



FORGING AHEAD

ABOUT THE COVER

The cover title, “**Forging Ahead**”, depicts a resilient and forward-looking mindset driven to continue seizing value-based growth opportunities in the long-term.



ABOUT THE REPORT

Period Covered

January 01, 2023 to December 31, 2023

Scope of the Report

This Annual Report provides detailed information on Axelum's financial and operating performance including strategic initiatives, sustainability highlights, corporate governance, risk management and other relevant matters for the year 2023.

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ABOUT AXELUM

COMPANY MILESTONES



1986: ACQUISITION AND INITIAL OPERATIONS

Fiesta Brands, Inc. (FBI) took over an old coconut processing plant in Medina, Misamis Oriental, in Northern Mindanao, producing desiccated coconut and coconut milk powder.



1990: EXPANSION IN NORTH AMERICA

FBI acquired Red V Foods Corp. to gain a significant market and distribution foothold in the United States.



2003: ESTABLISHED PRESENCE IN AUSTRALIA

Set up Fiesta Ingredients Australia in response to increasing demand in the Oceania region.



2010: BIRTH OF AXELUM

Axelum was incorporated and entered into a long-term partnership with Vita Coco, the world's largest and most popular coconut water brand.

2017: CORPORATE REORGANIZATION

Axelum consolidates the Fiesta Group of Companies including operations in the United States and Australia.



2019: INITIAL PUBLIC OFFERING

Axelum debuted as the only pure coconut Company listed in the Philippine Stock Exchange, raising fresh capital to support long-term expansion.

2020: RESILIENCE AMIDST GLOBAL PANDEMIC

Despite unprecedented challenges, Axelum continued to flourish by capitalizing on strategic opportunities to future-proof and reinforce core capabilities.



2023: FORGING STRONGER TIES

Axelum sealed a strategic partnership with Metro Pacific Agro Ventures, Inc., a wholly-owned subsidiary of Metro Pacific Investments Corporation, to jointly spearhead broad-based initiatives to further develop and modernize the Philippine coconut sector.

MISSION

To deliver quality food products that nourish people and impact lives. We are committed to creating shared value for our stakeholders by enabling self-sufficient communities.

VISION

To become a global leader in food manufacturing, anchored on superior quality, renewable sourcing, product innovation, operational excellence and sustainable practices.

CORE VALUES



QUALITY

We adhere to the highest quality standards in food processing and safety.

INTEGRITY

We uphold the principles of transparency, accountability and good governance.

UNITY

We deeply ingrain a culture of teamwork, empathy and compassion.

BUSINESS OVERVIEW

VALUE CHAIN



CARAGA
Northern
Mindanao
Lanao
Peninsula
Davao

The Coconut

Coconut is a versatile fruit from the coconut palm (*Cocos nucifera*), considered a major crop that grows 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 refreshing water known for its various health and nutritional properties. Coconuts have been extensively used commercially as a universal food ingredient for confectioneries, baked goods, savory sauces, desserts, flavor enhancers and various cuisines.

The liquid component is processed into a refreshing drink, offering a healthier alternative to conventional beverages. The white meat is converted into high-value food products, including desiccated coconut, coconut milk powder, sweetened coconut, coconut cream/milk, reduced-fat coconut, coconut cooking oil, toasted coconut, roasted coconut, crude coconut oil, paring cake and other variants.

Raw Material Sourcing

Axelum sources fresh coconuts from densely populated regions in Mindanao, situated within a 200-kilometer radius of its main production facility, the Medina Plant. These areas include CARAGA, Northern Mindanao, Lanao Peninsula and Davao, which collectively account for approximately 30%-35% of total Philippine yearly harvests. These areas benefit from adequate rainfall, minimal typhoons and close proximity to lowlands with rich soil content.

Since 1986, Axelum has been purchasing coconuts from thousands of coconut farmers at above-market prices to ensure sufficient allocation for its daily operational requirements and to help augment farmer income. Coconuts are delivered to the Medina Plant or collected at strategically located nut-buying stations to optimize logistics and coverage. Coconuts are carefully inspected and selected, aligned with international quality export standards, before processing.

MANUFACTURING, EXPORTING AND RETAILING



Manufacturing Process

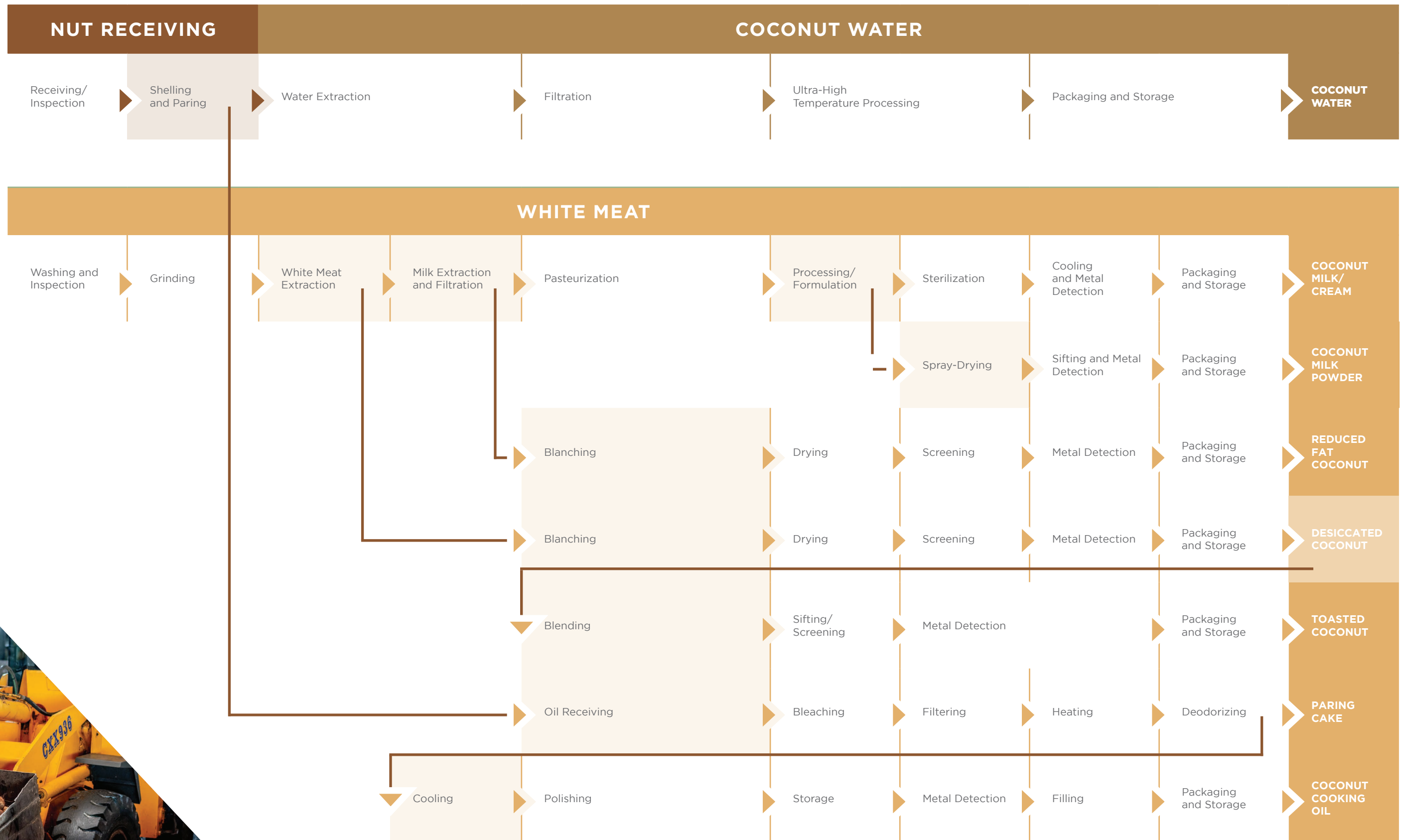
Axelum makes full-use of coconuts, including coconut shells, which are utilized as feedstock to fuel industrial boilers that generate culinary-grade manufacturing steam, resulting in zero waste from its primary raw material.

Axelum's products are classified into two main categories: White Meat and Coconut Water.

Coconut white meat is processed into a wide range of globally in-demand products, using cutting-edge technology and processes that are at par with export

quality standards. These high-value products include desiccated coconut, coconut milk powder, sweetened coconut, coconut cream/milk, reduced-fat coconut, toasted coconut, roasted coconut, coconut cooking oil, crude coconut oil, paring cake and other variants.

Coconut water is extracted and packed in recyclable Tetra packaging material to preserve quality and freshness. In recent years, coconut water has gained mainstream popularity owing to its unique taste, versatility and health benefits.



BEST-IN-CLASS COCONUT FOOD PRODUCTS

For over three decades, Axelum's proven track record in terms of superior quality, reliability, and technical expertise has earned global recognition as the preferred supplier of world-class coconut products.



White Meat

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

Coconut milk powder is a fine, creamy white powder produced from freshly squeezed coconut milk blended with natural stabilizers. It was developed and perfected to address the cooking requirements of manufacturers, food service chefs and homemakers. Coconut milk powder is shelf-stable and easy to use. It 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 processing to preserve newly squeezed coconut milk freshness and flavor. It is popularly used in liquid applications and presents as an excellent milk alternative. Axelum's coconut milk/cream products are sold under the Fiesta and Fiesta Tropicale labels.

Reduced-fat coconut is made from shredded pure white meat, defatted, and dried to a 45%-55% fat

content. It is best used for applications requiring low-fat, high-fiber recipes, 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 dried white meat. Axelum's coconut cooking oil products are marketed domestically under the brand Romantika and are available in industrial and retail sizes.

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

Toasted and roasted coconut are made from shredded white meat and is available in sweetened and unsweetened varieties. This nutty, textured ingredient is commonly used for baking, cereals and granolas. Toasted and roasted coconut are offered in granulated or specialized cuts.

Coconut Water

Coconut water is the clear liquid inside fresh coconuts, making it a nutritiously delicious and better-for-you drink. It 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 330 mL and 500 mL ready-to-drink packs mainly for export. Axelum is a major supplier to Vita Coco, the world's largest and most popular coconut water brand.

Multiple Quality Certifications

Axelum adheres to the highest quality standards in food processing and safety, with its manufacturing operations backed by multiple quality certifications issued by major local and international certifying bodies. Each year, Axelum is subjected to approximately 25-30 audits within the scope of quality, technical, environmental, ethical, sustainability, organic certifications and other

compliance standards conducted by customers and independent auditors. Historically, Axelum has consistently been a top-rated manufacturer with generally positive overall audit feedback. As a result of this rigorous discipline and commitment, Axelum has been an accredited supplier to several domestic and multinational food companies for more than 30 years.



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



SEDEX Members
Ethical Trade Audit



Halal Certification
Islamic Da'wah Council
of the Philippines



Halal Certification
Halal Development
Institute of the Philippines



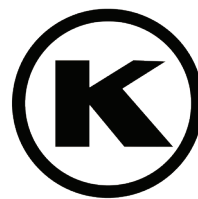
USDA Organic Certification Certified to 3 Organic Standards:
(1) US Department of Agriculture, (2) European Union,
and (3) Japanese Agricultural Standard



Unilever Sustainable
Certified Supplier
- Coconut



Laboratory Quality
Management System
PNS ISO/IEC 17025:2005



Kosher Certification
OK Kosher Certification



Customs-Trade Partnership
Against Terrorism (CTPAT)

Bioterrorism



Global Distribution Network and Top-Tier Customers

Axelum operates a global distribution network that caters to a top-tier customer base composed of renowned local and international consumer household brands in over 25 geographies, including North America, Australia, Europe, South America, Latin America, Middle East, Philippines and other parts of Asia.

Axelum maintains two overseas packing and distribution centers in the United States and Australia. These facilities provide direct customer access, priority account servicing, and on-the-ground market intelligence to stay relevant in an evolving consumer landscape. In addition, Axelum has tapped reputable distributors in key growth areas to capitalize on local knowledge and expertise.

Axelum supplies to at least 24 major supermarket chains in North America, including international food and beverage manufacturers, food service players and retail stores. For more than 30 years, Axelum has managed to forge longstanding relationships with majority of its key customers.

Strategic Partnership

In 2023, Axelum completed a share purchase agreement with Metro Pacific Agro Ventures, Inc. (MPAV), with the latter acquiring 1,190,000,000 common shares of stock, representing a 31.33% stake in Axelum. In addition, Axelum issued 200,000,000 redeemable preferred shares of stock to MPAV.

MPAV is a wholly-owned subsidiary of Metro Pacific Investments Corporation, a leading infrastructure investment company in the Philippines with diversified interests in power, toll roads, water, transportation, healthcare and real estate.

This strategic partnership was built on a shared vision to spearhead broad-based initiatives that will further develop and modernize the local coconut industry by leveraging both groups' combined expertise, network and resources.

Through this alliance, Axelum and MPAV are planning to aggressively pursue value-accretive opportunities that will help raise the competitiveness of the country's agriculture sector on the global stage. In the long term, the partnership aspires to be a transformative leader in terms of strengthening national food security, pioneering new farming technology and solidifying agriculture as a core backbone to economic development and inclusive growth.

FINANCIAL SUMMARY

	2023	2022	2021
INCOME STATEMENT (in Php thousands)			
Sales	5,678,640	7,042,589	6,359,548
Gross Profit	969,966	2,106,352	1,736,453
Earnings Before Interest, Taxes, Depreciation and Amortization or EBITDA (Loss)	(681,387)	1,502,266	1,150,993
Operating Income (Loss)	(170,665)	1,072,718	816,623
Net Income (Loss)	(818,039)	983,517	715,333
BALANCE SHEET (in Php thousands)			
Cash and Cash Equivalents	1,951,014	1,292,323	1,155,276
Total Assets	11,232,239	11,445,626	10,081,581
Total Liabilities	1,278,268	1,154,417	887,732
Total Equity	9,953,971	10,291,209	9,193,849
CASH FLOWS STATEMENT (in Php thousands)			
Net Cash Flows Provided by Operating Activities	127,177	827,013	165,412
Net Cash Flows Used in Investing Activities	(220,019)	(933,298)	(313,717)
Net Cash Flows Provided by (Used) in Financing Activities	752,666	263,781	(1,030,399)

	2023	2022	2021
KEY FINANCIAL RATIOS			
Current Ratio	3.90	4.69	5.88
Debt-to-Equity Ratio	0.13	0.11	0.10
Return on Assets	(7.3%)	8.6%	7.1%
Return on Equity	(8.2%)	9.6%	7.8%
MARGINS AND OTHER INFORMATION			
Gross Profit Margin	17.1%	29.9%	27.3%
EBITDA Margin	(12.0%)	21.3%	18.1%
Operating Margin	(3.0%)	15.2%	12.8%
Net Income Margin	(14.4%)	14.0%	11.2%
Capital Expenditure (in Php thousands)	200,195	679,644	199,479
Earnings Per Share (Basic)	(Php 0.22)	Php 0.26	Php 0.18
Earnings Per Share (Diluted)	(Php 0.22)	Php 0.26	Php 0.18

OUR LEADERSHIP

MESSAGE FROM THE CHAIRMAN AND CHIEF EXECUTIVE OFFICER



The year 2023 saw an unprecedented opportunity for us to revisit fundamentals and redefine strategies in response to prolonged macro uncertainties, while ongoing geopolitical conflicts in Eastern Europe continue to disrupt global supply chains and influence commodity prices, which fuel inflationary pressure across major economies. Our weaker-than-normal performance can be primarily attributed to the lingering effects of a pandemic-induced supply glut, which caused elevated inventory levels for most of our customers. From our view, we consider this a mere interim setback without undermining the strength of our balance sheet and long-term growth prospects.

Despite the outcome, we made strides on another equally important aspect of our business. Recently, we relaunched our sustainability agenda with increased focus on enabling self-sufficient communities through permanent solutions across our main pillars; education, livelihood, health and planet. In 2023, we granted an additional 19 college scholarships to qualified students and sponsored classroom renovations. In addition, we distributed books and learning materials to 2,268 students from 15 elementary schools within host communities.

In terms of livelihood, we conducted specialized agricultural training for more than 250 farmers from four barangays in our organic demonstration farm, to offer alternative sources of income. Our Fairtrade program continues to support 1,058 enrolled

beneficiaries with farmer-led initiatives, including rice trading and small-scale enterprising. Through our civic foundation, we opened the San Isidro Polymedic General Hospital (SIPGH) located in Gingoog City, Misamis Oriental.

The SIPGH is the first secondary-level hospital in its locality, and is envisioned to serve more than 350,000 residents from neighboring communities. This project aims to help address the need for decent healthcare, specifically in remote rural areas, by providing access to quality healthcare and modern facilities. With regards to planet, we managed to reduce our Scope 1 and 2 greenhouse gas emissions by 9% and 5%, respectively. Since 2017, we have planted approximately 4,400 coconut, mahogany, and bamboo seedlings in surrounding towns as part of our carbon sequestration efforts.

Looking ahead, we are confident in rebuilding our momentum in 2024. Our first half results underscore our return to growth and profitability, driven by an improving business landscape. This year, we are excited to implement our strategies that will reinforce both our institutional and consumer businesses through enhanced customer lead generation and new product offerings.

At this point, I would like to take this moment to formally welcome our newest partner, Metro Pacific Agro Ventures, led by Mr. Manuel V. Pangilinan. We thank them for sharing our vision and commitment

to spearhead initiatives that will further develop and transform the local coconut industry. By leveraging our combined resources and expertise, we feel certain that our partnership is in a strong position to significantly contribute to our country's export sector and food security.

Accordingly, I would like to thank each member of the Axelum family for your dedication, resiliency, and faith during times of difficulty. Likewise, I would like to express our deepest gratitude to our many stakeholders for being with us every step of the way.

ROMEO I. CHAN
Chairman and Chief Executive Officer



MESSAGE FROM THE PRESIDENT AND CHIEF OPERATING OFFICER



Dear Shareholders,

As we close the chapter of 2023, we take with us invaluable lessons and unique experiences that will only further strengthen our resolve as an organization. Last year, we were faced with an extraordinary situation brought about by the lingering effects of a pandemic-induced supply glut that resulted to unusually-high customer inventory levels, leading to softer demand across key markets in the near-term. Not to mention the continuing and broad impacts of prevailing global macroeconomic headwinds, international supply chain disruptions and geopolitical conflicts, among others.

While navigating these challenges, we took advantage of opportunities to revisit our strategies and fundamentals, as we chart a path towards recovery in 2024. First, we are looking to expand our institutional business by targeting new customers through enhanced lead generation capabilities to penetrate untapped and underserved markets. Second, we are aggressively pursuing new growth spaces to unlock the massive potential of our consumer business. At present, we are developing multiple incubator product concepts that will cater to the rapidly-growing all-natural food category. Third, we are set to relaunch our sustainability agenda which will include long-term objectives particularly on social and climate initiatives.

At this point, I am proud to report that these efforts have started to bear fruit. For the first half of 2024, Axelum disclosed positive earnings of Php 208 million, a complete reversal compared to the same period last year, anchored on volume-led topline growth of 14% to Php 3.2 billion. Gross profit rose by 50% to Php 735 million mainly due to the increased contribution of high-margin products. EBITDA posted at Php 385 million from Php 25 million in the first half of 2023.

For the period, Axelum registered double-digit volume uptick for most of its core product segments including desiccated coconut, coconut water and sweetened coconut. Locally, Axelum continues to gain significant traction in its digital platforms with blended online sales up 42%, driven by new product launches and stronger market awareness. To date, Axelum's manufacturing capacity has nearly been fully-allocated for some of its products for the rest of the year, on the back of a healthy orderbook for both its white meat and coconut water segments.

Recently, Axelum signed a multi-year renewal contract with Vita Coco, one of the world's largest coconut water brand, to capitalize on rising mainstream demand for this popular nutritious drink.

On the sustainability front, we completed our most significant infrastructure and service project, the San Isidro Polymedic General Hospital, located in Gingoog City, Misamis Oriental. This medical center is the first secondary-level general hospital within its area, equipped with modern facilities to render quality and affordable healthcare services to over 350,000 community residents. On education, we awarded college scholarships to 19 promising students and distributed learning materials across 15 elementary schools within host communities, with a total population of 2,268 students. Our Fairtrade program continues to develop micro-business opportunities for the benefit of its 1,058 farmer beneficiaries, while our community demonstration farm actively engages and trains hundreds of local farmers on sustainable agricultural methods to offer alternative livelihood options.

To safeguard our environment, we managed to reduce our direct carbon footprint by 9%, while recycling up to 25% of our total wastewater for

other domestic uses. Our recycling plant converted Tetra paper waste into 860 pieces of regular-sized chipboards that were repurposed as alternative plywood and sleeping mats. Since 2017, we have planted approximately 4,400 coconut, bamboo and mahogany seedlings to aid in reforestation and carbon sequestration efforts.

As we look into the future, we are optimistic that easing inflationary pressures and anticipated interest rate cuts will fuel a resurgence in consumption particularly in our largest export market. We feel confident that our strategic partnership with Metro Pacific Agro Ventures, will propel us into our next phase of growth in the long-term, as we jointly pursue broad-based initiatives that will help raise the competitiveness of the Philippine coconut sector in the global stage.

In closing, to our shareholders, business partners, employees and other stakeholders, our heartfelt appreciation and deepest gratitude for always choosing to believe in us most especially in periods of adversity. Your unwavering support will keep us inspired in our mission to deliver lasting value, while creating meaningful impacts for the various communities that we serve.

HENRY J. RAPEROGA
President and Chief Operating Officer



BOARD OF DIRECTORS



ROMEO I. CHAN

*CHAIRMAN AND
CHIEF EXECUTIVE OFFICER
Founding Member*

Nationality: Filipino

Age: 74

Date of Election: February 27, 2015

Education and Professional Qualification:

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

Current Directorships and Positions:

Publicly-Listed Companies

- › Chairman and Chief Executive Officer of Axelum Resources Corp.

Non-Public Companies

- › Chairman and Chief Executive Officer of the Fiesta Group of Companies, Gingoog Medina Development Corporation, Cocorich Food Corporation, Medina Development Foundation
- › Chairman of Red V Foods Corp., 1052 Tradehouse Inc., 888 TradeAll Inc., Allcoco Development Corp., Buco Corp., Coco Derivatives 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. and Eschimox Holdings Inc.
- › Executive Director of Philippine Tennis Academy Foundation and Greenridge East Holdings, Inc.



HENRY J. RAPEROGA

*PRESIDENT AND
CHIEF OPERATING OFFICER
Founding Member*

Nationality: Filipino

Age: 64

Date of Election: 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-Public Companies

- › 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.



MANUEL V. PANGILINAN
NON-EXECUTIVE DIRECTOR

Nationality: Filipino
Age: 77
Date of Election: December 22, 2023

Education and Professional Qualification:

- › Bachelor of Arts Degree in Economics from Ateneo de Manila University (Cum Laude)
- › Master's in Business Administration Degree from the Wharton School - University of Pennsylvania

Current Directorships and Positions:

Publicly-Listed Companies

- › Non-Executive Director of Axelum Resources Corp.
- › Managing Director and Chief Executive Officer of First Pacific Company Limited
- › President Commissioner of PT Indofood Sukses Makmur Tbk
- › President and Chief Executive Officer of PLDT, Inc. and Metro Pacific Investments Corporation
- › Chairman and Chief Executive Officer of Manila Electric Company
- › Chairman of Metro Pacific Investments Corporation, Philex Mining Corporation, and PXP Energy Corporation
- › Vice-Chairman of Roxas Holdings, Inc.

Non-Public Companies

- › President and Chief Executive Officer of Smart Communications, Inc. and PLDT Communications and Energy Ventures, Inc.,
- › Chairman of PLDT Communications and Energy Ventures, Inc., Global Business Power Corporation, Maynilad Water Services, Inc., Metro Pacific Tollways Corporation, NLEX Corporation, Landco Pacific Corporation, Metro Pacific Health, Mediaquest Holdings, Inc. and Associated Broadcasting Corporation, Philippine Business for Social Progress, PLDT-Smart Foundation, Inc., One Meralco Foundation, Inc., Metro Pacific Foundation, Inc., Philippine Disaster Resilience Foundation and MVP Sports Foundation
- › Chairman of the Board of Trustees of San Beda College and Stratbase Albert del Rosario Institute and U.S. - Philippine Society
- › Director of Philippine Business for Education
- › Chairman Emeritus of Samahang Basketbol ng Pilipinas



JASON M. ROSENBLATT
NON-EXECUTIVE DIRECTOR

Nationality: Singaporean
Age: 47
Date of Election: August 4, 2017

Education and Professional Qualification:

- › Bachelor of Arts Degree in Economics from Duke University
- › Master's Degree in Business Administration from the 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.
- › Partner and Head of Southeast Asia Private Equity of Ares Management Corporation



JUAN VICTOR I. HERNANDEZ
NON-EXECUTIVE DIRECTOR

Nationality: Filipino
Age: 50
Date of Election: February 21, 2024

Education and Professional Qualification:

- › Bachelor's Degree in Agricultural Economics from the University of the Philippines Los Baños
- › Master's Degree in Business Management from Asian Institute of Management
- › Graduated from the Advanced Management Program at the Wharton Business School - University of Pennsylvania

Current Directorships and Positions:

Publicly-Listed Companies

- › Non-Executive Director of Axelum Resources Corp.

Non-Public Companies

- › President and Chief Executive Officer of Metro Pacific Agro Ventures, Inc.
- › President and Chief Executive Officer of The Laguna Creamery, Inc. and Carmen's Best.



RICARDO C. LOPA, JR.
NON-EXECUTIVE DIRECTOR

Nationality: Filipino

Age: 68

Date of Election: February 21, 2024

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-Public Companies

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



LAURITO E. SERRANO
LEAD INDEPENDENT DIRECTOR

Nationality: Filipino

Age: 63

Date of Election: May 15, 2019

Education and Professional Qualification:

- › Bachelor of Science Degree in Commerce, Major in Accounting from Polytechnic University of the Philippines (Cum Laude)
- › Master's in Business Administration Degree from Harvard Graduate School of Business
- › Certified Public Accountant, 1980

Current Directorships and Positions:

Publicly-Listed Companies

- › Lead Independent Director of Axelum Resources Corp.
- › Independent Director of 2GO Group, Inc., Rizal Commercial Banking Corporation, Anglo Philippine Holdings Corporation and Premium Leisure Corporation

Non-Public Companies

- › Director of MRT Development Corporation and financial advisor to various companies



ROSEMARIE P. RAFAEL
INDEPENDENT DIRECTOR

Nationality: Filipino

Age: 66

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-Public 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 ISycamore 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



JOSEPH AUGUSTIN L. TANCO
INDEPENDENT DIRECTOR

Nationality: Filipino

Age: 43

Date of Appointment: February 12, 2024

Education and Professional Qualification:

- › Bachelor of Science Degree in Entrepreneurial Management from the University of Asia and the Pacific
- › Master's in Business Administration Degree from the Ateneo Graduate School of Business

Current Directorships and Positions:

Publicly-Listed Companies

- › Independent Director of Axelum Resources Corp.
- › Director and Vice-President for Investor Relations of STI Education Systems Holdings, Inc.

Non-Public Companies

- › Chairman of Philplans First, Inc.
- › President and Chief Executive Officer of Maestro Holdings, Inc., Philippine Life Financial Assurance Corporation, PhilhealthCare, Inc., and Comm&Sense, Inc.

BOARD COMMITTEES

Executive Committee

Mr. Romeo I. Chan (Chairman)
Mr. Henry J. Raperoga
Mr. Manuel V. Pangilinan
Mr. Jason M. Rosenblatt

Audit Committee

Mr. Laurito E. Serrano (Chairman)
Ms. Rosemarie P. Rafael
Mr. Joseph Augustin L. Tanco

Corporate Governance and Nomination Committee

Mr. Laurito E. Serrano (Chairman)
Ms. Rosemarie P. Rafael
Mr. Joseph Augustin L. Tanco

Board Risk Oversight Committee

Ms. Rosemarie P. Rafael (Chairwoman)
Mr. Joseph Augustin L. Tanco
Mr. Henry J. Raperoga

Related Party Transaction Committee

Mr. Laurito E. Serrano (Chairman)
Ms. Rosemarie P. Rafael
Mr. Manuel V. Pangilinan



EXECUTIVE OFFICERS



PAUL RENE Z. TAYAG

*SENIOR VICE-PRESIDENT
Founding Member*

Nationality: Filipino
Age: 73

Education and Professional Qualification:

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

Current Directorships and Positions:

Publicly-Listed Companies

- › Senior Vice-President of Axelum Resources Corp.

Non-Public Companies

- › Senior Vice-President of Fiesta Equities, Inc.
- › Director of Fiesta Ingredients Australia Pty. Ltd.



PRECIOSA D. CASTILLO

CORPORATE SECRETARY

Nationality: Filipino
Age: 70

Education and Professional Qualification:

- › Bachelor of Science Degree in Business Administration, Major in Accounting from University of the East (Cum Laude)
- › Certified Public Accountant, 1975
- › Management Development Program of the Asian Institute of Management, 1984 (Superior Performance)

Current Directorships and Positions:

Publicly-Listed Companies

- › Corporate Secretary of Axelum Resources Corp.

Non-Public 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., ALLCOCO Development Corp., MedMisor Holdings Inc., 888Tradeall, Inc. and of the Fiesta Group of Companies



KARILAGAN IMELDA Z. GOROSPE

*VICE-PRESIDENT
FOR U.S. OPERATIONS*

Nationality: Filipino
Age: 58

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-Public Companies

- › Senior Vice-President of Red V Foods Corp.
- › Director of Fiesta Ingredients Australia Pty. Ltd.



MACARIO R. PELAEZ

*VICE-PRESIDENT
FOR MANUFACTURING*

Nationality: Filipino
Age: 55

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-Public Companies

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



MARIA THERESA Z. PAGUIRIGAN

*VICE-PRESIDENT, CHIEF FINANCE
OFFICER, TREASURER AND
ASSISTANT CORPORATE SECRETARY*

Nationality: Filipino
Age: 43

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.

Non-Public Companies

- › Treasurer of Medina Development Foundation



DOMINIC V. ISBERTO

*COMPLIANCE OFFICER AND
ASSISTANT CORPORATE SECRETARY*

Nationality: Filipino
Age: 49

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 and Assistant Corporate Secretary of Axelum Resources Corp.



MARIAM C. BRIMER

GLOBAL MARKETING DIRECTOR

Nationality: Filipino
Age: 43

Education and Professional Qualification:

- › Bachelor's Degree in Philosophy from Ateneo de Manila University

Current Directorships and Positions:

Publicly-Listed Companies

- › Global Marketing Director of Axelum Resources Corp.





PAUL C. CHEAH
VICE-PRESIDENT FOR
INVESTOR RELATIONS

Nationality: Filipino
Age: 40

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 for Investor Relations of Axelum Resources Corp.
- › Independent Director of ATN Holdings, Inc. and Transpacific Broadband Group International, Inc.



GERARDO V. GOROSPE
ASSISTANT VICE-PRESIDENT
FOR MANUFACTURING

Nationality: Filipino
Age: 61

Education and Professional Qualification:

- › Bachelor's Degree in Mechanical Engineering from the University of the East
- › Registered Mechanical Engineer, 1994

Current Directorships and Positions:

Publicly-Listed Companies

- › Assistant Vice-President for Manufacturing of Axelum Resources Corp.



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 Organisation for Economic Co-operation and Development (OECD) as adopted in the ASEAN Corporate Governance Scorecard.

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

RIGHTS AND EQUITABLE TREATMENT OF SHAREHOLDERS

Dividend Policy

Axelum instituted 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 Company's financial condition, operational requirements, and future expansion plans and programs. The Board of Directors (Board), in its discretion, may also decide to declare dividends payable in property or shares instead of cash.

Axelum may declare dividends only out of its unrestricted retained earnings, which represent the net accumulated earnings of the Company with its capital unimpaired and are not appropriated for any other purpose. Any regular cash or stock dividend declaration shall be subjected 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 Board's approval and will depend, among other things, upon the Company's earnings, cash flow, financial condition, future expansion plans and programs, and operational requirements.

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

Right to Participate Effectively in and Vote in General Shareholder Meetings

Axelum acknowledges shareholders' right 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.

Shareholders shall have the right to nominate, elect, remove, and replace directors and vote on certain corporate acts per the Revised Corporation Code of the Philippines. Any shareholder may propose items for inclusion on the agenda of any regular meeting of stockholders.

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

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 special shareholders' meeting shall likewise be available on the Company website.

The Board shall be transparent and fair in conducting the shareholders' meetings. The shareholders may personally attend such meetings and are likewise informed that they shall have the right to appoint a proxy if they cannot attend. 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, which allow 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 doing so will deny minority shareholders representation on 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 on the Company website and publication in a newspaper of general circulation. For 2023, the Company published the Notice of the Annual Stockholders' Meeting in the business section of the print and online editions of Manila Standard and Malaya Business Insight on June 27 and 28, 2023.

The minutes of the most recent Annual Stockholders' Meeting, which contain 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 July 26, 2023 via remote communication. All members of the Board were in attendance.

For 2023, the Company appointed R.G. Manabat & Co. (KPMG Philippines) to count and validate the votes at its 2023 Annual Stockholders' Meeting.





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 takeovers 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, emails, conferences, and roadshows.

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 for seeking redress for violations 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 whose name is registered in the books of the Company to one (1) vote concerning all matters to be taken up during

the annual meeting of stockholders. Shareholders may cast their votes by remote communication, in absentia, or by proxy. Please refer to Annex "A" of the Company's Definitive Information Statement disclosed on June 27, 2023, via PSE EDGE for the procedures and requirements for voting and participation in the most recent annual stockholders' meeting on July 26, 2023.

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 on 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 they may acquire or learn by learning the reason for 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 Company's securities during prescribed trading blackout periods.

The Company enforces a trading blackout period for covered individuals, starting at least five (5) trading days before disclosure of material information 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 identifying, reviewing, appraising, and reporting related party transactions and determining, monitoring, and managing 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 interests 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 on an arm's length basis. In cases of related party transactions requiring shareholders' approval, minority shareholders have the right to participate and vote during the annual or special stockholders' meeting.

SUSTAINABILITY AND RESILIENCE

Material Sustainability Topics

For 2023, Axelum conducted a materiality review to evaluate various economic, environmental, and social topics that are material to its company strategies and stakeholders. Axelum revisited topics that were deemed material in its previous sustainability reporting period, aligned with the Sustainability Accounting Standards Board (SASB) standards in the food and beverage industry. Furthermore, Axelum identified existing industry trends and challenges related to sustainability.

2023 MATERIAL TOPICS

ECONOMIC

- › Profitability
- › Investor Interest
- › Economic Performance
- › Market Presence
- › Indirect Economic Impacts
- › Procurement Practices

SOCIAL

- › Diversity and Equal Opportunity
- › Human Rights
- › Training and Development
- › Occupational Health and Safety
- › Employee Engagement
- › Compensation and Benefits
- › Customer Health and Safety
- › Product Quality
- › Customer Satisfaction
- › Customer Privacy
- › Marketing and Labeling
- › Corporate Social Responsibility
- › Community Development

ENVIRONMENTAL

- › Materials
- › Energy
- › Water and Effluents
- › Greenhouse Gas Emissions
- › Air Pollution
- › Solid Waste
- › Noise Pollution

GOVERNANCE

- › Regulatory Compliance
- › Business Ethics and Integrity

Axelum recognizes the importance of incorporating applicable climate solutions into its business strategies to help address the negative impacts of climate change and global warming.

Sustainability Practices and Stakeholder Engagement

Since 2019, Axelum has been publishing its yearly sustainability report, which is adopted or indexed in accordance with the Global Reporting Initiative Reporting Standards (GRI) and can be accessed on the corporate website. The president reviews and approves Axelum's sustainability report, which discloses the company's sustainability-related performance in comparison to the previous year's results. Moreover, the sustainability report discloses how the Company manages climate-related risks and opportunities.

Axelum's main engagement channels with stakeholder groups are the Investor Relations Department, Human Resources Department, and External Affairs Department. This includes identifying and resolving sustainability-related issues concerning shareholders, media, employees, workers, local government, and host communities, among others.

The Board oversees the Company's sustainability framework, including the assessment of sustainability-related risks and opportunities. The Management Team, in coordination with various departments, is responsible for managing the Company's sustainability matters.

At present, Axelum is in the process of instituting its long-term climate objectives and targets.

Role of Stakeholders on Sustainability Matters

Axelum engages both internal and external stakeholders to exchange views and gather feedback on sustainability matters that are material to the business of the Company.

Every year, the Board, in coordination with the Audit Committee, reviews the Company's capital and debt structure, which is compatible with its strategic goals and its associated risk appetite.

Customer Welfare

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

- › The Company's core manufacturing operations strictly adhere to the highest standards in food processing and are 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 from a supplier who is related to any employee up to the third degree of consanguinity.

- » Purchasers exclusively conduct commercial transactions. Only End-Users are permitted to discuss technical concerns with 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 within a prescribed period of time.
- » Receiving cash or gifts in kind is strictly prohibited. In cases of proven ethical breach, employees are subject 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 their business conduct. 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 in 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, which center on education, health, livelihood, and spiritual formation. In addition, approximately 3,500 community residents render various professional services in its main production facility, the Medina Plant. Axelum provides financial assistance and in-kind donations to support various initiatives of the local government.

Anti-Corruption

Axelum observes the principles of integrity and transparency in conducting its business. The Company does not engage in any form of corruption in all of its dealings with both the private and public sectors. 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 on the Company's website.

Safeguarding Creditor's Rights

Axelum acknowledges its creditors as key business partners. The Company honors all of its contractual obligations and discloses material information, including financial statements, risk exposures, press releases, and other relevant documents, to major lenders. Axelum has remained in excellent credit standing with no history of default.

Environmental, Economic and Social Issues

Axelum publishes a separate Sustainability Report that details its materiality assessment and performance in addressing various environmental, economic, and social issues.

The Report may be viewed on the Company website.

Stakeholder Contact

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

Mr. Paul C. Cheah

Vice-President for Investor Relations
Email: paul.cheah@axelum.com.ph
Tel: +63 (2) 88510730

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 examinations and regular vaccinations. 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 training for 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's compensation policy for employees accounts for corporate performance beyond short-term financial measures, including long-term incentives, retirement, and variable bonuses.

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 a formal mechanism, 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.

The whistleblower believes it to be true, and the report was not made maliciously or for personal gain. The Company's whistleblowing policy can be viewed on 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: whistleblowing@axelum.com.ph
Tel: +63 (2) 88510730





DISCLOSURE AND TRANSPARENCY

Transparent Ownership Structure

The Company submits its public ownership report quarterly, 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. The Company also discloses details of its parent company, subsidiaries, associates, joint ventures, and special purpose vehicles on its audited consolidated financial statements. These reports can be accessed on the corporate website and the Philippine Stock Exchange (PSE) Edge platform.

Quality of Annual Report

For 2023, Axelum submitted its SEC Form 17-A on April 15, 2024, which contains the Company's objectives, financial performance indicators, non-financial performance indicators, dividend policy, and biographical details of all directors and officers. In addition, Axelum publishes a separate glossy annual report that contains the aforementioned details. The Company's SEC Form 17-A can be

accessed on the corporate website and the PSE Edge platform.

Board Remuneration

The Board has adopted a remuneration policy for its directors, which covers fixed and variable components, including per diem for attendance in Board meetings. A fixed monthly allowance in the initial amount of Php 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 Php 50,000 as per diem for attendance at Board meetings, with a maximum total amount of Php 300,000 to be given as per diem for each director. For 2023, total directors' remuneration aggregated to Php 6.8 million.

Related Party Transactions

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

Directors and Principal Officers' Transactions in Company Shares

Below is a summary of the transactions of the directors and principal officers in Company shares as of December 31, 2023:

TITLE OF CLASS	NAME	BALANCE AS OF DECEMBER 31, 2022	ACQUIRED	DISPOSED	BALANCE AS OF DECEMBER 31, 2023
DIRECTORS					
Common	Romeo I. Chan	375,855,142	-	108,633,378	267,221,764
Common	Henry J. Raperoga	373,338,887	-	108,633,378	264,705,509
Common	Manuel V. Pangilinan	-	1,000	-	1,000
Common	Jason M. Rosenblatt	1	-	-	1
Common	Laurito E. Serrano	88,889	-	-	88,889
Common	Rosemarie P. Rafael	425,001	-	-	425,001
EXECUTIVE OFFICERS					
Common	Preciosa D. Castillo	125,061,386	-	-	125,061,386
Common	Paul C. Cheah	100,000	-	100,000	-
Common	Dominic V. Isberto	-	-	-	-
Common	Paul Rene Z. Tayag	111,211,035	-	-	111,211,035
Common	Karilagan Imelda Z. Gorospe*	1,860,000	-	-	1,260,000
Common	Maria Theresa Z. Paguirigan	722,000	-	-	722,000
Common	Macario R. Pelaez	2,450,000	-	-	2,450,000
Common	Gerardo V. Gorospe*	-	-	-	600,000
Common	Mariam C. Brimer**	-	-	-	104,929,286
TOTAL		991,112,341	-	-	878,675,871

* Indirect shareholdings of Ms. Karilagan Imelda Z. Gorospe were restated following the appointment of her spouse, Mr. Gerardo V. Gorospe, on July 26, 2023.

** Ms. Mariam C. Brimer was appointed as Global Marketing Director on November 23, 2023.



RESPONSIBILITIES OF THE BOARD

Audit and Audit-Related Fees

Axelum appointed R.G. Manabat & Co. as an external auditor, with Mr. Wilfredo Z. Palad as a partner in charge for the audit year 2023. Details of fees paid to R.G. Manabat & Co. in the last two (2) years are as follows:

YEAR	AUDIT AND AUDIT-RELATED FEES
2023	Php 5,400,000.00
2022	Php 5,800,000.00

For 2023, the audit-related fees did not exceed the audit fees.

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 reports to regulators, organizes separate briefings with various analysts, and reaches out individually to business journalists. The general public may access the Company's website at <https://axelum.ph> for more information.

Financial Reporting

The Company releases its Audited Financial Statements and Annual Report (SEC Form 17-A) within 120 days from the end of the 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 is uploaded to Axelum's corporate website at <https://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 for Investor Relations. For inquiries, Mr. Cheah may be reached at the following:

Email: paul.cheah@axelum.com.ph
Telephone: +63 (2) 8851-073

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 Company's long-term success and 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 the 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 perform his duties as a director of the Company diligently.
- › 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 fulfill their duties and responsibilities properly, Management provides directors with complete and timely information about the matters on the agenda of the meetings. Directors are given independent access to Management and the Corporate Secretary, as well as independent professional advice should they need to do so in connection with their duties as directors.

Company Mission, Vision and Core Values

The Board reviews the mission, vision, and core values annually, the last review being conducted in 2023. In addition, the Board plays a leading role in developing, implementing, monitoring, and reviewing 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 nine (9) 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 Company's Articles of Incorporation.

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 an independent director in the Company.

Such an 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 therefore 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.

For 2023, the Board appointed Mr. Laurito E. Serrano as Lead Independent Director. In addition, there were no Executive Directors serve on more than two (2) boards of listed companies outside of the group.

Code of Ethics

The Company's Code of Ethics, including the process for implementing and monitoring compliance, can be viewed on 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 the Board may remove any member of the Committee. The Committee shall have the power and authority to delegate any of its duties or responsibilities herein to a subcommittee composed 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 on 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 the 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 2023:

MEMBER	NO. OF MEETINGS HELD	ATTENDANCE
Mr. Laurito E. Serrano	2/2	100%
Ms. Rosemarie P. Rafael	2/2	100%
Mr. Raymundo N. Suarez	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 and have an adequate understanding of the Company's financial management systems and environment.

At least one (1) 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. The committee's 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, appointing, and removing the

Company's external auditor from the Board. The Charter of the Audit Committee, including its other duties and responsibilities, can be viewed on the corporate website.

Summary of Committee Meetings and Attendance for 2023:

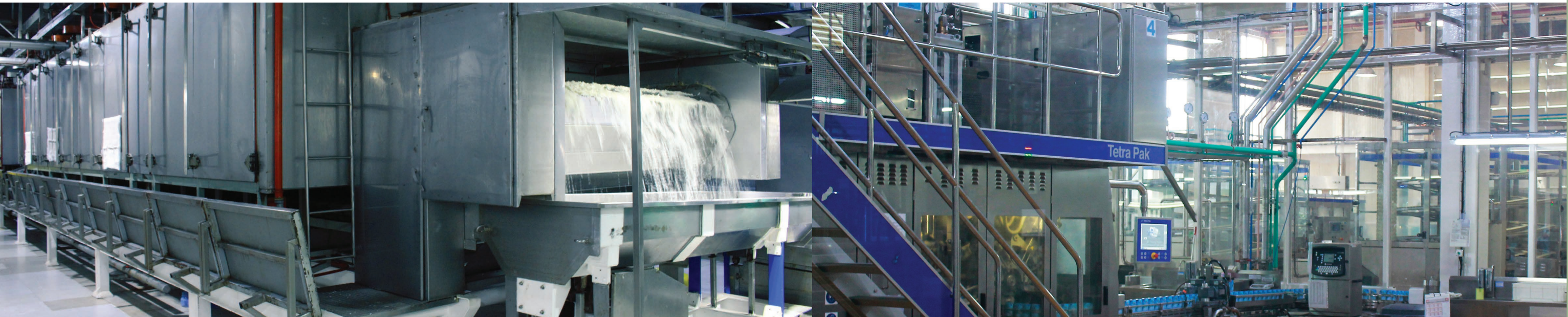
DIRECTOR	NO. OF MEETINGS HELD	ATTENDANCE
Mr. Laurito E. Serrano	4/4	100%
Ms. Rosemarie P. Rafael	4/4	100%
Mr. Raymundo N. Suarez	4/4	100%

Board Processes

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 are required to approve any resolution. The Corporate Secretary plays a significant role in supporting the Board in the discharge of its responsibilities and is knowledgeable in legal, accountancy, and Company secretarial practices.

As of December 31, 2023, the Company's Board of Directors is composed of six (6) members, the majority of whom are non-executive directors. For 2023, the Company held 18 meetings, with all the directors attending.





ENTERPRISE RISK MANAGEMENT

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

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

effectiveness of the Company's internal control system, including financial reporting control and information technology security, and ensuring the integrity of the financial reports and protection of the company's assets for the benefit of all shareholders and stakeholders.

Risk Oversight

The Company established a Board Risk Oversight Committee to assist 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 a 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 the 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.

RISK EXPOSURE	RISK MANAGEMENT POLICY	OBJECTIVE
Financial Risks	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. It is likewise committed to maintaining adequate capital at all times to meet shareholders' expectations, withstand adverse business conditions, and take advantage of business opportunities.	The Company's objective is to protect investment in the event that there would be significant fluctuations in the exchange rate. On the other hand, the Company's objectives to manage its liquidity are: - to ensure that adequate funding is available at all times; - to meet commitments as they arise without incurring unnecessary costs and - to access funding when needed at the least possible cost. The long-term strategy is to sustain a healthy debt-to-equity ratio.
Operational Risks	It is the policy of the Company to be prepared for any event that 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 a material impact on the Company's operations.

BOARD	NAME	NO. OF MEETINGS HELD DURING THE YEAR	NO. OF MEETINGS ATTENDED	%
Chairman	Romeo I. Chan	18	18	100%
President	Henry J. Raperoga	18	18	100%
Non-Executive	Jason M. Rosenblatt	18	18	100%
Non-Executive	Manuel V. Pangilinan*	n/a	n/a	n/a
Non-Executive	Ricardo C. Lopa, Jr.**	17	17	100%
Independent	Laurito E. Serrano	18	18	100%
Independent	Rosemarie P. Rafael	18	18	100%
Independent	Raymundo N. Suarez***	17	17	100%

* Elected as Non-Executive Director on December 22, 2023 to serve the unexpired term of Mr. Ricardo C. Lopa, Jr.

** Resigned on December 19, 2023 but was re-elected as Non-Executive Director during the special stockholders' meeting on February 21, 2024

*** Resigned on December 19, 2023

For 2023, non-executive directors met at least once during the year without the presence of executive directors to discuss the previous year's results, the current year's objectives, and the business strategy to be implemented by Management.

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, which is distributed to stockholders before the annual stockholders meeting. Sufficient biographical details shall accompany the names of directors submitted for election or re-election to enable shareholders to make informed decisions with respect to their election.

The Board shall be composed of nine (9) 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. Still, they 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 therefore 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.

Remuneration Matters

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

- A fixed monthly allowance in the initial amount of Php 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 Php 50,000 as per diem for attendance at Board meetings, with a maximum total amount of Php 300,000 to be given as per diem for each director.

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 with monitoring and evaluating the adequacy and



The Board, through 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 existing and emerging risks as well as risk mitigation measures and on identifying risks before these cause significant

trouble for the business. Based on the set guidelines, directors are assigned specific areas of business where they monitor compliance with 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
Hazards and natural or other catastrophes	Have an emergency response and contingency action plan	Allow the business to continue operations even during natural disasters or calamities
Regulatory developments	Review of new laws and regulations	Ensure the business is compliant with all laws and regulations
Supply of raw materials and packaging materials	Maintain a diverse group of suppliers, get at least three quotations from suppliers	Prevent overdependence on a single supplier, ensure the best price possible
Consumer taste, trends, and preferences	Market study and analysis Maintain close relationships with customer's marketing and research and development team to stay up-to-date with evolving market behavior	Be aware of trends and preferences to develop new products or adopt existing strategy
Competition	Industry scanning Constant product innovation	Be aware of trends and preferences to develop new products or adopt existing strategy
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 discharge their functions effectively.

All newly-elected directors and key officers shall be required to attend a seminar on corporate governance, which 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.

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 three (3) hours.

The Company's Board, key officers, and selected employees participated in a corporate governance seminar conducted by the Center for Global Best Practices on May 26, 2023.

For 2024, the Company is planning to establish 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



The Investor Relations Department is responsible for shareholder and media engagement and coordinates the timely and structured disclosure of material information to regulators and the general public.

The Investor Relations Department organizes small group meetings and one-on-one sessions and participates in non-deal roadshows and conferences with senior management to interact with institutional and retail investors. In lieu of briefings, the Department meets buy-side and sell-side analysts on a quarterly or as-needed basis via face-to-face meetings, videoconferencing, and email.

In addition, the Investor Relations Department updates the corporate website, where the latest company presentations are readily accessible. Further, it is in charge of publishing Axelum's glossy annual and sustainability reports.

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

In 2023, Axelum held more than 10 virtual meetings with various institutional and retail investors.

To date, Axelum maintains research coverage from four local brokers while constantly in discussions with other equity houses for potential new initiations.

Equity Research Coverage

INITIATION DATE	INSTITUTION
November 20, 2019	First Metro Securities
July 13, 2020	Regina Capital
September 4, 2020	AB Capital
September 29, 2021	Chinabank Securities

SUSTAINABILITY AT A GLANCE



Axelum continues to redefine its ways of helping address various societal issues that restrict equitable access and hamper inclusive growth. Aligned with its founding vision, Axelum remains at the forefront of advancing sustainable development by empowering communities to thrive through permanent solutions that promote self-sufficiency.

Since 1986, Axelum has been regarded as a key economic and social partner to the Municipality of Medina in Misamis Oriental. There, it operates a world-class manufacturing facility that employs thousands of people from host communities. Over the years, Axelum has been deeply involved in different social campaigns aimed at lifting people from the depths of poverty.

In 2023, through its civic foundation, Axelum opened its most significant infrastructure and service project to date, the San Isidro Polymedic General Hospital (SIPGH) located in Gingoog City. This project is envisioned to provide direct access to affordable and comprehensive healthcare to more than 350,000 residents from surrounding communities, particularly indigent patients. At present, SIPGH is the only Level-2 general hospital within its locality equipped with intensive care and hemodialysis facilities. In the

long term, SIPGH aspires to become the premier end-referral medical center in Northern Mindanao.

On the education front, Axelum granted an additional 19 college academic scholarships to qualified candidates and donated learning materials to 2,268 students across 15 elementary schools within host communities.

In terms of livelihood, Axelum provided agricultural training to 70 enrolled farmers and more than 200 indirect beneficiaries at its organic community demonstration farm to offer farmers alternative sources of income. For its Fairtrade program, Axelum ended the year with a total of 1,058 enrolled beneficiaries divided into nine (9) clusters, most of whom ventured into micro-entrepreneurship initiatives.

With regards to climate, Axelum managed to reduce its direct carbon emissions by 9% while lowering electricity consumption by 5%, correspondingly. In addition, Axelum was able to recycle up to 25% of its wastewater for other productive uses.

For an in-depth view of our overall sustainability framework, please refer to our separate 2023 Sustainability Report.

AWARDS AND RECOGNITION



1 GOLDEN ARROW

2021 ASEAN Corporate Governance Scorecard Assessment
ACGS Golden Arrow Awards Night
Institute of Corporate Directors
Philippines, 20 January 2023



2 GOLDEN ARROWS

2022 ASEAN Corporate Governance Scorecard Assessment
ACGS Golden Arrow Awards Night
Institute of Corporate Directors
Philippines, 28 September 2023

Institute of Corporate Directors (ICD) is a non-stock, not-for-profit national association of corporate directors and other stakeholders engaged in corporate governance. Each year, ICD recognizes the top Philippine publicly-listed companies in corporate governance based on the ASEAN Corporate Governance Scorecard (ACGS) Assessment Results.



Top 3

The Philippines' Best Employers 2024
Philippine Daily Inquirer-Statista
Philippines, 13 November 2023

The Philippines' Best Employers 2024 is a large-scale and comprehensive employer study that assesses the attractiveness of employers in the Philippines based on an independent employee survey. Every company in the Philippines employing at least 250 people is considered for this distinction.



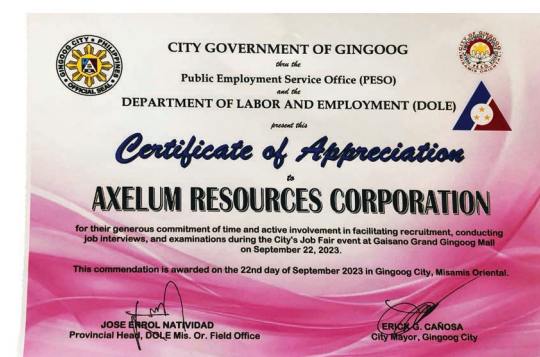
PLAQUE OF RECOGNITION

8th Chapter Assembly "Enhance Lifeline Services
by Working Together the Philippine Red Cross Way"
Philippine Red Cross, Gingoog City Chapter
Philippines, 10 January 2023



PLAQUE OF APPRECIATION

Support and Active Involvement During
the Celebration of Kahayag Festival 2023
Municipality of Medina
Philippines, 10 December 2023



CERTIFICATE OF APPRECIATION

Active Involvement During the City's Job Fair Event
City Government of Gingoog
Philippines, 22 September 2023

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, 2023, and 2022, and for each of the three years in the period ended December 31, 2023, and notes thereto, which form part of the SEC Form 17-A as Annex B.

FINANCIAL CONDITION

2023 VS 2022	The Group had consolidated total assets of Php 11,232 million and Php 11,446 million as of December 31, 2023 and 2022, respectively.
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ASSETS

Current Assets

- › Total consolidated current assets amounted to Php 4,972 million representing 44% of total consolidated assets and Php 5,139 million representing 45% of total consolidated assets as of December 31, 2023 and 2022, respectively.
- › Cash and cash equivalents amounted to Php 1,951 million and Php 1,292 million as of December 31, 2023 and 2022, respectively. AXLM invests the proceeds from its IPO, as well as the proceeds from subscription of redeemable preferred shares, in interest-bearing time deposits with banks, with original maturities not exceeding three months and with interest rates ranging from 3.25% to 6.10% in 2023 and 0.09% to 5.25% in 2022 and are carried at cost which approximates fair value. The increase by Php 659 million or 51% in the consolidated cash and cash equivalents will be explained further in Item 6 (D) or Cash Flows section of this Report.
- › Trade and other receivables closed down to Php 707 million which are mainly from customers and other non-trade receivables and represents about 14% of the total consolidated current

assets. The decrease by Php 92 million or 11% was mainly due to increased collection in 2023.

The Parent Company is subjected to excise tax payments due on every removal of products from the place of production. After the payment of the excise tax, the Parent Company at its option may file a claim for excise tax credit/ refund or may avail of a claim for product replenishment in accordance with the relevant sections of the National Internal Revenue Code and other relevant implementing rules and regulations. As of December 31, 2023, the Parent Company has receivables from government arising from excess payments of excise tax, that are included under other receivables, amounting to Php 62 million from only Php 59 million as of December 31, 2022. 63% of the total trade and other receivables are current and only 7% are over 90 days due. These receivables that are over 90 days due are mostly relating to aforementioned advances. 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 globally and possible increase in the cost of materials, most particularly packaging materials, the Group increased its minimum stocking level from 2 months to 5 months. Finished goods represent 61% of the total inventories as of December 31, 2023 and were written down to its net realizable values resulting to a loss on inventory write-down amounting to Php 403 million. Write-down reflects management's current estimate of the unfavorable market price movement on finished goods inventories due to unusually higher customer inventory levels and pandemic-induced shipping crisis as of December 31, 2023. This one-off transaction is recorded as part of the "Other Income (Loss) - net" in the 2023 consolidated statement of comprehensive loss.

- › Prepaid expenses and other current assets comprise 6% of total consolidated current assets and represent the Group's net current input VAT, advances to suppliers and other prepayments.
- › Input VAT which pertains to taxes paid on purchases of goods and services amounted to Php 400 million as of December 31, 2023, of which Php 202 million is expected to be realized after more than 1 year and is classified under "Other Noncurrent Assets" in the 2023 statement of financial position.

In 2023, the Parent Company recorded a direct write-off of input VAT amounting to Php 100 million while in 2022, the Parent Company recognized provision for impairment of VAT amounting to Php 12,000, and are included as part of "Other income - net" in the consolidated statements of comprehensive income. Net input VAT - current represents 66% and 65% of the prepaid expenses and other current assets account, as of December 31, 2023 and 2022, respectively, while input VAT - noncurrent represents 65% and 37% of other noncurrent assets account as of December 31, 2023 and 2022, respectively.

Non-Current Assets

- › Of the Group's total consolidated assets, noncurrent assets comprise 56% (Php 6,260 million) and 55% (Php 6,307 million) as of December 31, 2023 and 2022, respectively.
- › Property, plant and equipment include buildings and site improvements, plant machinery and equipment, as among others. It accounts for 66% of the total consolidated noncurrent assets. Capital expenditures aggregated almost Php 200 million and Php 680 million in 2023 and 2022, respectively, composed of various projects such as 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.
- › The Parent Company, in alignment with its corporate social responsibility endeavors, participated in the construction of a hospital near its manufacturing plant. As of December 31, 2022, an amount totaling Php 138 million was accounted for as construction in progress. Additionally, during the fiscal year 2023, Php 127 million was incurred towards this endeavor. Following the completion of the hospital in 2023, the BOD, on December 11, 2023, formally authorized the contribution of the full amount of Php 265 million towards its community engagement costs and corporate social responsibility initiatives to a civic affiliate of the Company. The execution of the foregoing transaction took place on December 29, 2023.

LIABILITIES

- › Total consolidated liabilities amounted to Php 1,278 million and Php 1,154 million as of December 31, 2023 and 2022, respectively.
- › Loans payable representing 64% (Php 815 million) and 49% (Php 560 million) of the total consolidated liabilities as of December 31, 2023 and 2022, respectively, pertain to short-term borrowings, particularly packing credit loans,
 - › Accounts payable and accrued expenses represent 35% (Php 449 million) and 38% (Php 443 million) as of December 31, 2023 and 2022, respectively.

availed by the Group from various banks. In 2003, the Group availed bank loans amounting to Php 3,058,025 and paid Php 2,803,359 as partial payment for outstanding loans.

EQUITY

- › Total consolidated equity amounted to Php 9,954 million and Php 10,291 million as of December 31, 2023 and 2022, respectively.
- › 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.
- › The Parent Company's authorized capital stock amounting to Php 5 billion is divided into Php 4.8 billion common shares with a par value of Php 1.00 per share and Php 200 million redeemable preferred shares with a par value of Php 1.00 per share.
- › On February 6, 2023, certain shareholders of the Parent Company (collectively referred to as the "AXLM Shareholders") entered into a Sale and Purchase Agreement with Metro Pacific Agro Ventures, inc. ("MPAV") for the sale of their respective shares totaling to Php 1,190,000,000 common shares of stock in the Parent Company at an aggregate consideration of Php 4,819.5 million, subject to the fulfillment of certain conditions.
- › On December 22, 2023, MPAV finalized the subscription of Two Hundred Million redeemable preferred shares for a total
 - › consideration of Php 500 million. This transaction led to the Parent Company recording an increase in additional paid-in capital of Php 298 million, after deducting stock issuance costs.
 - › Treasury Shares
 - › On December 23, 2021, the Parent Company's BOD approved another extension of the Parent Company's share buy-back program until June 30, 2022 and increased the buy-back amount by Php 800 million worth of common shares. Such amount may be increased from time to time by the BOD as the circumstances may warrant, subject to the availability of unrestricted retained earnings. On June 29, 2022, the Parent Company's BOD approved the extension of the share buy-back program until December 31, 2022. As of December 31, 2023 and 2022, AXLM acquired Php 201,594,500 of its own common shares, or a total cost of Php 584 million.
 - › Considering only interest-bearing liabilities, the Group's net gearing ratio and net interest-bearing debt-to-EBITDA stood at 0.08x and (1.20x), respectively, as of December 31, 2023, and 0.05x and 0.37x, respectively, as of December 31, 2022.



2022 VS 2021

As of December 31, 2022, and 2021, the Group's consolidated total assets were Php 11,446 million and Php 10,082 million, respectively.

ASSETS

Current Assets

- › As of December 31, 2022, and 2021, respectively, total consolidated current assets amounted to Php 5,139 million, representing 45% of total consolidated assets, and Php 4,559 million, representing 45% of total consolidated assets.
- › Cash and cash equivalents amounted to Php 1,292 million and Php 1,155 million as of December 31, 2022 and 2021, 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 0.88% to 5.25% in 2022 and 0.09% to 1.25% in 2021 and are carried at a cost that approximates fair value. The increase by Php 137 million, or 12%, in the consolidated cash and cash equivalents will be explained further in Item 6 (D) or the Cash Flows section of this Report.
- › Trade and other receivables closed down to almost Php 800 million, which are mainly from customers and other non-trade receivables and represent about 16% of the total consolidated current assets. The increase of Php 44 million, or 6%, was mainly due to increases in advances and forex revaluation. In 2021, the Parent Company was subjected to excise tax payments due on every removal of products from the place of production. After the payment of the excise tax, the Parent Company, at its option, may file a claim for excise tax credit/refund or may avail of a claim for product replenishment in accordance with the relevant sections of the National Internal Revenue Code and other relevant implementing rules and regulations. As of December 31, 2022, the Parent Company has receivables from the government arising from excess payments of excise tax that are included under other receivables, amounting to Php 59 million from only Php 43 million as of December 31, 2021. 84% of the total trade and other receivables are current, and only 5% are over 90 days due. These
 - › receivables that are over 90 days due are mostly related to the aforementioned advances. Trade receivables are generally on a 30-60-day term.
- › Inventories are stated at cost, approximating their net realizable value as of the reporting dates. Given the uncertainty in the global supply chain and possible increase in the cost of materials, most particularly packaging materials, the Group increased its minimum stocking level from 2 months to 5 months. The Group's finished goods inventories increased by Php 399 million, or 25%, from December 31, 2021 inventory balance, mainly due to the impact of the peso depreciation and inventory build-up. Finished goods in 2022 and 2021 represent 76% and 74% of the total inventories, respectively.
- › Prepaid expenses and other current assets comprise 9% of total consolidated current assets and represent the Group's net input VAT, advances to suppliers, and other prepayments.
- › Input VAT, which pertains to taxes paid on purchases of goods and services, amounted to Php 520 million as of December 31, 2022, of which Php 145 million is expected to be realized after more than 1 year and is classified under "Other Noncurrent Assets" in the 2022 statement of financial position. In 2022, the Parent Company recognized a provision for impairment of VAT amounting to Php 12,000, while in 2021, the Parent Company directly written off input VAT amounting to Php 28 million, and are included as part of "Other income - net" in the consolidated statements of comprehensive income. Net input VAT - current represents 78% and 89% of the prepaid expenses and other current assets account, as of December 31, 2022, and 2021, respectively, while input VAT - noncurrent represents 34% of other noncurrent assets account, as of December 31, 2022.



Non-Current Assets

- Of the Group's total consolidated assets, noncurrent assets comprise 55% (Php 6,035 million) and 55% (Php 5,522 million) as of December 31, 2022 and 2021, respectively.
- Property, plant, and equipment include buildings and site improvements, plant machinery, and equipment, among other things. They account for 66% of the total consolidated noncurrent assets. Capital expenditures aggregated almost Php 680 million and Php 199 million in 2022 and 2021, respectively, and were composed of various projects such as plant rehabilitation and equipment replacement.
- 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.
- In 2022, as part of the Company's corporate social responsibility initiatives, the Parent Company has an ongoing project amounting to Php 138,551 for the construction of a hospital a few kilometers away from where its manufacturing plant is located. These projects are included as part of "Construction in progress" under other noncurrent assets.

LIABILITIES

- As of December 31, 2022, and 2021, respectively, total consolidated liabilities amounted to Php 1,154 million and Php 888 million.
- Loans payable, representing 49% (Php 560 million) and 29% (Php 253 million) of the total consolidated liabilities as of December 31, 2022, and 2021, 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 represent only the revolving credit line of RVF.
- Accounts payable and accrued expenses represent 38% (Php 443 million) and 57% (Php 509 million) as of December 31, 2022 and 2021, respectively.
- Other liabilities include lease liabilities, retirement benefit obligations, and other liabilities.

EQUITY

- As of December 31, 2022, and 2021, total consolidated equity amounted to Php 10,291 million and Php 9,194 million, respectively.
- 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 Php 800 million common shares, comprising Php 700 million primary shares (Php 300 million shares out of unissued capital stock and Php 400 million shares out of treasury stock) and Php 100 million secondary shares, both at an offer price of Php 5.00 per share.
- Treasury Shares**
 - On December 23, 2021, the Parent Company's BOD approved another extension of the Parent Company's share buy-back program until June 30, 2022. It increased the buy-back amount by up to Php 800 million in common shares. Such amount may be increased from time to time by the BOD as the circumstances may warrant, subject to the availability of unrestricted retained earnings. On June 29, 2022, the Parent Company's BOD approved the extension of the share buy-back program until December 31, 2022. As of December 31, 2022, AXLM acquired Php 201,594,500 of its own common shares or a total cost of Php 584 million, which is included as part of "Treasury Shares" in the 2022 Statement of Financial Position.
 - Considering only interest-bearing liabilities, the Group's net gearing ratio and net interest-bearing debt-to-EBITDA stood at 0.05x and 0.37x, respectively, as of December 31, 2022, and 0.03x and 0.22x, respectively, as of December 31, 2021.

KEY PERFORMANCE INDICATORS

KEY PERFORMANCE INDICATORS	DECEMBER 31, 2023	DECEMBER 31, 2022
Current Ratio	3.90	4.69
Debt-to-Equity Ratio	0.13	0.11
Asset-to-Equity Ratio	1.13	1.11

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, 2023, 2022, and 2021 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								
	2023	% of Sales	2022	% of Sales	% Change 2022 vs 2021	2021	% of Sales	% Change 2022 vs 2021
Sales	5,678,640	100	7,042,589	100	(19)	6,359,548	100	11
Cost of Sales	4,708,674	83	4,936,237	70	(5)	4,623,095	73	7
Gross Profit	969,966	17	2,106,352	30	(54)	1,736,453	27	21
Selling Expenses	685,004	12	635,097	9	8	521,306	8	22
General and Administrative Expenses	455,627	8	398,537	6	14	398,524	6	-
Income from Operations	(170,665)	3	1,072,718	15	(116)	816,623	13	31
Interest Income	32,049	1	9,590	0	234	5,649	0	70
Interest and Other Finance Charges	(65,325)	1	(37,100)	1	76	(34,076)	1	9
Other Income	(781,804)	14	189,966	3	(512)	107,841	2	76
Income before Income Taxes	(985,745)	17	1,235,174	18	(180)	896,037	14	38
Income Tax Expense	167,706	4	(251,647)	4	(167)	(180,704)	3	39
NET INCOME	(818,039)	14	983,517	14	(183)	715,333	11	37
EBITDA, before one-offs	(681,387)	12	1,502,266	21	(145)	1,150,993	18	31
EBITDA, after one-offs	107,046	2	1,514,266	22	(93)	1,179,120	19	28
Net income, after one-offs	(157,917)	3	992,517	14	(116)	743,460	12	34
OTHER KEY FINANCIAL RATIOS								
Return on equity	(8%)		10%			8%		
Return on total assets	(7%)		9%			7%		

Notes:

Return on Equity = Net Income / Total Equity

Return on Total Assets = Net Income / Total Assets

2023 VS 2022

Sales

- › The Group generated sales of Php 5,678 million and Php 7,043 million for the years ended December 31, 2023, and 2022, respectively.
- › The Group was affected by consumer spending in the U.S.A. that slowed down in 2023. Recession fears rippled across the U.S. economy and weighed on retail consumers who tried to control their spending, thus lower orders for the first half of 2023 as compared in 2022.
- › Topline shows a 19% drop or Php 1,364 million mainly due to lower selling prices. Average selling prices per pound of desiccated coconut went down by 35% in 2023 as against 2022, which reflects the reduction of ocean freight cost component in the selling prices. Freight costs started to reduce in 2023 by as much as 85% lower than high level of freight charges in 2022. Accordingly, customers particularly those who were hit by the pass-on freight charges in 2022 demanded lower selling prices in 2023.
- › The related party transactions that were eliminated in the consolidated financial statements for the years ended December 31, 2023 and 2022 pertain to sales made to RVF amounting to Php 875 million and Php 1,928 million, respectively, and FIA amounting to Php 244 million and Php 271 million, respectively.

Cost of Sales

- › Cost of sales for the year ended December 31, 2023 and 2022 closed at Php 4,709 million and Php 4,936 million, respectively, or 5% decrease from the previous year.
- › Coconut prices ranged Php 10,000 to Php 13,000 per Metric Ton (MT) in 2022, as compared to Php 7,400 to Php 8,500 per MT in 2023, corresponding 77% drop year-on-year. Despite lower coconut prices, inventory costs remained elevated primarily due to steep ocean freight charges in previous year, resulting to higher cost percentage for the year. As a percentage of cost of sales, cost of inventories translates to 73% of sales in

2023 and 58% of sales in 2022. See related discussion in Inventories.

- › Cost of sales in 2023 was closed at 83% of gross sales as compared to 70% 2022.

Gross Profit

- › As a result of the foregoing, the Group's gross profit decreased by 54% as compared in 2022 and translate to 17% gross margin in 2023 as compared to 30% in 2022.

Selling Expenses

- › Selling expenses amounted Php 685 million and Php 635 million which translates to 12% and 9% of sales in 2023 and 2022, respectively.
- › Selling expenses increased by 8% due to higher rental, warehousing and storage fees more particularly in the USA.
- › The Company also released its first digital and TV ads for its coconut milk powder resulting to higher advertising expenses in 2023 as compared to same period in 2022. Moreover, with higher CWT sales this period, higher marketing promotion support was registered in 2023 as compared to 2022.

- › In 2023, total marketing and promotion expense recorded in the books amounted to Php 184 million as compared to Php 162 million in 2022.

General and Administrative Expenses

- › General and administrative expenses aggregated Php 456 million and Php 398 million in 2023 and 2022, respectively, which translates to a 8% and 6% of sales, respectively.
- › Salaries, wages and employee benefits amounted to Php 234 million and Php 202 million in 2023 and 2022, respectively. Apart from the impact of the foreign exchange translation, the increase is also due to salaries paid to additional

management personnel employed in the US subsidiary as part of expanding its sales force and some salary adjustments made to keep up with the rising inflation.

Interest Income

- Interest income represents interest earned from the short-term deposits and investment in bonds with interest rates higher in 2023 as compared in 2022.
- As of December 31, 2023 and 2022, remaining IPO funds were still at Php 350 million which is part of the cash equivalents in the statements of financial position. Moreover, the proceeds from the subscription of Php 200 million redeemable preferred shares were invested in short-term time deposits. Interest rates from these short-term time deposits range from 3.25% to 6.10% in 2023 which is higher than interest rates in 2022 which range from 0.09% to 5.25%.
- In 2023, interest earned from cash equivalents amounted to Php 24 million as compared to Php 2 million in 2022.

Interest and Other Finance Charges

- Interest expense and other financing charges mainly represent interest incurred from the Parent Company's short-term borrowings (packing credit loans) and its subsidiary, RVF, for some tangible assets used in its operations. Interest expense significantly increased by Php 28 million or 76% due to higher interest rates, particularly in RVF. Interest rates in the US went up from an average 7% in 2022 to an average 7.35% in 2023.

Other Income (Loss) - net

- Other income (loss) represents one-off transactions, rent income, net foreign exchange gain and other items recovered and saved by the Company in the course of its operations.
- One-off transactions in 2023 include (1) a direct write-off of inventories due to net realizable values (NRV) amounting to Php 403 million; (2)

Corporate social responsibility expense amounting to Php 265 million and (3) direct write-off of input VAT amounting to Php 100 million.

- As of December 31, 2023, the unusually higher customer inventory levels and pandemic-induced shipping crisis resulted to a direct write-off of inventory to NRV amounting to Php 403 million in 2023.
- As discussed under Other Noncurrent Assets, following the completion of the hospital in 2023, the BOD, on December 11, 2023, formally authorized the contribution of the full amount of Php 265 million towards its community engagement costs and corporate social responsibility initiatives to a civic affiliate of the Company. The execution of the foregoing transaction took place on December 29, 2023. Accordingly, the related expense was recorded as part of Other Income (Loss) in the consolidated statements of comprehensive income. The required donor's tax and documentary stamp taxes of almost Php 20 million were also paid.
- Average forex rate in 2021 is Php 51.00 then went up to average of Php 54.48 in 2022 that resulted to a foreign exchange gain of Php 188 million in 2022. Forex rate closed at Php 55.76 in 2022 and went down to an average of Php 55.63 in 2023 resulting to a foreign exchange loss of Php 22 million in 2023.

Income Tax Expense

- Due to the foregoing losses, the Group resulted to an income tax benefit amounted to Php 168 million in 2023 as compared to income tax expense of Php 252 million in 2022.

Net Income

- As a result of the foregoing, net loss for the year ended December 31, 2023 totaled Php 818 million, for a net loss margin of 14%, a 183% decline from last year's net income of Php 983 million for a net income margin of 14%. Excluding one offs, net loss should have been only Php 158 million in 2023.

2022 VS 2021

Sales

- The Group generated sales of Php 7,043 million and Php 6,359 million for the years ended December 21, 2022 and 2021, respectively.
- While the Group is partially affected by global shipping concerns, particularly irregular port calls and limited cargo space, it generated higher sales in 2022 compared to 2021, with an 11% increase from the previous year. This is mainly driven by the increase in selling prices of almost all products and steady volumes. Forex's impact from the translation of revenues of its foreign operations also contributed to the increase.
- The average selling price per pound of desiccated coconut also increased by 9% compared to the previous year.
- From 2021 to 2022, there was a notable increase in the sales of sweetened coconut by 30% (Php 251 million), coconut milk powder by 15% (Php 135 million), coconut water by 12% (Php 195 million), and desiccated coconut by 5% (Php 109 million). Collectively, these core product segments accounted for 87% of the consolidated topline.
- The related party transactions that were eliminated in the consolidated financial statements for the years ended December 31, 2022, and 2021 pertain to sales made to RVF amounting to Php 923 million and Php 1,850 million, respectively, and FIA amounting to Php 72 million and Php 377 million, respectively.

Cost of Sales

- The cost of sales for the year ended December 31, 2022, closed at Php 4,936 million, resulting in a gross profit of Php 2,106 million, primarily due to higher freight, raw material prices, and changes in foreign exchange rates compared to the previous year.
- Coconut prices ranged from Php 9,500 to Php 10,500 per Metric Ton (MT) in 2021 but increased to a range from almost Php 10,000 to as high as Php 13,000 per MT of coconut but ended 2022 at its lowest average nut price of Php 7,500 per MT

of coconut, resulting in a steady annual average nut price from 2021 to 2022. As a percentage of sales, the cost of inventories translates to 59% in 2022 and 62% in 2021, which showed effective cost management in the supply chain despite price increases and supply chain challenges.

- The pandemic continues to affect supply chains worldwide, with shipping lines scaling back their capacities. Freight costs increased to Php 283 million in 2022 from Php 238 million in 2021, a 19% increase from the previous year.

Gross Profit

- As a result of the foregoing, the Group's gross profit increased by 21% compared to 2021, translating to a 30% gross margin in 2022 compared to 27% in 2021.

Selling Expenses

- With the higher sales in 2022, selling expenses also increased by 22% from 2021, but as a percentage of sales remained stable at 9% of sales in 2022 from 8% of sales in 2021.
- Freight, which represented 43% of the selling expenses, increased by 18% as compared to 2021.

General and Administrative Expenses

- General and administrative expenses aggregated Php 398 million, translating to 6% of sales year-on-year.

Interest Income

- Interest income in 2022 represents mainly interest earned from the Parent Company's investments in Republic of the Philippines (ROP) bonds. Interest income earned from ROP bonds amounted to Php 5 million and Php 4 million for the years ended December 31, 2022 and 2021, respectively.



- › Proceeds from IPO were also invested in short-term time deposits. Interest income earned for the year ended December, 2022 and 2021 amounted to Php 2 million and Php 1 million, respectively.

Interest and Other Finance Charges

- › Interest expense and other financing charges mainly represent interest incurred from short-term borrowings of the Parent Company (packing credit loans) and its subsidiary, RVF, for some tangible assets used in its operations.
- › Interest expense increased by Php 3 million, or 9%, due to higher loan availments in 2022 than in 2021. The Parent Company fully paid its packing credit loans as of December 31, 2021.

Other Income - Net

- › Other income represents net foreign exchange gain, commission income earned from a third party at a fixed percentage, rent income, and other items recovered and saved by the Group in the course of its operations.
- › The average forex rate in 2021 was Php 49.28, and it went up to Php 54.48 in 2022, resulting in a net foreign exchange gain of Php 188 million for 2022, compared to almost Php 100 million in 2021.

Income Tax Expense

- › Income tax expense for the year 2022 totaled Php 252 million. This consisted of current income tax totaling Php 276 million representing regular corporate income tax, net of Php 24 million benefit from deferred tax.
- › Income tax expense for 2022 increased by Php 71 million due to higher earnings than 2021.
- › The Group's effective tax rate is 20% in 2022 and 2021.

Net Income

- › As a result of the foregoing, net income for the year ended December 31, 2022, reached Php 984 million, with a net income margin of 14%, a 37% increase from last year's net income of Php 715 million, with a net income margin of 11%.

2021 VS 2020

Sales

- › The Group generated sales of Php 6,359 million and Php 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 by 27% in 2021 compared to 2020.
- › The market volume for desiccated coconut increased by 15%, while the volumes of sweetened coconut and coconut milk powder both grew by 7%. Coconut water production remained in full swing, with delivered volume growth at 14%. These core product segments collectively accounted for 86% of the 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 Php 1,850 million and Php 1,005 million, respectively, and FIA amounting to Php 377 million and Php 386 million, respectively.

Cost of Sales

- › The cost of sales for the year ended December 31, 2021, closed at Php 4,623 million, resulting in a gross profit of Php 1,736 million. This was primarily due to higher raw material prices compared to the same period in 2020 and rising shipping costs brought about by the global shipping issues during the COVID-19 pandemic.
- › Average coconut prices went up by 28% year on year. Price ranges from Php 7,200 to Php 7,700 per Metric Ton (MT) in 2020 but increased to levels of Php 9,000 to Php 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 in 2021 compared to 2020. The Company's

manufacturing plants are also producing at maximum output for its main product segments, resulting in higher production volume.

- › The pandemic continues to affect supply chains worldwide. Shipping lines are scaling back their capacities, and freight costs have nearly tripled over the past year. Freight costs increased to Php 238 million in 2021 from Php 69 million in 2020.
- › The cost of sales for 2021 was 73% of sales, which was lower than 2020's cost of sales of 75%. This was mainly due to higher production volume in the 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% compared to 2020, translating to a 27% gross margin in 2021 compared to 25% in 2020.

Selling Expenses

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

General and Administrative Expenses

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

Interest Income

- › Interest income in 2021 represents mainly interest earned from the Parent Company's 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 Php 3.9 million and Php 4 million for the years ended

December 31, 2021, and 2020, respectively. In 2020, the Parent Company sold all its ROP bonds at a premium.

- › Proceeds from the IPO were also invested in short-term time deposits. Interest income earned for the years ended December 2021 and 2020 amounted to Php 1.5 million and Php 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 its operations.
- › Interest expense was significantly reduced by almost Php 40 million, or 54%, due to the prepayment of loans.
- › AXLM and RVF's long-term bank loans were fully paid in the third quarter of 2020. Moreover, the Parent Company fully paid its packing credit loans as of December 31, 2021. The remaining bank loans 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.
- › The foreign exchange rate impact from the translation from U.S. dollars into Philippine pesos resulted in a net foreign exchange gain of almost Php 100 million in 2021, compared to a net foreign exchange loss of Php 13 million in 2020.

Income Tax Expense

- › Income tax expense for the year 2021 totaled Php 181 million. This consisted of current income tax totaling Php 157 million, representing regular corporate income tax and a Php 24 million deferred tax.
- › Income tax expense for the year 2021 increased by Php 133 million due to higher earnings than in 2020.

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- › The Group's effective tax rate significantly increased to 20% compared to 8% the previous year. The Parent Company's income tax holiday as a BOI incentive for its coconut water operations expired in January 2021, making 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. The Parent Company will have an ITH of four years from May 2021 or the 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 juice products. The Parent Company will have an ITH of six years from July 2021.
 - › Although the Philippine corporate tax rate is 25% now, 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 Php 715 million with a net income margin of 11%, a 36% increase from last year's net income of Php 526 million with a net income margin of 10%.

CASH FLOWS



Cash flows provided by operating activities in 2023 amounted to Php 127 million, 84% lower than the Php 827 million generated in 2022. The decrease is due to an operating loss of Php 161 million from an income of Php 1,572 million in 2022.

Net cash used in investing activities totaled Php 220 million in 2023, higher than Php 933 million in 2022. The cash outflow for the Group's acquisition of various equipment and improvement of manufacturing facilities aggregated almost Php 200 million and Php 680 million in 2023 and 2022,

respectively. In 2021, the Group purchased ROP bonds amounting to Php 96 million.

Net cash provided by financing activities amounted to Php 753 million in 2023, primarily from the proceeds from the availment of loans, net of payment of loans and interest expense, as well as the issuance of redeemable preferred shares. In 2022, net cash used provided by financing activities amounted to Php 264 million, which is primarily attributable to proceeds from availing of loans, net of payment of loans and interest expense, as well as purchase of own shares.



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