27% of the Group's consolidated sales.
- Market volume for desiccated coconut (major product of the Group representing 28% of total sales) dropped by 24% but average selling prices per pound of desiccated coconut is higher by 10% with average selling price of \$1.12 in 2020 than \$0.97 in 2019.
- Sales volume, however, increased in all other products such as reduced fat coconut (81% increase), coconut milk in cans (27% increase), and toasted coconut (17% increase) as compared to 2019.
- The related party transactions that were eliminated in the consolidated financial statements for the years ended December 31, 2020 and 2019 pertain to sales made to RVF amounting to ₱1,005 million and ₱1,203 million, respectively, and FIA amounting to ₱386 million and ₱330 million, respectively.

COST OF SALES

- Cost of sales in 2020 closed at ₱3,870 million, resulting in a gross profit of ₱1,298 million, primarily due to higher raw material prices, as compared to 2019 and lower production volume of white products due to operational challenges and extraordinary measures that need to be implemented in response to the threat of COVID-19 health pandemic, affecting the plant's operational efficiency thus increasing our cost of production.
- Coconut prices range from ₱5,800 to ₱6,000 per Metric Ton (MT) in 2019 but increased to levels of ₱7,200 to ₱7,700 per MT of coconut in 2020.
- Cost of sales in 2020 was closed at 75% of gross sales as compared to 71% in 2019 or a cost of sales increase by 3%.

GROSS PROFIT

- Due to the lower volume and higher raw material costs in 2020, the Group's gross profit was down by 16% as compared in 2019 but still able to sustain at 25% of sales.

SELLING EXPENSES

- Selling expenses already increased by 31% from 2019 as the volume of sales started to pick-up starting third quarter of 2020.
- The pandemic also affected supply chains worldwide, as a result of this, shipping lines started to scale back their capacities and the freight cost nearly tripled from 2019. Freight which represented 39% of the selling expenses increased by 18% from 2019.
- Moreover, with the 17% increase in CWT sales, higher marketing promotion support was registered during 2020 as compared to 2019. As of December 31, 2020, accrued marketing and promotion recorded in the books amounted to ₱52 million.
- Selling expenses translate to an 8% and 6% of sales in 2020 and 2019, respectively.

GENERAL AND ADMINISTRATIVE EXPENSES

- General and administrative expenses aggregated ₱348 million and ₱297 million in 2020 and 2019, respectively, which translates to a 6% of sales year on year.
- In October 2020, AXLM's BOD approved a remuneration policy for certain key executive positions covering fixed and variable components, including participation to the Annual Incentive Bonus which is equivalent to a maximum of five percent (5%) of the consolidated EBITDA subject to the approval by the Chairman of the Board. As of December 31, 2020, AXLM accrued about ₱22 million representing two and a half percent (2.5%) of the consolidated EBITDA.
- In December 2020, AXLM's BOD also approved a remuneration policy for its directors which covers fixed and variable components, including per diem during directors' attendance in the board meetings. Directors' remuneration in 2020 aggregated to approximately ₱14 million, of which about ₱12 million was accrued in the books of accounts as of December 31, 2020.

INTEREST INCOME

- Interest income in 2020 represents interest earned from AXLM's investment in bonds. AXLM has invested its unutilized or temporary excess funds in ROP bonds starting about Q1 2018. Interest income earned from ROP bonds amounted to ₱4 million and ₱13 million in 2020 and 2019, respectively. In 2020, the Parent Company sold all its ROP bonds at a premium.
- Proceeds from IPO were also invested in short-term time deposits resulting to higher interest income in 2020 as compared to 2019. Interest income earned amounted to ₱51 million and ₱5 million in 2020 and 2019, respectively.

INTEREST AND OTHER FINANCE CHARGES

- Interest expense and other financing charges mainly represent interest incurred from AXLM's short term borrowings (packing credit loans) and long-term bank loans of AXLM (5-year term loan converted in January 2020) and its subsidiary, RVF, for some tangible assets used in operations in Atlanta, Georgia. The long-term bank loans of AXLM and RVF were fully paid in the third quarter of 2020.

OTHER INCOME

- Other income represents commission income earned from a third party at a fixed percentage, gain on sale of investment in bonds, rent income, net foreign exchange gain (loss) and other items recovered and saved by the Group in the course of its operations.
- RVF and FIA also received non-taxable grants amounting to ₱17,860 and 2,272, respectively, from the government to support businesses during the economic downturn associated with COVID-19 pandemic in 2020. Refer to Note 20 to the 2020 Consolidated Financial Statements as per attached Annex B for details.
- In April 2020, AXLM sold all its ROP bonds at a premium resulting to a gain amounting to ₱16,594.

INCOME TAX EXPENSE

- Income tax expense for the year totaled ₱47 million. This consisted of current income tax totaling ₱54 million representing regular corporate income tax and a (₱7) million deferred tax.

NET INCOME

- Net income for the year ended December 31, 2020 reached ₱526 million for a net income margin of 10%, a 32% decrease from last year's net income of ₱775 million for a net income margin of 15%.
- The Group's net income for 2020 came in lower than the prior year and weighed down by the overall impact of COVID-19.

2019 vs 2018

SALES

- The Group generated sales of ₱5,303 million for the year ended December 31, 2019, down by 10% year on year, due to global decline in oil prices (i.e. palm oil, crude oil) in 2018. Average selling prices per pound of desiccated coconut (major product of the Company representing 34% of total revenues) in 2019 ranges from \$0.72 to \$0.80 as compared to the same period in 2018 which ranges from \$1.00 to \$1.05.
- The lower average selling prices in 2019 as compared to 2018 greatly impacted the sales for the period. The Group needed to lower its average selling prices to its customers to compete in the global coconut market to maintain its market share. Overall product volume sold by the Group did increase in some markets for 2019 such as coconut cream (by 14%), and some of its minor products such as reduced fat coconut (by 61%), roasted coconut (by 53%), and coconut milk in cans (by 34%) as compared to 2018, however the lower average selling prices greatly impacted the sales in 2019.
- The related party transactions that were eliminated in the consolidated financial statements for the years ended December 31, 2019 and 2018 pertain to sales made to RVF amounting to ₱1,203 million and ₱1,380 million, respectively, and FIA amounting to ₱330 million and ₱468 million, respectively.

COST OF SALES

- Cost of sales for the year ended December 31, 2019 closed at ₱3,753 million, resulting in a gross profit of ₱1,549 million, primarily due to lower coconut raw material prices, as compared year on year.
- Coconut prices dropped significantly by 40% in 2018 starting at ₱10k per MT of nuts in January 2018 up to as low to mid ₱6k levels per MT in December 2018. During 2019, coconut prices continue to drop to as low to mid ₱5k levels per MT then closed to an average of ₱6k level per MT in December 2019.
- Cost of sales in 2019 was down to 71% of gross sales as compared to 77% in 2018 or a cost of sales reduction of 17%.

GROSS PROFIT

- In spite of sales reduction of 10% in 2019 as compared in 2018, the Group's gross profit increased to 29% of sales as compared to 12% in 2018 or an increase of ₱170 million in 2019.

OPERATING EXPENSES

- Operating expenses, composed of selling, general and administrative expenses, aggregated ₱618 million for the year ended December 31, 2019. This translates to a 12% of sales from 11% of sales last year.

INTEREST INCOME

- Interest income in 2019 represents mainly interest earned from AXLM's investment in bonds and short-term time deposits. AXLM has invested its unutilized or temporary excess funds in ROP bonds and time deposits. Interest income earned from ROP bonds in 2019 amounted to ₱17 million as compared to ₱12 million in 2018.

INTEREST AND OTHER FINANCE CHARGES

- Interest expense and other financing charges in 2019 mainly represent interest incurred from AXLM's short term borrowings (packing credit loans) and long-term bank loans of its subsidiary, RVF, for some tangible assets used in operations in Atlanta, Georgia. In 2018, it includes interest and penalty accrued relating to AXLM's certain obligations relating to the acquisition of assets made in 2016.

OTHER INCOME

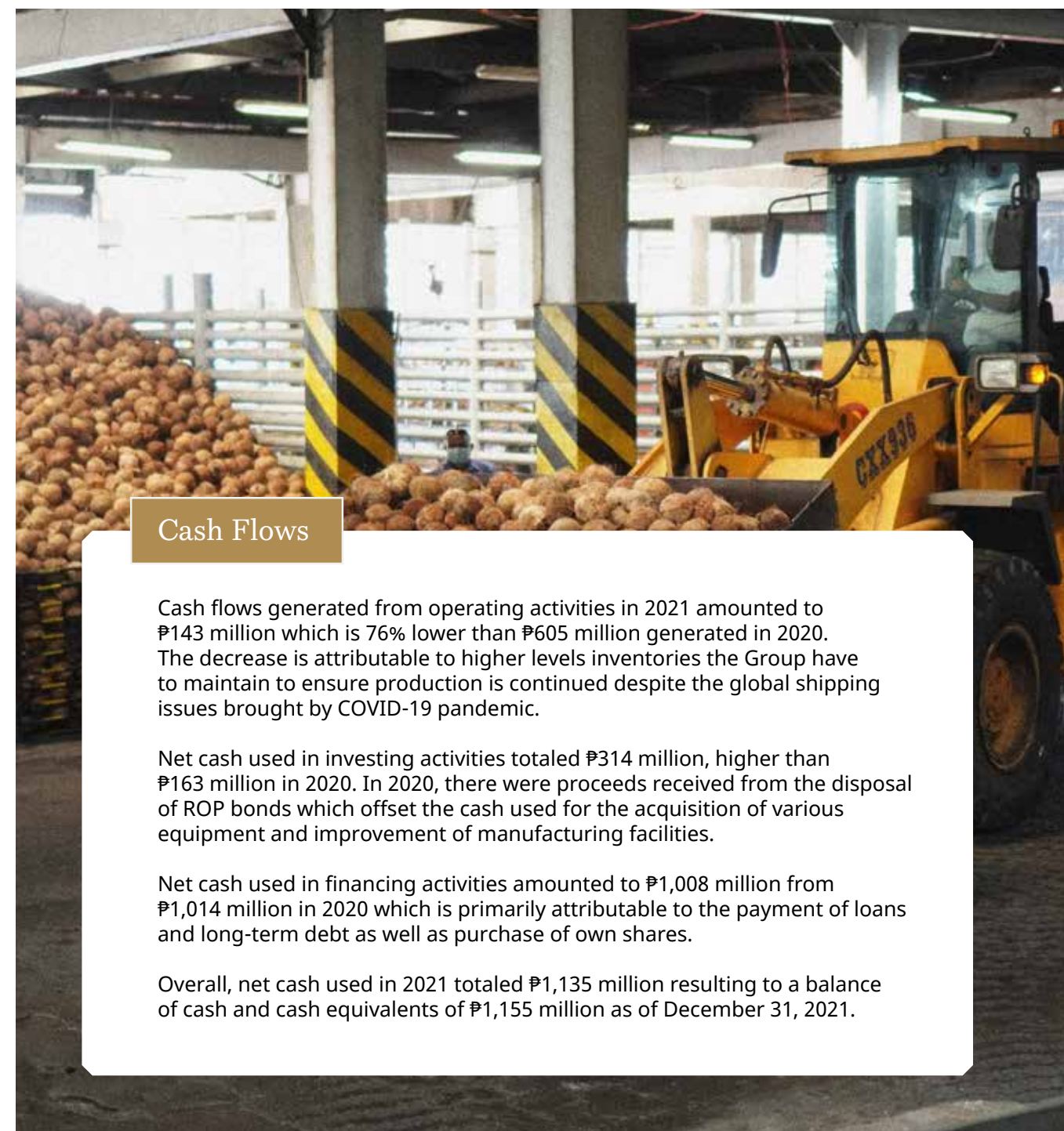
- Other income represents commission income earned from a third party at a fixed percentage, gain on disposal of equipment, rent income, net foreign exchange gain and other items recovered and saved by the Company in the course of its operations.

INCOME TAX EXPENSE

- Income tax expense for the year totaled ₱81 million. This consisted of current income tax totaling ₱49 million representing regular corporate income tax and a ₱31 million deferred tax. In 2018, income tax expense netted out at ₱68 million, which consisted of ₱115 million current tax expense offset by a deferred tax benefit of ₱48 million.

NET INCOME

- Net income for the year ended December 31, 2019 reached ₱775 million for a net income margin of 15%, a 112% increase from last year's net income of ₱365 million for a net income margin of 6%.
- Without the one-time loss on early retirement of debt charge of ₱168 million, net income in 2018 would have been ₱533 million. Net income in 2019 is still higher by 45% as compared in 2018 even if the one-time loss is removed.



Cash Flows

Cash flows generated from operating activities in 2021 amounted to ₱143 million which is 76% lower than ₱605 million generated in 2020. The decrease is attributable to higher levels inventories the Group have to maintain to ensure production is continued despite the global shipping issues brought by COVID-19 pandemic.

Net cash used in investing activities totaled ₱314 million, higher than ₱163 million in 2020. In 2020, there were proceeds received from the disposal of ROP bonds which offset the cash used for the acquisition of various equipment and improvement of manufacturing facilities.

Net cash used in financing activities amounted to ₱1,008 million from ₱1,014 million in 2020 which is primarily attributable to the payment of loans and long-term debt as well as purchase of own shares.

Overall, net cash used in 2021 totaled ₱1,135 million resulting to a balance of cash and cash equivalents of ₱1,155 million as of December 31, 2021.

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