



SAN MIGUEL BREWERY INC.

A subsidiary of San Miguel Corporation

November 15, 2021

PHILIPPINE DEALING & EXCHANGE CORP.

29/F, BDO Equitable Tower
8751 Paseo de Roxas
Makati City 1226

Attention: **ATTY. MARIE ROSE M. MAGALLEN-LIRIO**
Head- Issuer Compliance and Disclosure Department

Gentlemen:

Please find attached San Miguel Brewery Inc.'s SEC Form 17-Q for the period ended September 30, 2021 which was submitted to the Securities and Exchange Commission today.

Very truly yours,


ROSABEL T. BALAN

Vice President and General Counsel

COVER SHEET

C S 2 0 0 7 1 1 8 2 8

S. E. C. Registration Number

S A N M I G U E L

B R E W E R Y

I N C .

(Company's Full Name)

N o . 4 0 S a n M i g u e l

A v e n u e , M a n d a l u y o n g

C i t y

(Business Address: No. Street City/Town/Province)

ROSABEL SOCORRO T. BALAN

Contact Person

8632-3000

Company Telephone Number

Month

Day

17-Q (Quarterly Report for the period ended September 30, 2021)

FORM TYPE

Month

Day
Annual Meeting

Secondary License Type, If Applicable

Dept. Requiring this Doc.

Amended Articles Number/Section

Total No. of Stockholders

Total Amount of Borrowings

Domestic

Foreign

To be accomplished by SEC Personnel concerned

File Number

LCU

Document I. D.

Cashier

S T A M P S

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SECURITIES AND EXCHANGE COMMISSION
SEC FORM 17-Q
QUARTERLY REPORT PURSUANT TO SECTION 17 OF THE SECURITIES
REGULATION CODE AND SRC RULE 17(2)(b) THEREUNDER

1. For the quarterly period ended **SEPTEMBER 30, 2021**
2. Commission identification number **CS200711828**
3. BIR Tax Identification No. **006-807-251-000**
4. Exact name of issuer as specified in its charter **SAN MIGUEL BREWERY INC.**
5. **Philippines**
Province, country or other jurisdiction
of incorporation or organization
6. Industry Classification Code: (SEC Use Only)
7. **No. 40 San Miguel Avenue,**
Mandaluyong City **1550**
Address of issuer's principal office Postal Code
8. **(632) 8632-3000**
Issuer's telephone number, including area code
9. **N/A**
Former name, former address and former fiscal year, if changed since last report
10. Securities registered pursuant to Sections 8 and 12 of the Code, or Sections 4 and 8 of the RSA

Title of each Class outstanding (outstanding as of September 30, 2021)	
Common Shares	15,359,053,161¹
(as of September 30, 2021)	
Peso-denominated Series F fixed-rate bonds	₱7.00 billion
Peso-denominated Series H fixed-rate bonds	₱2.54 billion

11. Are any or all of the securities listed on a Stock Exchange?
Yes [] No [x]
If yes, state name of such Stock Exchange and the class/es of securities listed herein. **N.A.**

12. Indicate by check mark whether the registrant:
 - (a) has filed all reports required to be filed by Section 17 of the Code and SRC Rule 17 thereunder or Sections 11 of the RSA and RSA Rule 11(a)-1 thereunder, and Sections 26 and 141 of the Corporation Code of the Philippines, during the preceding twelve (12) months.
Yes [x] No []
 - (b) has been subject to such filing requirements for the past ninety (90) days.
Yes [x] No []

¹ Excludes the 51,425,799 common shares tendered and accepted by the Company in its tender offer. As of September 30, 2021, the Company has secured Certificates Authorizing Registration for 48,777,899 common shares of the 51,425,799 common shares tendered and accepted by the Company in its tender offer.

PART I--FINANCIAL INFORMATION

Item 1. Financial Statements.

The unaudited consolidated financial statements of San Miguel Brewery Inc. (the "Company") and its subsidiaries (collectively, the "Group") as of and for the period ended September 30, 2021 (with comparative figures as of December 31, 2020 and for the period ended September 30, 2020) and Selected Notes to the Consolidated Financial Statements is hereto attached as **Annex "A"**.

Item 2. Management's Discussion and Analysis of Financial Condition and Results of Operations.

The information required by Part IV, Paragraph (a)(2)(B) of SRC Rule 12 is attached hereto as **Annex "B"**.

PART II--OTHER INFORMATION

The Company may, at its option, report under this item any information not previously reported in a report on SEC Form 17-C. If disclosure of such information is made under this Part II, it need not be repeated in a report on Form 17-C, which would otherwise be required to be filed with respect to such information or in a subsequent report on Form 17-Q.

NONE

SIGNATURES

Pursuant to the requirements of the Securities Regulation Code, the issuer has duly caused this report to be signed on its behalf by the undersigned thereunto duly authorized.

Issuer **SAN MIGUEL BREWERY INC.**



Signature and Title **MERCY MARIE J. L. AMADOR**
Chief Finance Officer

Date **November 15, 2021**

**SAN MIGUEL BREWERY INC.
AND SUBSIDIARIES**

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Unaudited Consolidated Financial Statements for the
period ended September 30, 2021 (with comparative
figures for 2020)

Aging of Receivables

SAN MIGUEL BREWERY INC. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF INCOME (Unaudited)
FOR THE YEARS ENDED SEPTEMBER 30, 2021 AND 2020
(In Millions, Except Per Share Data)

		<u>2021</u>		<u>2020</u>		<u>For the Quarters Ended</u>	
						<u>2021</u>	<u>2020</u>
SALES (Notes 3 and 4)	P	82,082	P	72,482	P	27,750	P 29,689
COST OF SALES		<u>51,189</u>		<u>44,594</u>		<u>17,328</u>	<u>17,690</u>
GROSS PROFIT		30,893		27,888		10,422	11,999
SELLING AND ADMINISTRATIVE EXPENSES		(12,711)		(13,079)		(4,317)	(4,549)
INTEREST EXPENSE AND OTHER FINANCING CHARGES		(1,352)		(1,472)		(430)	(492)
INTEREST INCOME		192		466		61	86
OTHER INCOME - Net		<u>695</u>		<u>1,693</u>		<u>280</u>	<u>1,547</u>
INCOME BEFORE INCOME TAX		17,717		15,496		6,016	8,591
INCOME TAX EXPENSE (Note 2)		<u>3,668</u>		<u>4,416</u>		<u>1,474</u>	<u>2,534</u>
NET INCOME	P	<u>14,049</u>	P	<u>11,080</u>	P	<u>4,542</u>	P <u>6,057</u>
Attributable to:							
Equity holders of the Company	P	13,731	P	10,846	P	4,394	P 5,928
Non-controlling interests		<u>318</u>		<u>234</u>		<u>148</u>	<u>129</u>
	P	<u>14,049</u>	P	<u>11,080</u>	P	<u>4,542</u>	P <u>6,057</u>
Basic and Diluted Earnings Per Share (Note 6)	P	<u>0.89</u>	P	<u>0.71</u>	P	<u>0.29</u>	P <u>0.39</u>

Note: See accompanying Management Discussion and Analysis and Selected Notes to the Consolidated Financial Statements.

CERTIFIED CORRECT:


MERCY MARIE J. L. AMADOR
Chief Finance Officer and Treasurer


SAN MIGUEL BREWERY INC. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF FINANCIAL POSITION
SEPTEMBER 30, 2021 AND DECEMBER 31, 2020
(In Millions)

	Note		2021 (Unaudited)	2020 (Audited)
ASSETS				
Current Assets				
Cash and cash equivalents	8, 9	P	27,234 P	24,185
Trade and other receivables - net	4, 8, 9		4,797	5,662
Inventories - net			2,902	2,938
Prepaid expenses and other current assets	4, 8, 9		1,787	2,161
Total Current Assets			36,720	34,946
Noncurrent Assets				
Investments	8, 9		5,137	4,837
Property, plant and equipment - net	5		31,393	30,189
Right-of-use assets - net			1,960	1,898
Investment property - net			1,773	1,768
Intangible assets - net			35,604	35,638
Deferred tax assets	2		854	918
Other noncurrent assets - net	8, 9		26,620	28,256
Total Noncurrent Assets			103,341	103,504
			P 140,061 P	138,450
LIABILITIES AND EQUITY				
Current Liabilities				
Accounts payable and accrued expenses	4, 8, 9	P	16,223 P	16,023
Lease liabilities - current portion			193	190
Income and other taxes payable	2		3,028	4,034
Current maturities of long-term debt, net of debt issue costs	8, 9		7,018	12,456
Total Current Liabilities			26,462	32,703
Noncurrent Liabilities				
Long-term debt - net of current maturities and debt issue costs	8, 9		24,364	19,455
Lease liabilities - net of current portion			1,126	1,073
Other noncurrent liabilities	4		242	214
Total Noncurrent Liabilities			25,732	20,742
Equity				
Equity Attributable to Equity Holders of the Company				
Capital stock			15,410	15,410
Additional paid-in capital			515	515
Equity reserves	2		(916)	(1,292)
Retained earnings:				
Appropriated			36,970	36,970
Unappropriated	2		33,300	31,091
Treasury stock			(1,029)	(1,029)
			84,250	81,665
Non-controlling Interests			3,617	3,340
Total Equity			87,867	85,005
			P 140,061 P	138,450

Note: See accompanying Management Discussion and Analysis and Selected Notes to the Consolidated Financial Statements.

CERTIFIED CORRECT:





MERCY MARIE J. L. AMADOR
Chief Finance Officer and Treasurer 

SAN MIGUEL BREWERY INC. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY
FOR THE YEARS ENDED SEPTEMBER 30, 2021 AND 2020
(In Millions)

	Equity Attributable to Equity Holders of the Company										
	Equity Reserves					Retained Earnings		Treasury Stock	Total	Non-controlling Interests	Total Equity
	Capital Stock	Additional Paid-in Capital	Reserve for Retirement Plan	Fair Value Reserve	Cumulative Translation Adjustments Reserve	Appropriated	Unappropriated				
As of December 31, 2020 (Audited)	P 15,410	P 515	P (1,460)	P (3)	P 171	P 36,970	P 31,091	P (1,029)	P 81,665	P 3,340	P 85,005
Net income	-	-	-	-	-	-	13,731	-	13,731	318	14,049
Other comprehensive income (loss)	-	-	(101)	1	476	-	-	-	376	267	643
Gain on exchange differences on translation of foreign operations - net of tax	-	-	-	1	476	-	-	-	477	268	745
Equity reserve for retirement plan - net of tax	-	-	(101)	-	-	-	-	-	(101)	(1)	(102)
Total comprehensive income (loss)	-	-	(101)	1	476	-	13,731	-	14,107	585	14,692
Cash dividends (Note 7)	-	-	-	-	-	-	(11,522)	-	(11,522)	(308)	(11,830)
As of September 30, 2021 (Unaudited)	P 15,410	P 515	P (1,561)	P (2)	P 647	P 36,970	P 33,300	P (1,029)	P 84,250	P 3,617	P 87,867
As of December 31, 2019, (Audited)	P 15,410	P 515	P (1,744)	P -	P 1,151	P 25,752	P 40,510	P (1,029)	P 80,565	P 3,667	P 84,232
Net income	-	-	-	-	-	-	10,846	-	10,846	234	11,080
Other comprehensive loss	-	-	-	-	(1,198)	-	-	-	(1,198)	(190)	(1,388)
Loss on exchange differences on translation of foreign operations - net of tax	-	-	-	-	(1,198)	-	-	-	(1,198)	(190)	(1,388)
Equity reserve for retirement plan - net of tax	-	-	-	-	-	-	-	-	-	-	-
Total comprehensive income (loss)	-	-	-	-	(1,198)	-	10,846	-	9,648	44	9,692
Cash dividends (Note 7)	-	-	-	-	-	-	(11,522)	-	(11,522)	(439)	(11,961)
As of September 30, 2020 (Unaudited)	P 15,410	P 515	P (1,744)	P -	P (47)	P 25,752	P 39,834	P (1,029)	P 78,691	P 3,272	P 81,963

Note: See accompanying Management Discussion and Analysis and Selected Notes to the Consolidated Financial Statements.

CERTIFIED CORRECT:

MERCY MARIE J. L. AMADOR
Chief Finance Officer and Treasurer 

SAN MIGUEL BREWERY INC. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME (Unaudited)
FOR THE YEARS ENDED SEPTEMBER 30, 2021 AND 2020
(In Millions)

	2021	2020	For the Quarters Ended	
			2021	2020
NET INCOME	P 14,049	P 11,080	P 4,542	P 6,057
OTHER COMPREHENSIVE GAIN (LOSS)				
Item that will not be reclassified to profit or loss				
Equity reserve for retirement plan	(1)	-	-	(2)
Tax	(101)	-	1	-
	(102)	-	1	(2)
Item that will be reclassified to profit or loss				
Gain (Loss) on exchange differences on translation of foreign operations - net of tax	745	(1,388)	779	(806)
OTHER COMPREHENSIVE GAIN (LOSS) - Net of tax	643	(1,388)	780	(808)
TOTAL COMPREHENSIVE INCOME	P 14,692	P 9,692	P 5,322	P 5,249
Attributable to:				
Equity holders of the Company	14,107	9,648	4,973	5,240
Non-controlling interests	585	44	349	9
	P 14,692	P 9,692	P 5,322	P 5,249

Note: See accompanying Management Discussion and Analysis and Selected Notes to the Consolidated Financial Statements.

CERTIFIED CORRECT:


MERCY MARIE J. L. AMADOR
Chief Finance Officer and Treasurer 

SAN MIGUEL BREWERY INC. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF CASH FLOWS (Unaudited)
FOR THE PERIODS ENDED SEPTEMBER 30, 2021 AND 2020
(In Millions)

	2021	2020
CASH FLOWS FROM OPERATING ACTIVITIES		
Income before income tax	P 17,717	P 15,496
Adjustments for:		
Depreciation, amortization and others	3,448	3,000
Interest expense and other financing charges	1,352	1,472
Provision for impairment losses on receivables and inventories	615	671
Retirement costs	592	591
Gain on sale of property and equipment	(191)	2
Dividend income	(91)	-
Interest income	(192)	(466)
Operating income before working capital changes	23,250	20,766
Decrease (increase) in:		
Trade and other receivables	927	2,073
Inventories	13	(1,110)
Prepaid expenses and other current assets	294	(254)
Increase (decrease) in:		
Accounts payable and accrued expenses	(1,283)	(3,550)
Income and other taxes payable	(53)	(64)
Other noncurrent liabilities	(1)	(18)
Cash generated from operations	23,147	17,843
Income taxes paid	(4,536)	(5,265)
Interest paid	(1,259)	(1,021)
Contributions paid	(36)	(410)
Net cash flows provided by operating activities	17,316	11,147
CASH FLOWS FROM INVESTING ACTIVITIES		
Interest received	193	484
Dividend received	91	-
Proceeds from sale of property and equipment	213	3
Increase in intangible assets and other noncurrent assets	(1,006)	(1,201)
Additions to:		
Property and equipment	(1,585)	(3,365)
Investment	-	(4,849)
Investment property	-	(47)
Net cash flows used in investing activities	(2,094)	(8,975)
CASH FLOWS FROM FINANCING ACTIVITIES		
Proceeds from long-term debt - net of debt issue costs	11,910	-
Payments of:		
Long-term debt	(12,472)	-
Cash dividends	(11,519)	(11,519)
Lease liabilities	(247)	(238)
Dividends to noncontrolling shareholders	(306)	(439)
Net cash flows used in financing activities	(12,634)	(12,196)
EFFECT OF EXCHANGE RATE CHANGES ON CASH AND CASH EQUIVALENTS	461	(503)
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	3,049	(10,527)
CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR	24,185	30,451
CASH AND CASH EQUIVALENTS AT END OF THE PERIOD	P 27,234	P 19,924

Note: See accompanying Management Discussion and Analysis and Selected Notes to the Consolidated Financial Statements.

CERTIFIED CORRECT:


MERCY MARIE J. L. AMADOR
Chief Finance Officer and Treasurer 

SAN MIGUEL BREWERY INC. AND SUBSIDIARIES
 TRADE AND OTHER RECEIVABLES
 SEPTEMBER 30, 2021

TYPE OF ACCOUNTS RECEIVABLE	TOTAL	CURRENT	PAST DUE			
			1 - 30 DAYS	31 - 60 DAYS	61-90 DAYS	OVER 90 DAYS
Trade	P 4,360	P 3,936	P 201	P 71	P 11	P 141
Non-trade	630	541	4	4	18	63
Others	119	79	11	7	4	18
TOTAL	5,109	4,556	216	82	33	222
ALLOWANCE FOR DOUBTFUL ACCOUNTS	(312)					
NET	P 4,797					

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1. Summary of Significant Accounting and Financial Reporting Policies

The Group prepared its interim consolidated financial statements as of and for the period ended September 30, 2021 and comparative financial statements for the same period in 2020 following the new presentation rules under Philippine Accounting Standard (PAS) No. 34, *Interim Financial Reporting*. The interim consolidated financial statements of the Group have been prepared in compliance with Philippine Financial Reporting Standards (PFRS).

The interim consolidated financial statements are presented in Philippine peso and all financial information are rounded off to the nearest million (000,000), except when otherwise indicated.

The principal accounting policies and methods adopted in preparing the interim consolidated financial statements of the Group are the same as those followed in the most recent annual audited consolidated financial statements, except for the changes in accounting policies as explained below.

Adoption of New and Amended Standards and Framework

The Financial Reporting Standards Council (FRSC) approved the adoption of a number of new and amended standards and interpretation as part of PFRS.

New and Amended Standards and Framework Adopted in 2021

The Group has adopted the following PFRS effective January 1, 2021 and accordingly, changed its accounting policies in the following areas:

- Coronavirus Disease 2019 (COVID-19) - Related Rent Concessions (Amendments to PFRS 16) beyond June 30, 2021. The optional practical expedient introduced in the 2020 amendments that simplifies how a lessee accounts for rent concessions that are a direct consequence of COVID-19 and which solely applies to reduction in lease payments originally due on or before June 30, 2021 has been extended to June 30, 2022. The economic challenges presented by the COVID-19 pandemic have persisted longer than anticipated. As a result, lessors and lessees are negotiating rent concessions that extend beyond June 30, 2021.

The 2021 amendments are effective for annual reporting periods beginning on or after April 1, 2021 and are applied retrospectively with the cumulative effect of initially applying it as an adjustment to the opening balance of retained earnings.

Earlier application is permitted.

- Interest Rate Benchmark Reform - Phase 2 (Amendments to PFRS 9, *Financial Instruments*, PAS 39, *Financial Instruments: Recognition and Measurement*, PFRS 7, *Financial Instruments: Disclosures*, PFRS 4, *Insurance Contracts*, and PFRS 16, *Leases*). To ensure that financial statements best reflect the economic effects of interest rate benchmark reforms, the Phase 2 amendments were issued and focus on the accounting once a new benchmark rate is in place. The reliefs allow companies not to recognize significant modification gains or losses on financial instruments and mitigate the risk of discontinuations of existing hedging relationships because of changes required by reforms. The amendments address issues that might affect financial reporting during the reform in the following key areas:
 - *Practical Expedient for Particular Changes to Contractual Cash Flows*. As a practical expedient, a company will account for a change in the basis for determining the contractual cash flows that is required by the reform by updating the effective interest rate of the

financial instrument. If there are other changes to the basis for determining the contractual cash flows, then a company first applies the practical expedient to the changes required by the reform and then applies other applicable requirements of PFRS 9 to other changes. A similar practical expedient applies to insurers applying PAS 39 and lessees for lease modifications required by a reform.

- *Relief from Specific Hedge Accounting Requirements.* The amendments enable and require companies to continue hedge accounting in circumstances when changes to hedged items and hedging instruments arise as a result of changes required by the reform. A company is required to amend the formal designation of hedging relationships to reflect the changes required by the reform. Reliefs are also provided for amounts accumulated in the cash flow hedge reserve, the separately identifiable requirement, groups of items designated as hedged items and retrospective effectiveness assessment under PAS 39.
- *Disclosure Requirements.* To enable users of financial statements to understand the effect of reforms on a company's financial instruments and risk management strategy, additional disclosures are required on how transition to alternative benchmark rates are being managed, quantitative information about financial instruments indexed to rates yet to transition due to benchmark reform at the end of the reporting period, and the extent to which changes to the risk management strategy have occurred due to the risks identified in the transition.

The amendments are effective for annual reporting periods beginning on or after January 1, 2021. Earlier application is permitted. The amendments apply retrospectively, but restatement of comparative information is not required. Reinstatement of a discontinued hedging relationship is required if the hedging relationship was discontinued solely because of changes required by the reform, and that discontinued hedging relationship meets all qualifying criteria for hedge accounting at the date of initial application.

The amendments are still subject to the approval by the FRSC.

Except as otherwise indicated, the adoption of the amended standards did not have a material effect on the interim consolidated financial statements.

Standards Issued But Not Yet Adopted

A number of new and amended standards are effective for annual periods beginning after January 1, 2021 and have not been applied in preparing the interim consolidated financial statements. Unless otherwise indicated, none of these is expected to have a significant effect on the interim consolidated financial statements.

The Group will adopt the following new and amended standards on the respective effective dates:

- *Property, Plant and Equipment - Proceeds before Intended Use (Amendments to PAS 16, Property, Plant and Equipment).* The amendments prohibit an entity from deducting from the cost of an item of property, plant and equipment the proceeds from selling items produced before that asset is available for use. The proceeds before intended use should be recognized in profit or loss, together with the costs of producing those items which are identified and measured in accordance with PAS 2, *Inventories*.

The amendments also clarify that testing whether an item of property, plant and equipment is functioning properly means assessing its technical and physical performance rather than assessing its financial performance.

For the sale of items that are not part of a company's ordinary activities, the amendments require the company to disclose separately the sales proceeds and related production cost recognized in

profit or loss and specify the line items in which such proceeds and costs are included in the statement of comprehensive income. This disclosure is not required if such proceeds and cost are presented separately in the statement of comprehensive income.

The amendments are effective for annual reporting periods beginning on or after January 1, 2022. Earlier application is permitted. The amendments apply retrospectively, but only to items of property, plant and equipment made available for use on or after the beginning of the earliest period presented in the financial statements in which the company first applies the amendments.

- Onerous Contracts - Cost of Fulfilling a Contract (Amendments to PAS 37, *Provisions, Contingent Liabilities and Contingent Assets*). The amendments clarify that the cost of fulfilling a contract when assessing whether a contract is onerous includes all costs that relate directly to a contract - i.e. it comprise both incremental costs and an allocation of other direct costs.

The amendments are effective for annual reporting periods beginning on or after January 1, 2022 to contracts existing at the date when the amendments are first applied. At the date of initial application, the cumulative effect of applying the amendments is recognized as an opening balance adjustment to retained earnings or other component of equity, as appropriate. The comparatives are not restated. Earlier application is permitted.

- Annual Improvements to PFRS Standards 2018-2020. This cycle of improvements contains amendments to four standards:
 - Fees in the '10 per cent' Test for Derecognition of Financial Liabilities (Amendment to PFRS 9). The amendment clarifies that for the purpose of performing the '10 per cent' test for derecognition of financial liabilities, the fees paid net of fees received included in the discounted cash flows include only fees paid or received between the borrower and the lender, including fees paid or received by either the borrower or lender on the other's behalf.
 - Lease Incentives (Amendment to Illustrative Examples accompanying PFRS 16). The amendment deletes from the Illustrative Example 13 the reimbursement relating to leasehold improvements to remove the potential for confusion because the example had not explained clearly enough the conclusion as to whether the reimbursement would meet the definition of a lease incentive in PFRS 16.

The amendments are effective for annual reporting periods beginning on or after January 1, 2022. Earlier application is permitted.

- Reference to the Conceptual Framework (Amendment to PFRS 3, *Business Combinations*). The amendments:
 - updated PFRS 3 so that it now refers to the 2018 Conceptual Framework;
 - added a requirement that, for transactions and other events within the scope of PAS 37 or IFRIC 21, *Levies*, an acquirer applies PAS 37 or IFRIC 21 instead of the Conceptual Framework to identify the liabilities it has assumed in a business combination; and
 - added an explicit statement that an acquirer does not recognize contingent assets acquired in a business combination.

The amendments are effective for business combinations occurring in reporting periods starting on or after January 1, 2022. Earlier application is permitted.

- Classification of Liabilities as Current or Noncurrent (Amendments to PAS 1, *Presentation of Financial Statements*). To promote consistency in application and clarify the requirements on determining whether a liability is current or noncurrent, the amendments:
 - removed the requirement for a right to defer settlement of a liability for at least 12 months after the reporting period to be unconditional and instead requires that the right must have substance and exist at the end of the reporting period;
 - clarified that a right to defer settlement exists only if the company complies with conditions specified in the loan agreement at the end of the reporting period, even if the lender does not test compliance until a later date; and
 - clarified that settlement of a liability includes transferring a company's own equity instruments to the counterparty, but conversion options that are classified as equity do not affect classification of the liability as current or noncurrent.

The amendments apply retrospectively for annual reporting periods beginning on or after January 1, 2023, with early application permitted.

- Disclosure of Accounting Policies (Amendments to PAS 1 and PFRS Practice Statement 2, *Making Materiality Judgments*). The key amendments to PAS 1 include requiring entities to disclose material accounting policies rather than significant accounting policies; clarifying that accounting policies related to immaterial transactions, other events or conditions are immaterial and as such need not be disclosed; and clarifying that not all accounting policies that relate to material transactions, other events or conditions are material to the financial statements. The amendments to PFRS Practice Statement 2 provide guidance and examples on the application of materiality to accounting policy disclosures.

The amendments are effective for annual reporting periods beginning on or after January 1, 2023. Earlier application is permitted.

- Definition of Accounting Estimates (Amendments to PAS 8, *Accounting Policies, Changes in Accounting Estimates and Errors*). The amendments clarify that accounting estimates are monetary amounts in the financial statements that are subject to measurement uncertainty. The amendments also clarify the relationship between accounting policies and accounting estimates by specifying that an entity develops an accounting estimate to achieve the objective set out by an accounting policy. Developing an accounting estimate includes selecting a measurement technique (estimate or valuation technique) and choosing the inputs to be used when applying the chosen measurement technique. The effects of changes in the inputs or measurement techniques are changes in accounting estimates.

The amendments are effective for annual reporting periods beginning on or after January 1, 2023. Earlier application is permitted. The amendments apply prospectively to changes in accounting estimates and changes in accounting policies occurring on or after the beginning of the first annual reporting period in which the entity applies the amendments.

Deferral of the local implementation of Amendments to PFRS 10, *Consolidated Financial Statements*, and PAS 28, *Investments in Associates and Joint Ventures: Sale or Contribution of Assets between an Investor and its Associate or Joint Venture*.

- Sale or Contribution of Assets between an Investor and its Associate or Joint Venture (Amendments to PFRS 10 and PAS 28). The amendments address an inconsistency in the requirements in PFRS 10 and PAS 28 in dealing with the sale or contribution of assets between an investor and its associate or joint venture. The amendments require that a full gain or loss is recognized when a transaction involves a business (whether it is housed in a subsidiary or not).

A partial gain or loss is recognized when a transaction involves assets that do not constitute a business, even if these assets are housed in a subsidiary.

Originally, the amendments apply prospectively for annual periods beginning on or after January 1, 2016, with early adoption permitted. However, on January 13, 2016, the FRSC decided to postpone the effective date until the International Accounting Standards Board has completed its broader review of the research project on equity accounting that may result in the simplification of accounting for such transactions and of other aspects of accounting for associates and joint ventures.

2. Impact of Corporate Recovery and Tax Incentives for Enterprises (CREATE) Law

The CREATE Act, which seeks to reduce the Corporate Income Tax Rates and to rationalize the current fiscal incentives by making it time-bound, targeted and performance-based, was passed into law on March 26, 2021. One of the key provisions of the CREATE Law is an immediate 5%-10% point cut in the corporate income tax rate starting July 2020. As a result, the Group has taken up in the books the effect of the application of reduced corporate income tax rate from 30% to 25%.

The impact on the consolidated financial statements of the Group based on balances as at and for the year ended December 31, 2020, which was taken up upon the effectivity of the CREATE law are as follows:

	Increase (Decrease)
ASSETS	
Deferred tax assets	(P126)
	(P126)
LIABILITIES	
Income and other taxes payable	(P557)
	(P557)
EQUITY	
Equity reserves	(P101)
Retained earnings	532
	P431
TOTAL LIABILITIES AND EQUITY	(P126)
INCOME TAX EXPENSE	
Current	(P557)
Deferred	25
NET INCOME	P532
Attributable to:	
Equity holders of the Parent Company	P532

3. Segment Information

Operating Segments

The reporting format of the Group's operating segments is determined based on the Group's risks and rates of return which are affected predominantly by differences in the products produced. The operating businesses are organized and managed separately according to geographical location, with each segment representing a strategic business unit that offers different products and serves different markets.

The Group's reportable segments are domestic and international operations.

Domestic operations produce and market fermented, malt-based and non-alcoholic beverages within the Philippines and distribute beer products to some export markets.

International operations produce and market fermented, malt-based and non-alcoholic beverages in several foreign markets.

Inter-segment Transactions

Segment revenues, expenses and performance include sales and purchases between operating segments. Such transactions are eliminated in consolidation.

Financial information about the operating segments follows:

	For the Period Ended September 30, 2021			
	Domestic	International	Eliminations	Consolidated
Sales				
External sales	₱73,993	₱8,089	₱ -	₱82,082
Inter-segment sales	13	-	(13)	-
Total Sales	₱74,006	₱8,089	(₱13)	₱82,082
Results				
Segment Results	₱16,937	₱1,267	(₱22)	₱18,182

	For the Period Ended September 30, 2020			
	Domestic	International	Eliminations	Consolidated
Sales				
External sales	₱65,392	₱7,090	₱ -	₱72,482
Inter-segment sales	16	-	(16)	-
Total Sales	₱65,408	₱7,090	(₱16)	₱72,482
Results				
Segment Results	₱14,116	₱690	(₱3)	₱14,809

4. Related Party Disclosures

The Group, in the normal course of business, purchases products and services from and sells products to related parties. Transactions with related parties are made at normal market prices and terms. Amounts owed by/owed to related parties are collectible/will be settled in cash. An assessment is undertaken at each financial year by examining the financial position of the related party and the market in which the related party operates.

The following are the transactions with related parties and the outstanding balances as of September 30, 2021 and December 31, 2020:

	Year	Revenue From Related Parties	Purchases From Related Parties	Amounts Owed by Related Parties	Amounts Owed to Related Parties	Terms	Conditions
Intermediate Parent	September 30, 2021	₱98	₱370	₱4	₱141	On demand; non-interest bearing	Unsecured; no impairment
	December 31, 2020	21	1,114	15	171		
Shareholder	September 30, 2021	-	-	2	-	On demand; non-interest bearing	Unsecured; no impairment
	December 31, 2020	-	-	2	-		
Under Common Control	September 30, 2021	229	4,796	117	2,681	On demand; non-interest bearing	Unsecured; no impairment
	December 31, 2020	314	7,294	175	2,738		
Total	September 30, 2021	₱327	₱5,166	₱123	₱2,822		
Total	December 31, 2020	₱336	₱8,408	₱193	₱2,909		

All current outstanding balances with the related parties are expected to be settled in cash within 12 months as of the reporting date. None of the balances are secured.

- a. Amounts owed by related parties consist of trade and non-trade receivables and share in expenses.
- b. Amounts owed to related parties consist of trade payables arising from purchases of materials, bottles, shells, cartons and non-trade payables arising from the purchase of Intermediate Parent's shares in Brewery Properties Inc., professional fees, insurance, lease of outdoor advertising spaces, management fees, reimbursement of expenses and other services rendered by related parties.

5. Property, Plant and Equipment

The movements in this account are as follows:

September 30, 2021 and December 31, 2020

	Land	Machinery and Equipment	Buildings and Improvements	Transportation Equipment	Leasehold Improvements	Office Equipment, Furniture and Fixtures	Tools and Other Equipment	Capital Projects in Progress	Total
Cost									
January 1, 2020 (Audited)	₱9,106	₱48,158	₱14,260	₱1,082	₱142	₱658	₱346	₱2,625	₱76,377
Additions	47	4,659	1,552	59	164	58	22	(1,318)	5,243
Disposals/reclassifications	-	(508)	(14)	(25)	1	(4)	(15)	5	(560)
Currency translation adjustments	(58)	(265)	(140)	(5)	1	(12)	(10)	(1)	(490)
December 31, 2020 (Audited)	9,095	52,044	15,658	1,111	308	700	343	1,311	80,570
Additions	-	850	605	6	2	15	5	103	1,586
Disposals/reclassifications	13	(32)	(153)	(16)	-	(8)	(26)	937	715
Currency translation adjustments	(65)	1,029	428	6	3	14	5	5	1,425
September 30, 2021 (Unaudited)	9,043	53,891	16,538	1,107	313	721	327	2,356	84,296
Accumulated Depreciation and Amortization									
January 1, 2020 (Audited)	-	29,433	6,028	723	123	507	243	-	37,057
Additions	-	1,148	274	79	5	47	25	-	1,578
Disposals/reclassification	-	(473)	(5)	(21)	-	(12)	(10)	-	(521)
Currency translation adjustments	-	(201)	(86)	(4)	1	(9)	(9)	-	(308)
December 31, 2020 (Audited)	-	29,907	6,211	777	129	533	249	-	37,806
Additions	-	989	221	57	8	37	20	-	1,332
Disposals/reclassification	-	(31)	(136)	(9)	-	(11)	(20)	-	(207)
Currency translation adjustments	-	399	150	5	2	11	5	-	572
September 30, 2021 (Unaudited)	-	31,264	6,446	830	139	570	254	-	39,503

Forward

		Machinery and Equipment	Buildings and Improvements	Transportation Equipment	Leasehold Improvements	Office Equipment, Furniture and Fixtures	Tools and Other Equipment	Capital Projects in Progress	Total
Accumulated Impairment Losses									
January 1, 2020 (Audited)	P-	P9,412	P3,099	P10	P1	P51	P28	-	P12,601
Disposals and reclassifications	-	(11)	-	(2)	-	(1)	(4)	-	(18)
Currency translation adjustments	-	(33)	27	-	-	(1)	(1)	-	(8)
December 31, 2020 (Audited)	-	9,368	3,126	8	1	49	23	-	12,575
Disposals and reclassifications	-	-	-	(3)	-	1	(3)	-	(5)
Currency translation adjustments	-	613	211	1	-	4	1	-	830
September 30, 2021 (Unaudited)	-	9,981	3,337	6	1	54	21	-	13,400
Carrying Amount									
December 31, 2020 (Audited)	P9,095	P12,769	P6,321	P326	P178	P118	P71	P1,311	P30,189
September 30, 2021 (Unaudited)	P9,043	P12,646	P6,755	P271	P173	P97	P52	P2,356	P31,393

September 30, 2020

	Land	Machinery and Equipment	Buildings and Improvements	Transportation Equipment	Leasehold Improvements	Office Equipment, Furniture and Fixtures	Tools and Other Equipment	Capital Projects in Progress	Total
Cost									
January 1, 2020 (Audited)	₱9,106	₱48,158	₱14,260	₱1,082	₱142	₱658	₱346	₱2,625	₱76,377
Additions	-	1,617	577	39	114	29	15	974	3,365
Disposals/reclassifications	-	(103)	(9)	(15)	1	1	(10)	(4)	(139)
Currency translation adjustments	(106)	(698)	(275)	(9)	-	(16)	(16)	(2)	(1,122)
September 30, 2020 (Unaudited)	9,000	48,974	14,553	1,097	257	672	335	3,593	78,481
Accumulated Depreciation and Amortization									
January 1, 2020 (Audited)	-	29,433	6,028	723	123	507	243	-	37,057
Depreciation and amortization	-	856	203	59	4	33	18	-	1,173
Disposals/reclassification	-	(91)	-	(12)	-	(7)	(9)	-	(119)
Currency translation adjustments	-	(428)	(132)	(8)	(1)	(12)	(13)	-	(594)
September 30, 2020 (Unaudited)	-	29,770	6,099	762	126	521	239	-	37,517
Accumulated Impairment Losses									
January 1, 2020 (Audited)	-	9,412	3,099	10	1	51	28	-	12,601
Disposals and reclassifications	-	(11)	-	(1)	-	-	-	-	(12)
Currency translation adjustments	-	(228)	(63)	-	-	(2)	(1)	-	(294)
September 30, 2020 (Unaudited)	-	9,173	3,036	9	1	49	27	-	12,295
Carrying Amount									
September 30, 2020 (Unaudited)	₱9,000	₱10,031	₱5,418	₱326	₱130	₱102	₱69	₱3,593	₱28,669

Depreciation charged to operations amounted to ₱1,332 and ₱1,173 in September 2021 and 2020, respectively.

6. Basic and Diluted Earnings Per Share (EPS)

Basic EPS is computed by dividing the net income for the period attributable to equity holders of the Company by the weighted average number of issued and outstanding common shares during the period, with retroactive adjustment for any stock dividends declared.

For the purpose of computing diluted EPS, the net income for the period attributable to equity holders of the Company and the weighted average number of issued and outstanding common shares during the period are adjusted for the effect of all potential dilutive debt or equity instruments.

Basic and diluted EPS is computed as follows:

	September 30	
	2021	2020
Net income attributable to equity holders of the Company (a)	₱13,731	₱10,846
Weighted average number of common shares outstanding (b)	15,359	15,359
Basic and Diluted EPS (a/b)	₱0.89	₱0.71

As of September 30, 2021 and 2020, the Group has no dilutive debt or equity instruments.

7. Dividends

The BOD of the Company approved the declaration and payment of the following cash dividends to common stockholders:

2021

Class of Shares	Date of Declaration	Date of Record	Date of Payment	Dividend Per Share
Common	February 5, 2021	February 22, 2021	March 2, 2021	₱0.25
	April 30, 2021	May 17, 2021	May 31, 2021	0.25
	August 3, 2021	August 17, 2021	September 2, 2021	0.25

2020

Class of Shares	Date of Declaration	Date of Record	Date of Payment	Dividend per Share
Common	February 7, 2020	February 21, 2020	February 28, 2020	₱0.25
	May 25, 2020	June 11, 2020	June 25, 2020	0.25
	August 3, 2020	August 18, 2020	September 3, 2020	0.25

8. Financial Risk and Capital Management Objectives and Policies

Objectives and Policies

The Group has significant exposure to the following financial risks primarily from its use of financial instruments:

- Interest Rate Risk
- Foreign Currency Risk
- Liquidity Risk
- Credit Risk

This note presents information about the exposure to each of the foregoing risks, the objectives, policies and processes for measuring and managing these risks, and for management of capital.

The principal non-trade related financial instruments of the Group include cash and cash equivalents, financial assets at FVOCI, noncurrent receivables, long-term debt and derivative instruments. Cash and cash equivalents are used mainly for working capital management purposes. The trade-related financial assets and financial liabilities of the Group such as trade and other receivables, accounts payable and accrued expenses and lease liabilities arise directly from and are used to facilitate its daily operations.

The outstanding derivative instruments of the Group are intended mainly for risk management purposes. The Group uses derivatives to manage its exposures to foreign currency and interest rate risks arising from the operating and financing activities. The accounting policies in relation to derivatives are set out in Note 9 to the selected notes to the consolidated financial statements.

The BOD of the Company has the overall responsibility for the establishment and oversight of the risk management framework of the Group.

The risk management policies of the Group are established to identify and analyze the risks faced by the Group, to set appropriate risk limits and controls, and to monitor risks and adherence to limits. Risk management policies and systems are reviewed regularly to reflect changes in market conditions and activities. The Group, through its training and management standards and procedures, aims to develop a disciplined and constructive control environment in which all employees understand their roles and obligations.

The BOD of the Company constituted the Audit Committee to assist the BOD in fulfilling its oversight responsibility of the Group's corporate governance process relating to the: a) quality and integrity of the consolidated financial statements and financial reporting process and the systems of internal accounting and financial controls; b) performance of the internal auditors; c) annual independent audit of the consolidated financial statements, the engagement of the independent auditors and the evaluation of the independent auditors' qualifications, independence and performance; d) compliance with legal and regulatory requirements, including the disclosure control and procedures; e) evaluation of management's process to assess and manage the Group's enterprise risk issues; f) evaluation and monitoring of related party transactions; and g) fulfillment of the other responsibilities set out by the BOD. The Audit Committee shall also review the financial reports required to be included in the Group's annual report.

The Audit Committee also oversees how management monitors compliance with the risk management policies and procedures of the Group and reviews the adequacy of the risk management framework in relation to the risks faced by the Group. The Audit Committee is assisted in its oversight role by Internal Audit. Internal Audit undertakes both regular and ad hoc reviews of risk management controls and procedures, the results of which are reported to the Audit Committee.

Interest Rate Risk

Interest rate risk is the risk that future cash flows from a financial instrument (cash flow interest rate risk) or its fair value (fair value interest rate risk) will fluctuate because of changes in market interest rates. The Group's exposure to changes in interest rates relates primarily to the long-term borrowings. Borrowings issued at fixed rates expose the Group to fair value interest rate risk. On the other hand, borrowings issued at variable rates expose the Group to cash flow interest rate risk.

The Group manages its interest cost by using an optimal combination of fixed and variable rate debt instruments. Management is responsible for monitoring the prevailing market-based interest rate and ensures that the mark-up rates charged on its borrowings are optimal and benchmarked against the rates charged by other creditor banks.

In managing interest rate risk, the Group aims to reduce the impact of short-term fluctuations on the earnings. Over the longer term, however, permanent changes in interest rates would have an impact on profit or loss.

The Group does not account for any fixed-rate financial assets or financial liabilities at FVPL and the Group does not designate derivatives as hedging instruments under a fair value hedge accounting model. Therefore, a change in interest rates at the reporting date would not affect profit or loss.

The Group has no floating rate borrowings as of September 30, 2021 and December 31, 2020.

Interest Rate Risk Table

The terms and maturity profile of fixed rate long-term interest-bearing financial instruments, together with its gross amounts, are shown in the following tables:

September 30, 2021	1-3 Years	>3-5 Years	>5 Years	Total
Philippine peso-denominated Interest rate	₱9,602 3.87% - 6.6%	₱20,006 3.8% - 4.63%	₱1,920 4.15%	₱31,528
December 31, 2020	1-3 Years	>3-5 Years	>5 Years	Total
Philippine peso-denominated Interest rate	₱19,462 5.5%-6.6%	₱12,538 4.6% - 6.0%	-	₱32,000

Foreign Currency Risk

The Company's functional currency is the Philippine peso, which is the denomination of the bulk of the Group's revenues. The exposure to foreign currency risk results from significant movements in foreign exchange rates that adversely affect the foreign currency-denominated transactions of the Group. The risk management objective with respect to foreign currency risk is to reduce or eliminate earnings volatility and any adverse impact on equity.

The Group uses natural hedges and/or purchases foreign currencies at spot rates, where necessary, to address short-term imbalances from importations, revenue and expense transactions, and other foreign currency-denominated obligations.

Information on the Group's foreign currency-denominated monetary assets and liabilities and their Philippine peso equivalents is as follows:

	September 30, 2021		December 31, 2020	
	United States (US) Dollar	Peso Equivalent	United States (US) Dollar	Peso Equivalent
Assets				
Cash and cash equivalents	\$194.3	₱9,908	\$169.8	₱8,157
Trade and other receivables	22.0	1,120	23.2	1,113
Noncurrent receivables	0.2	11	0.2	10
	216.5	11,039	193.2	9,280
Liabilities				
Accounts payable and accrued expenses	92.1	4,697	112.4	5,396
Lease liabilities	0.8	41	0.3	16
Noncurrent liabilities	0.4	18		
	93.3	4,756	112.7	5,412
Net foreign currency-denominated monetary assets	\$123.2	₱6,283	\$80.5	₱3,868

The Group reported net foreign exchange gain (loss) amounting to ₱38 and (₱2) for the periods ended September 30, 2021 and 2020, respectively, with the translation of its foreign currency-denominated assets and liabilities. These mainly resulted from the movements of the Philippine peso against the US dollar as shown in the following table:

	US Dollar to Philippine Peso
September 30, 2021	51.00
December 31, 2020	48.02
September 30, 2020	48.50
December 31, 2019	50.64

The following table demonstrates the sensitivity to a reasonably possible change in the US dollar exchange rate, with all other variables held constant, of the Group's profit before tax (due to changes in the fair value of monetary assets and liabilities) and the Group's equity (due to translation of results and financial position of foreign operations):

	₱1 Decrease in the US Dollar Exchange Rate		₱1 Increase in the US Dollar Exchange Rate	
	Effect on Income before Income Tax	Effect on Equity	Effect on Income before Income Tax	Effect on Equity
September 30, 2021				
Cash and cash equivalents	(₱16)	(₱190)	₱16	₱190
Trade and other receivables	-	(22)	-	22
	(16)	(212)	16	212
Accounts payable and accrued expenses	32	84	(32)	(84)
Lease liabilities	-	1	-	(1)
	32	85	(32)	(85)
	₱16	(₱127)	(₱16)	₱127
	₱1 Decrease in the US Dollar Exchange Rate		₱1 Increase in the US Dollar Exchange Rate	
	Effect on Income before Income Tax	Effect on Equity	Effect on Income before Income Tax	Effect on Equity
December 31, 2020				
Cash and cash equivalents	(₱26)	(₱162)	₱26	₱162
Trade and other receivables	-	(23)	-	23
	(26)	(185)	26	185
Accounts payable and accrued expenses	56	95	(56)	(95)
Lease Liabilities	-	1	-	(1)
	₱56	₱96	(₱56)	(₱96)
	₱30	(₱89)	(₱30)	₱89

Exposures to foreign exchange rates vary during the period depending on the volume of overseas transactions. Nonetheless, the analysis above is considered to be representative of the Group's foreign currency risk.

Liquidity Risk

Liquidity risk pertains to the risk that the Group will encounter difficulty to meet payment obligations when they fall under normal and stress circumstances.

The Group's objectives to manage its liquidity risk are as follows: a) to ensure that adequate funding is available at all times; b) to meet commitments as they arise without incurring unnecessary costs; c) to be able to access funding when needed at the least possible cost; and d) to maintain an adequate time spread of refinancing maturities.

The Group constantly monitors and manages its liquidity position, liquidity gaps and surplus on a daily basis. A committed stand-by credit facility from several local banks is also available to ensure availability of funds when necessary.

The table below summarizes the maturity profile of the Group's financial assets and financial liabilities based on contractual undiscounted receipts and payments used for liquidity management.

September 30, 2021

	Carrying Amount	Contractual Cash Flow	1 Year or Less	>1 Year - 2 Years	>2 Years - 5 Years	Over 5 Years
Financial Assets						
Cash and cash equivalents	₱27,234	₱27,234	₱27,234	₱-	₱-	₱-
Trade and other receivables - net	4,797	4,797	4,797	-	-	-
Derivative assets (included under "Prepaid expenses and other current assets" account)	6	6	6	-	-	-
Financial assets at FVOCI (included under "Investments" account)	5,137	5,137	-	-	-	5,137
Noncurrent receivables (included under "Other noncurrent assets" account)	12	12	-	5	7	-
Financial Liabilities						
Accounts payable and accrued expenses (excluding cash dividends payable)	15,738	15,738	15,738	-	-	-
Derivative liabilities (included under "Accounts payable and accrued expenses" account)	56	56	56	-	-	-
Long-term debt (including current maturities)	31,382	35,951	8,351	1,118	24,448	2,034
Lease liabilities (including current portion)	1,319	2,222	248	198	463	1,313
Noncurrent liabilities	18	18	-	-	-	18

Forward

December 31, 2020

	Carrying Amount	Contractual Cash Flow	1 Year or Less	>1 Year - 2 Years	>2 Years - 5 Years	Over 5 Years
Financial Assets						
Cash and cash equivalents	₱24,185	₱24,185	₱24,185	₱ -	₱-	₱-
Trade and other receivables - net	5,662	5,662	5,662	-	-	-
Derivative assets (included under "Prepaid expenses and other current assets" account)	25	25	25	-	-	-
Financial assets at FVOCI (included under "Investments" account)						
Noncurrent receivables (included under "Other noncurrent assets" account)	4,837	4,837	-	-	-	4,837
	12	12	-	4	7	1
Financial Liabilities						
Accounts payable and accrued expenses (excluding cash dividends payable)	15,990	15,990	15,990	-	-	-
Derivative liabilities (included under "Accounts payable and accrued expenses" account)	3	3	3	-	-	-
Long-term debt (including current maturities)	31,911	35,119	13,719	7,738	13,662	-
Lease Liabilities (including current portion)	1,263	2,290	266	189	433	1,402
Noncurrent liabilities	17	17	-	1	7	9

Credit Risk

Credit risk is the risk of financial loss to the Group if a customer or counterparty to a financial instrument fails to meet its contractual obligations, and arises principally from trade and other receivables and investment securities. The Group manages its credit risk mainly through the application of transaction limits and close risk monitoring. It is the Group's policy to enter into transactions with a wide diversity of creditworthy counterparties to mitigate any significant concentration of credit risk.

The Group has regular internal control reviews to monitor the granting of credit and management of credit exposures.

Trade and Other Receivables

The exposure to credit risk is influenced mainly by the individual characteristics of each customer. However, management also considers the demographics of the Group's customer base, including the default risk of dealers, wholesalers and retailers as these factors may have an influence on the credit risk.

The Group obtains collateral so that in the event of default, the Group would have a secured claim.

The Group has established a credit policy under which each new customer is analyzed individually for creditworthiness before the standard payment and delivery terms and conditions are offered. The Group ensures that sales on account are made to customers with appropriate credit history. The Group has detailed credit criteria and several layers of credit approval requirements before engaging a particular customer or counterparty. The review includes external ratings, when available, and in some cases bank references. Purchase limits are established for each customer and are reviewed on a regular basis. Customers that fail to meet the benchmark creditworthiness may transact with the Group only on a prepayment or cash basis.

In monitoring customer credit risk, customers are grouped according to their credit characteristics, including whether they are an individual or legal entity, whether they are a wholesale or retail customer, aging profile, maturity and existence of previous financial difficulties. Customers that are

graded as “high risk” are placed on a restricted customer list and future sales are made on cash basis.

The Group establishes an allowance for impairment losses that represents its estimate of incurred losses in respect of trade and other receivables. The main components of this allowance include a specific loss component that relates to individually significant exposures and a collective loss component established for groups of similar assets in respect of losses that have been incurred but not yet identified. The collective loss allowance is determined based on historical data of payment statistics for similar financial assets.

Financial information on the Group’s maximum exposure to credit risk, without considering the effects of collaterals and other risk mitigation techniques, is presented below.

	September 30, 2021	December 31, 2020
Cash and cash equivalents (excluding cash on hand)	P27,018	P23,532
Trade and other receivables - net	4,797	5,662
Derivative assets	6	25
Noncurrent receivables	12	12
	P31,833	P29,231

The table below presents the summary of the Group’s exposure to credit risk and shows the credit quality of the financial assets by indicating whether the financial assets are subjected to 12-month expected credit loss (ECL) or lifetime ECL. Assets that are credit-impaired are separately presented.

	September 30, 2021				
	Financial Assets at Amortized Cost				
	12-month ECL	Lifetime ECL-not credit impaired	Lifetime ECL-credit impaired	Financial Assets at FVPL	Total
Cash and cash equivalents (excluding cash on hand)	P27,018	P -	P -	P -	P27,018
Trade and other receivables	4,797	-	312	-	5,109
Derivative assets	-	-	-	6	6
Noncurrent receivables	-	12	-	-	12

	December 31, 2020				
	Financial Assets at Amortized Cost				
	12-month ECL	Lifetime ECL-not credit impaired	Lifetime ECL-credit impaired	Financial Assets at FVPL	Total
Cash and cash equivalents (excluding cash on hand)	P23,532	P -	P -	P -	P23,532
Trade and other receivables	5,662	-	333	-	5,995
Derivative assets	-	-	-	25	25
Noncurrent receivables	-	12	-	-	12

The aging of receivables is as follows:

September 30, 2021	Amounts Owed by			Total
	Trade	Non-trade	Related Parties	
Current	₱3,936	₱541	₱79	₱4,556
Past due:				
1 - 30 days	201	4	11	216
31 - 60 days	71	4	7	82
61 - 90 days	11	18	4	33
Over 90 days	141	63	18	222
	₱4,360	₱630	₱119	₱5,109
<i>Forward</i>				
December 31, 2020	Amounts Owed by			Total
	Trade	Non-trade	Related Parties	
Current	₱4,588	₱408	₱117	₱5,113
Past due:				
1 - 30 days	402	3	21	426
31 - 60 days	37	3	14	54
61 - 90 days	16	20	12	48
Over 90 days	135	194	25	354
	₱5,178	₱628	₱189	₱5,995

Various collaterals for trade receivables such as bank guarantees, time deposits and real estate mortgages are held by the Group for certain credit limits. The Group has no right to sell or pledge the collaterals in the absence of default by the customers.

The Group believes that the unimpaired amounts that are past due by more than 30 days are still collectible based on historical payment behavior and analyses of the underlying customer credit ratings. There are no significant changes in their credit quality.

The credit risk for cash and cash equivalents, derivative assets and financial assets at FVOCI is considered negligible, since the counterparties are reputable entities with high quality external credit ratings.

The Group's exposure to credit risk arises from default of a counterparty. Generally, the maximum credit risk exposure of trade and other receivables is the carrying amount without considering collaterals or credit enhancements, if any. The Group has no significant concentration of credit risk since the Group deals with a large number of homogenous counterparties. The Group does not execute any credit guarantee in favor of any counterparty.

Capital Management

The Group maintains a sound capital base to ensure its ability to continue as a going concern, thereby continue to provide returns to stockholders and benefits to other stakeholders and to maintain an optimal capital structure to reduce cost of capital.

The Group manages its capital structure and makes adjustments in the light of changes in economic conditions. To maintain or adjust the capital structure, the Group may adjust the dividend payment to shareholders, pay-off existing debts, return capital to shareholders or issue new shares.

The Group defines capital as capital stock, additional paid-in capital and retained earnings, both appropriated and unappropriated. Other components of equity such as treasury stock, reserve for retirement plan and cumulative translation adjustments are excluded from capital for purposes of capital management.

The BOD has overall responsibility for monitoring capital in proportion to risk. Profiles for capital ratios are set in the light of changes in the external environment and the risks underlying the Group's business, operation and industry.

The Group monitors capital on the basis of debt-to-equity ratio, which is calculated as total debt divided by total equity. Total debt is defined as total current liabilities and total noncurrent liabilities, while equity is total equity as shown in the consolidated statements of financial position.

There were no changes in the Group's approach to capital management during the period.

9. Financial Assets and Financial Liabilities

Recognition and Initial Measurement. A financial instrument is any contract that gives rise to a financial asset of one entity and a financial liability or equity instrument of another entity.

The Group recognizes a financial asset or a financial liability in the consolidated statements of financial position when it becomes a party to the contractual provisions of the instrument.

A financial asset (unless a trade receivable without a significant financing component) or financial liability is initially measured at the fair value of the consideration given or received. The initial measurement of financial instruments, except for those designated as at FVPL, includes transaction costs. A trade receivable without a significant financing component is initially measured at the transaction price.

Financial Assets

The Group classifies its financial assets, at initial recognition, as subsequently measured at amortized cost, at FVOCI and at FVPL. The classification depends on the contractual cash flow characteristics of the financial assets and the business model of the Group for managing the financial assets.

Subsequent to initial recognition, financial assets are not reclassified unless the Group changes the business model for managing financial assets. All affected financial assets are reclassified on the first day of the reporting period following the change in the business model.

The business model refers to how the Group manages the financial assets in order to generate cash flows. The business model determines whether cash flows will result from collecting contractual cash flows, selling the financial assets, or both. The Group considers the following information in assessing the objective of the business model in which a financial asset is held at a portfolio level, which reflects the way the business is managed and information is provided to management:

- the stated policies and objectives for the portfolio and the operation of those policies in practice;
- how the performance of the portfolio is evaluated and reported to the Group's management;
- the risks that affect the performance of the business model (and the financial assets held within that business model) and how those risks are managed;
- how employees of the business are compensated; and
- the frequency, volume and timing of sales of financial assets in prior periods, the reasons for such sales and expectations about future sales activity.

The Group considers the contractual terms of the instrument in assessing whether the contractual cash flows are solely payments of principal and interest. For purposes of this assessment, "Principal" is defined as the fair value of the financial asset on initial recognition. "Interest" is

defined as consideration for the time value of money and for the credit risk associated with the principal amount outstanding during a particular period of time for other basic lending risks and costs (e.g. liquidity risk and administrative costs), as well as profit margin. The assessment includes whether the financial asset contains a contractual term that could change the timing or amount of contractual cash flows such that it would not meet this condition. The Group considers the following in making the assessment:

- contingent events that would change the amount or timing of cash flows;
- terms that may adjust the contractual coupon rate, including variable rate features;
- prepayment and extension features; and
- terms that limit the Group's claim to cash flows from specified assets.

A prepayment feature is consistent with the solely payments of principal and interest criterion if the prepayment amount substantially represents unpaid amounts of principal and interest on the principal amount outstanding, which may include reasonable additional compensation for early termination of the contract. Additionally, for a financial asset acquired at a discount or premium to its contractual par amount, a feature that permits or requires prepayment at an amount that substantially represents the contractual par amount plus accrued (but unpaid) contractual interest (which may also include reasonable additional compensation for early termination) is treated as consistent with this criterion if the fair value of the prepayment feature is insignificant at initial recognition.

For purposes of subsequent measurement, financial assets are classified in the following categories: financial assets at amortized cost, financial assets at FVOCI (with or without recycling of cumulative gains and losses) and financial assets at FVPL.

Financial Assets at Amortized Cost. A financial asset is measured at amortized cost if it meets both of the following conditions and is not designated as at FVPL:

- it is held within a business model with the objective of holding financial assets to collect contractual cash flows; and
- its contractual terms give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

Financial assets at amortized cost are subsequently measured using the effective interest method and are subject to impairment. Gains and losses are recognized in the consolidated statements of income when the financial asset is derecognized, modified or impaired.

The Group's cash and cash equivalents, trade and other receivables and noncurrent receivables are included under this category.

Financial Assets at FVOCI. Investment in debt instruments is measured at FVOCI if it meets both of the following conditions and is not designated as at FVPL:

- it is held within a business model whose objective is achieved by both collecting contractual cash flows and selling the financial assets; and
- its contractual terms give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

At initial recognition of an investment in equity instrument that is not held for trading, the Group may irrevocably elect to present subsequent changes in the fair value in other comprehensive income. This election is made on an instrument-by-instrument basis.

Financial assets at FVOCI are subsequently measured at fair value. Changes in fair value are recognized in other comprehensive income.

Dividends earned on holding an investment in equity instrument are recognized as dividend income in the consolidated statements of income when the right to receive the payment has been established, unless the dividend clearly represents a recovery of the part of the cost of the investment. When investment in equity instruments at FVOCI is derecognized, the related accumulated gains or losses previously reported in the consolidated statements of changes in equity are never reclassified to the consolidated statements of income.

The Group has no investments in debt securities.

The Group's investments in equity securities at FVOCI are classified under this category.

Financial Assets at FVPL. All financial assets not classified as measured at amortized cost or at FVOCI are measured at FVPL. This includes derivative financial assets that are not designated as cash flow hedge. Financial assets that are held for trading or are managed and whose performance is evaluated on a fair value basis are measured at FVPL.

At initial recognition, the Group may irrevocably designate a financial asset as at FVPL if the designation eliminates or significantly reduces an accounting mismatch that would otherwise arise from measuring assets or liabilities or recognizing the gains and losses on different bases.

The Group carries financial assets at FVPL using their fair values. Attributable transaction costs are recognized in the consolidated statements of income as incurred. Changes in fair value and realized gains or losses are recognized in profit or loss. Fair value changes from derivatives accounted for as part of an effective cash flow hedge are recognized in other comprehensive income.

The Group's derivative assets are classified under this category.

Financial Liabilities

The Group classifies its financial liabilities, at initial recognition, in the following categories: financial liabilities at FVPL and other financial liabilities. The Group determines the classification of its financial liabilities at initial recognition and, where allowed and appropriate, re-evaluates such designation at every reporting date. All financial liabilities are recognized initially at fair value and, in the case of loans and borrowings, net of directly attributable transaction costs.

Financial Liabilities at FVPL. Financial liabilities are classified under this category through the fair value option. Derivative instruments (including embedded derivatives) with negative fair values, except those covered by hedge accounting relationships, are also classified under this category.

The Group carries financial liabilities at FVPL using their fair values and reports fair value changes in profit or loss. Fair value changes from derivatives accounted for as part of an effective accounting hedge are recognized in other comprehensive income and presented in the statements of changes in equity. Any interest expense incurred is recognized as part of "Interest expense and other financing charges" account in the consolidated statements of income.

The Group's derivative liabilities are classified under this category.

Other Financial Liabilities. This category pertains to financial liabilities that are not designated or classified as at FVPL. After initial measurement, other financial liabilities are carried at amortized cost using the effective interest method. Amortized cost is calculated by taking into account any premium or discount and any directly attributable transaction costs that are considered an integral part of the effective interest rate of the liability. The effective interest rate amortization is included in "Interest expense and other financing charges" account in the consolidated statements of income.

Gains and losses are recognized in profit or loss when the liabilities are derecognized as well as through the amortization process.

Debt issue costs are considered as an adjustment to the effective yield of the related debt and are deferred and amortized using the effective interest method. When a loan is paid, the related unamortized debt issue costs at the date of repayment are recognized in profit or loss.

The Group's liabilities arising from its trade or borrowings such as accounts payable and accrued expenses, loan payable, long-term debt, lease liabilities and other noncurrent liabilities are included under this category.

Derecognition of Financial Assets and Financial Liabilities

Financial Assets. A financial asset (or, where applicable, a part of a financial asset or part of a group of similar financial assets) is primarily derecognized when:

- the rights to receive cash flows from the asset have expired; or
- the Group has transferred its rights to receive cash flows from the asset or has assumed an obligation to pay them in full without material delay to a third party under a "pass-through" arrangement; and either: (a) has transferred substantially all the risks and rewards of the asset; or (b) has neither transferred nor retained substantially all the risks and rewards of the asset, but has transferred control of the asset.

When the Group has transferred its rights to receive cash flows from an asset or has entered into a pass-through arrangement, it evaluates if and to what extent it has retained the risks and rewards of ownership. When it has neither transferred nor retained substantially all the risks and rewards of the asset nor transferred control of the asset, the Group continues to recognize the transferred asset to the extent of the Group's continuing involvement. In that case, the Group also recognizes the associated liability. The transferred asset and the associated liability are measured on the basis that reflects the rights and obligations that the Group has retained.

Continuing involvement that takes the form of a guarantee over the transferred asset is measured at the lower of the original carrying amount of the asset and the maximum amount of consideration that the Group is required to repay.

Financial Liabilities. A financial liability is derecognized when the obligation under the liability is discharged or cancelled, or has expired. When an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as a derecognition of the original liability and the recognition of a new liability. The difference in the respective carrying amounts is recognized in profit or loss.

Impairment of Financial Assets

The Group recognizes allowance for ECL on financial assets at amortized cost.

ECLs are probability-weighted estimates of credit losses. Credit losses are measured as the present value of all cash shortfalls (i.e., the difference between the cash flows due to the Group in accordance with the contract and the cash flows that the Group expects to receive), discounted at the effective interest rate of the financial asset, and reflects reasonable and supportable information that is available without undue cost or effort about past events, current conditions and forecasts of future economic conditions.

The Group recognizes an allowance for impairment based on either 12-month or lifetime ECLs, depending on whether there has been a significant increase in credit risk since initial recognition.

When determining whether the credit risk of a financial asset has increased significantly since initial

recognition and when estimating ECLs, the Group considers reasonable and supportable information that is relevant and available without undue cost or effort. This includes both quantitative and qualitative information and analysis, based on the Group's historical experience and informed credit assessment and including forward-looking information.

The Group recognizes lifetime ECLs for receivables that do not contain significant financing component. The Group uses provision matrix that is based on the Group's historical credit loss experience, adjusted for forward-looking factors specific to the borrowers and the economic environment.

At each reporting date, the Group assesses whether these financial assets at amortized cost are credit-impaired. A financial asset is credit-impaired when one or more events that have a detrimental impact on the estimated future cash flows of the financial asset have occurred. Evidence that a financial asset is credit-impaired include observable data about the following events:

- (a) significant financial difficulty of the issuer or the borrower;
- (b) a breach of contract, such as a default or past due event;
- (c) the lender(s) of the borrower, for economic or contractual reasons relating to the borrower's financial difficulty, having granted to the borrower a concession(s) that the lender(s) would not otherwise consider;
- (d) it is becoming probable that the borrower will enter bankruptcy or other financial reorganization;
- (e) the disappearance of an active market for that financial asset because of financial difficulties; or
- (f) the purchase or origination of a financial asset at a deep discount that reflects the incurred credit losses.

The Group considers a financial asset to be in default when a counterparty fails to pay its contractual obligations, or there is a breach of other contractual terms, such as covenants.

The Group directly reduces the gross carrying amount of a financial asset when there is no reasonable expectation of recovering the contractual cash flows on a financial asset, either partially or in full. This is generally the case when the Group determines that the borrower does not have assets or sources of income that could generate sufficient cash flows to repay the amounts subject to the write-off. However, financial assets that are written off could still be subject to enforcement activities in order to comply with the Group's procedures for recovery of amounts due.

The ECLs on financial assets at amortized cost are recognized as allowance for impairment losses against the gross carrying amount of the financial asset, with the resulting impairment losses (or reversals) recognized in profit or loss.

Classification of Financial Instruments Between Liability and Equity

Financial instruments are classified as liability or equity in accordance with the substance of the contractual arrangement. Interest, dividends, gains and losses relating to a financial instrument or a component that is a financial liability, are reported as expense or income. Distributions to holders of financial instruments classified as equity are charged directly to equity, net of any related income tax benefits.

A financial instrument is classified as a liability if it provides for a contractual obligation to:

- deliver cash or another financial asset to another entity;

- exchange financial assets or financial liabilities with another entity under conditions that are potentially unfavorable to the Group; or
- satisfy the obligation other than by the exchange of a fixed amount of cash or another financial asset for a fixed number of own equity shares.

If the Group does not have an unconditional right to avoid delivering cash or another financial asset to settle its contractual obligation, the obligation meets the definition of a financial liability.

The components of issued financial instruments that contain both liability and equity elements are accounted for separately, with the equity component being assigned the residual amount after deducting from the instrument as a whole or in part, the amount separately determined as the fair value of the liability component on the date of issue.

Offsetting Financial Instruments

Financial assets and financial liabilities are offset and the net amount is reported in the consolidated statements of financial position if, and only if, there is a currently enforceable legal right to offset the recognized amounts and there is an intention to settle on a net basis, or to realize the financial assets and settle the financial liabilities simultaneously.

The table below presents a comparison by category of carrying amounts and fair values of the Group's financial instruments:

	September 30, 2021		December 31, 2020	
	Carrying Amount	Fair Value	Carrying Amount	Fair Value
Financial Assets				
Cash and cash equivalents	P27,234	P27,234	P24,185	P24,185
Trade and other receivables – net	4,797	4,797	5,662	5,662
Derivative assets (included under “Prepaid expenses and other current assets” account)	6	6	25	25
Financial assets at FVOCI (included under “Investments” account)	5,137	5,137	4,837	4,837
Noncurrent receivables (included under “Other noncurrent assets” account)	12	12	12	12
Financial Liabilities				
Accounts payable and accrued expenses (excluding cash dividends payable)	15,738	15,738	15,990	15,990
Derivative liabilities (included under “Accounts payable and accrued expenses” account)	56	56	3	3
Long-term debt (including current maturities)	31,382	32,988	31,911	33,759

The following methods and assumptions are used to estimate the fair value of each class of financial instruments:

Cash and Cash Equivalents, Trade and Other Receivables and Noncurrent Receivables. The carrying amount of cash and cash equivalents and trade and other receivables approximates fair value primarily due to the relatively short-term maturities of these financial instruments. In the case of noncurrent receivables, the fair value is based on the present value of expected future cash flows using the applicable discount rates based on current market rates of identical or similar quoted instruments.

Derivatives. The fair values of forward exchange contracts are calculated by reference to current forward exchange rates. Fair values for embedded derivatives are based on valuation models used for similar instruments using both observable and non-observable inputs.

Financial Assets at FVOCI. The fair values of publicly traded instruments and similar investments are based on quoted market prices in an active market. Unquoted equity securities are carried at cost less impairment, which approximates fair value.

Accounts Payable and Accrued Expenses and Loan Payable. The carrying amount of accounts payable and accrued expenses and loan payable approximate fair value due to the relatively short-term maturities of these financial instruments.

Long-term Debt and Lease Liabilities. The fair value of interest-bearing fixed rate loans is based on the discounted value of expected future cash flows using the applicable market rates for similar types of instruments as of reporting date. Discount rates used for long-term debt range from 1.0% to 3.75% and 1.11% to 2.31% as of September 30, 2021 and December 31, 2020, respectively.

Derivative Financial Instruments

The Group's derivative financial instruments according to the type of financial risk being managed and the details of embedded derivative financial instruments that are not designated as hedges are discussed below.

Derivative Instruments Not Designated as Hedges

The Group enters into certain derivatives as economic hedges of certain underlying exposures. These include embedded derivatives found in host contracts, which are not designated as accounting hedges. Changes in fair value of these instruments are accounted for directly in profit or loss.

Embedded Derivatives

The Group assesses whether embedded derivatives are required to be separated from the host contracts when the Group becomes a party to the contract.

An embedded derivative is separated from the host contract and accounted for as a derivative if all of the following conditions are met:

- (a) the economic characteristics and risks of the embedded derivative are not closely related to the economic characteristics and risks of the host contract;
- (b) a separate instrument with the same terms as the embedded derivative would meet the definition of a derivative; and
- (c) the hybrid or combined instrument is not recognized as at FVPL.

However, an embedded derivative is not separated if the host contract is a financial asset.

Reassessment only occurs if there is a change in the terms of the contract that significantly modifies the cash flows that would otherwise be required.

Embedded derivatives that are bifurcated from the host contracts are accounted for either as financial assets or financial liabilities at FVPL.

The Group's embedded derivatives include currency forwards embedded in non-financial contracts.

Embedded Currency Forwards

The total outstanding notional amount of currency forwards embedded in non-financial contracts amounted to US\$40 and US\$21 as of September 30, 2021 and December 31, 2020, respectively. These non-financial contracts consist mainly of foreign currency-denominated purchase orders, sales agreements and capital expenditures. The embedded forwards are not clearly and closely related to their respective host contracts. The net (negative)positive fair value of these embedded

currency forwards amounted to (P50), (P2) and P22 as of September 30, 2021, June 30, 2021 and December 31, 2020, respectively.

For the periods ended September 30, 2021 and 2020 and June 30, 2021 and 2020, the Group recognized marked-to-market gain (loss) from embedded derivatives amounting to (P59), P65, P1 and P28, respectively.

Fair Value Changes on Derivatives

The net movements in fair value of all derivative instruments are as follows:

	September 2021	December 2020
Balance, beginning	P22	P52
Net change in fair value of non-accounting hedges	(59)	36
	(37)	88
Less fair value of settled instruments	13	(66)
Balance, end	(P50)	P22

Fair Value Measurements

The Group measures a number of financial and non-financial assets and liabilities at fair value at each reporting date.

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The fair value measurement is based on the presumption that the transaction to sell the asset or transfer the liability takes place either: (a) in the principal market for the asset or liability, or (b) in the absence of principal market, in the most advantageous market for the asset or the liability. The principal or most advantageous market must be accessible to the Group.

The fair value of an asset or liability is measured using the assumptions that market participants would use when pricing the asset or the liability, assuming that market participants act in their best economic interest.

The Group uses valuation techniques that are appropriate in the circumstances and for which sufficient data are available to measure fair value, maximizing the use of relevant observable inputs and minimizing the use of unobservable inputs.

All assets and liabilities for which fair value is measured or disclosed in the consolidated financial statements are categorized within the fair value hierarchy, described as follows, based on the lowest level input that is significant to the fair value measurement as a whole:

- Level 1: quoted prices (unadjusted) in active markets for identical assets or liabilities;
- Level 2: inputs other than quoted prices included within Level 1 that are observable for the asset or the liability, either directly or indirectly; and
- Level 3: inputs for the asset or liability that are not based on observable market data.

For assets and liabilities that are recognized in the consolidated financial statements on a recurring basis, the Group determines whether transfers have occurred between levels in the hierarchy by re-assessing the categorization at the end of the reporting period.

For the purpose of fair value disclosures, the Group has determined classes of assets and liabilities on the basis of the nature, characteristics and risks of the asset or the liability and the level of the fair value hierarchy.

Fair Value Hierarchy

Financial assets and financial liabilities measured at fair value in the consolidated statements of financial position are categorized in accordance with the fair value hierarchy. This hierarchy groups financial assets and financial liabilities into three levels based on the significance of inputs used in measuring the fair value of the financial assets and financial liabilities.

The table below analyzes financial instruments carried at fair value by valuation method:

	September 30, 2021			December 31, 2020		
	Level 1	Level 2	Total	Level 1	Level 2	Total
Financial Assets						
Derivative assets	P -	P6	P6	P -	P25	P25
Financial assets at FVOCI	5,137	-	5,137	4,837	-	4,837
Financial Liabilities						
Derivative Liabilities	-	56	56	-	3	3

The Group has no financial instruments valued based on Level 3 as of September 30, 2021 and December 31, 2020. During the period, there were no transfers between Level 1 and Level 2 fair value measurements, and no transfers into and out of Level 3 fair value measurements.

10. Events After the Reporting Date

On November 5, 2021, the BOD of the Company declared cash dividends amounting to ₱0.25 per share payable to stockholders of record as of November 22, 2021 to be paid on December 9, 2021.

11. Other Matters

- a. There are no unusual items as to nature and amount affecting assets, liabilities, equity, net income or cash flows, except those stated in the Management's Discussion and Analysis of Financial Position and Financial Performance.
- b. There were no material changes in estimates of amounts reported in prior financial years.
- c. There were no known trends, demands, commitments, events or uncertainties that will have a material impact on the Group's liquidity.
- d. There were no known trends, events or uncertainties that have had or that are reasonably expected to have a favorable or unfavorable impact on net sales or revenues or income from continuing operation, except those stated in the Management's Discussion and Analysis of Financial Position and Financial Performance.
- e. There were no known events that will trigger direct or contingent financial obligation that is material to the Group, including any default or acceleration of an obligation. No material contingencies and any other events or transactions exist that are material to an understanding of the current interim period.
- f. Sales are affected by seasonality in customer purchase patterns. In the Philippines, subject to the effect of COVID-19 as stated in the Management's Discussion and Analysis of Financial Position and Financial Performance, alcoholic beverages, including those produced by the

Company, generally experience increased sales during the summer and Christmas season and typically slow down in the third quarter as a result of rainy weather. As a result, performance for any one quarter is not necessarily indicative of what is to be expected for any other quarter or for any year and the Group's financial condition and results of operations may fluctuate from quarter to quarter.

- g. There were no material off-statements of financial position transactions, arrangements, obligations (including contingent obligations), and other relationship of the Group with unconsolidated entities or other persons created during the reporting period, except for the outstanding derivative transactions entered into by the Group as of and for the period ended September 30, 2021.
- h. The Group's material commitments for capital expenditure projects have been approved during the current year but are still ongoing and not yet completed as of September 30, 2021. These consist of construction, acquisition, upgrade or repair of fixed assets needed for normal operations of the business. The said projects will be carried forward to the next quarter until its completion. The fund to be used for these projects will come from available cash, short-term or long-term loans.
- i. The BOD of the Company approved the amendment of the Company's primary purpose or Article II of its Amended Articles of Incorporation to include alcoholic beverages and such other beverages of all kinds and classes as among the products it is authorized to manufacture, sell or otherwise deal in and to submit the same for the approval of the Company's stockholders by written assent on December 4, 2020. The Company received the written assent of stockholders representing more than two-thirds (2/3) of the Company's total outstanding capital stock to the proposed amendment as of February 24, 2021. On March 16, 2021, the Securities and Exchange Commission approved the said amendment of the Company's primary purpose or Article II of the Company's Amended Articles of Incorporation to include alcoholic beverages and such other beverages of all kinds and classes as among the products the Company is authorized to manufacture, sell or otherwise deal in.
- j. Effect of COVID-19

The effect of COVID-19 in the performance of the Group as of September 30, 2021 is discussed in the Management's Discussion and Analysis of Financial Position and Financial Performance.



SAN MIGUEL BREWERY INC.

A subsidiary of San Miguel Food and Beverage, Inc.

MANAGEMENT’S DISCUSSION AND ANALYSIS OF FINANCIAL POSITION AND FINANCIAL PERFORMANCE

The following discussion should be read in conjunction with the attached unaudited consolidated financial statements of San Miguel Brewery Inc. (the “Company”) and its subsidiaries (collectively referred to as the “Group”) as of and for the period ended September 30, 2021 (with comparative figures as of December 31, 2020 and for the period ended September 30, 2020). All necessary adjustments to present fairly the Group’s consolidated financial position, financial performance and cash flows as of September 30, 2021 and for all the other periods presented, have been made. Certain information and footnote disclosure normally included in the audited consolidated financial statements prepared in accordance with Philippine Financial Reporting Standards have been omitted.

I. SIGNIFICANT TRANSACTIONS

- On July 21, 2021, tax credit certificate amounting to ₱163 million pertaining to the tax refund case of San Mig Light (SML) for the year 2019 was issued by the Bureau of Internal Revenue (BIR) to the Company pursuant to the Supreme Court ruling in favor of the Company.

II. FINANCIAL PERFORMANCE

2021 vs. 2020

The Group’s revenue continued to grow as consumption picked-up with the overall trend of easing Corona virus disease – 2019 (COVID-19) restrictions. Year-to-date consolidated revenue reached ₱82,082 million, 13.2% higher than last year’s ₱72,482 million as a result of the increase in sales volume by 7.5%. Domestic operations contributed ₱74,006 million while international operations contributed US\$165.2 million or ₱8,089 million.

Cost of sales increased by 14.8% to ₱51,189 million with the higher sales volume of both domestic and international operations and the increase in excise tax rate in the Philippines effective January 2021. Domestic operations accounted for ₱46,755 million while international operations accounted for US\$90.8 million or ₱4,447 million.

Consequently, income from operations increased by 22.8% to ₱18,182 million. Domestic operations contributed ₱16,937 million while international operations contributed US\$25.8 million or ₱1,267 million.

Interest income declined from ₱466 million to ₱192 million or 58.8% mainly due to lower interest rates on money market placements of both domestic and international operations.

Correspondingly, interest expense and other financing charges also decreased by 8.2% with the lower interest rates of outstanding loans.

Other income-net declined by 58.9% or ₱998 million primarily due to lower SML tax refund received in 2021.

Income tax expense decreased by 16.9% or ₱748 million as a result of the implementation of the Republic Act No. 11534, also known as Corporate Recovery and Tax Incentives for Enterprises (“CREATE”) Act this year which reduced income tax rates from 30% to 25%.

As a result of the foregoing, consolidated net income rose by 26.8% from ₱11,080 million to ₱14,049 million. Domestic operations contributed ₱12,637 million while international operations contributed US\$29.3 million or ₱1,435 million.

Net income attributable to equity holders of the Company was higher by 26.6% or ₱2,885 million while net income attributable to non-controlling interest also increased by 35.9% or ₱84 million.

The operating and financial highlights of each segment are as follows:

Domestic Beer Operations

Domestic operations’ performance continued to improve with revenues reaching ₱74,006 million as of the third quarter of 2021, an increase of 13.1% or ₱8,598 million attributable to higher volumes.

Income from operations increased to ₱16,937 million due to volume improvement and continued cost management initiatives. The Company’s favorable performance was aided by initiatives to boost demand for its brands such as relevant thematic campaigns and on-ground activations as well as the nationwide and channel-specific consumer promotions.

As a result, year-to-date net income of ₱12,637 million was 21.8% higher than last year.

International Beer Operations

San Miguel Brewing International Limited (SMBIL) registered US\$ 165.2 million in consolidated revenue as of September 30, 2021, 16.4% higher than last year as a result of the 13.9% increase in volumes.

SMBIL made a strategic decision to rationalize and consolidate its China operations to improve profitability and efficiency. SMBIL ceased operations of San Miguel (Baoding) Brewery Co., Ltd. in North China, and did not renew the joint venture agreement for Guangzhou San Miguel Brewery Co. Ltd, which expired in 2020, in order to consolidate its South China operations into San Miguel (Guangdong) Brewery Co. Ltd.

Volumes of SMBIL’s local and global San Miguel brands increased by 14.2% and 16.1%, respectively. Indonesia operations registered a significant improvement in volumes, despite higher COVID-19 cases this year, as it recovered sales volumes in its nationwide wholesaler network. SMBIL’s Exports business sustained its volume growth trend from last year despite the continuing and different levels of restrictions in its exports markets with its continued programs in the modern trade off premise and wholesaler channels. Meanwhile, the South China, Vietnam, Hong Kong and Thailand operations registered declines due to more stringent levels of COVID-19 restrictions compared to the same period last year which primarily affected the sales of beer in the on-premise outlets. Hong Kong operations was able to keep the decline at a lower level by also growing the volumes in the modern trade off-premise and wholesaler channels to cushion the shortfall in the on-premise channels. SMBIL was also able to gain incremental volumes from its newly launched wheat ale, San Miguel Cerveza Blanca, in Thailand, Hong Kong, Taiwan, Vietnam and South Korea.

SMBIL’s September year-to-date consolidated operating income was 84.7% higher than last year at US\$ 25.8 million, due to improved volumes and lower fixed costs and the benefits of the restructuring of its China operations.

2020 vs. 2019

The Group posted a 30.2% decline in revenue from ₱103,883 million as of end-September 2019 to ₱72,482 million in the first nine months of 2020 as the effect of the pandemic continued to be felt even as the economy slowly reopened for both domestic and international units. Domestic operations contributed ₱65,408 million while international operations contributed US\$141.9 million or ₱7,090 million.

Cost of sales decreased by 23.6% to ₱44,594 million as of end-September 2020 with the lower sales volume of both domestic and international operations, despite the increase in excise taxes for domestic operations in February 2020. Domestic operations accounted for ₱40,678 million and US\$78.6 million or ₱3,932 million for international operations.

Selling and administrative expenses amounted to ₱13,079 million, 24.6% less than the same period in 2019 mainly due to lower freight, trucking and handling costs and advertising and promotions expenses resulting from the limited operations of the Group due to the pandemic. Domestic operations accounted for ₱10,614 million, while international operations accounted for US\$49.3 million or ₱2,468 million.

Consequently, income from operations amounted to ₱14,809 million, 47.5% lower than 2019. Domestic operations contributed ₱14,116 million while international operations contributed US\$14 million or ₱690 million.

Interest income decreased by 46.6% or ₱407 million with lower money market placements of both domestic and international operations as well as lower interest rates.

On the other hand, interest expense and other financing charges increased by 10.8% on account of the ₱10,000 million term loan drawn last December 2019.

Other income was higher by ₱1,445 million mainly due to the recognition of tax credit certificates issued by the BIR for the SML tax refund cases of 2007-2008 and 2011.

Income tax expense decreased by 45.9% with the lower 2020 year-to-date income of both domestic and international operations.

As a result of the foregoing, consolidated net income declined by 44.1% from ₱19,835 million in 2019 to ₱11,080 million as of the third quarter of 2020. Domestic operations contributed ₱10,378 million while international operations contributed US\$14 million or ₱699 million.

Net income attributable to equity holders of the Company was lower by ₱8,601 million ending the third quarter of 2020 at ₱10,846 million from ₱19,447 million in 2019. Likewise, net income attributable to non-controlling interest decreased to ₱234 million from ₱388 million posted in 2019.

The operating and financial highlights of each segment are as follows:

Domestic Beer Operations

The Company showed significant improvement in the third quarter of 2020 with revenue of ₱26,943 million, more than double that of the previous quarter of ₱12,713 million. The Company implemented programs to further support shift from on-premise to home consumption, provided support to dealers, wholesalers and modern trade outlets and developed online selling channels.

Domestic operations' sales volume gradually recovered with the lifting of the liquor bans in most municipalities of Metro Manila and provincial key cities, resumption of business activities, and

reopening of several on-premise outlets offering food and beer delivery services. However, as consumer sentiment and spending remained cautious, nine-month sales volume still ended lower than 2019. This translated to revenues of ₱65,408 million and operating income of ₱14,116 million, lower by 30.3% and 47.8% than 2019, respectively.

International Beer Operations

SMBIL registered US\$141.9 million in consolidated revenue, as of September 30, 2020, 27.1% lower than 2019 as a result of the 26.2% shortfall in volumes.

SMBIL made a strategic decision to stop the operations in North China, even prior to the COVID-19. As such, the North China unit ceased operations in end-January 2020 and is currently undergoing liquidation process. Excluding the North China operations, total volume was 14% behind 2019. The impact of COVID-19 pandemic in all of the markets resulted in lower volumes of the local and global San Miguel brands by 31% and 2%, respectively.

The Indonesia and Thailand operations, where majority of the volumes are sold in on-premise channels, were the ones severely impacted by the pandemic due to large scale social restrictions in Indonesia and the extended state of emergency measures until end of October 2020 in Thailand. Restriction on tourist arrivals in major destinations in the various markets where San Miguel is particularly strong is also still in effect. In South China, the government imposed total lockdowns in the first quarter of 2020 resulting in declines in the on-premise channel, which was partly offset by the growth in wholesaler volumes and the stable volumes in the modern trade-off premise channels. On the other hand, the Group's Hong Kong operations was able to grow volumes in the modern trade off-premise and wholesaler channels to offset the volume shortfall in the on-premise channels. Similarly, the Vietnam operations was able to offset the negative impact of lower sales of San Miguel brands with higher WIn Bia volumes. SMBIL's Exports business increased volumes in the first three quarters of 2020 due to higher off-premise volumes from the shift to home consumption during the pandemic, with the off-premise channel being a significant channel in a number of markets particularly in Korea and United Arab Emirates. Given its wide global reach and the diversity of its markets, SMBIL Exports was able to balance the effects of the varying degrees of lockdown in the major markets. However, despite the easing up of restrictions in some of the markets, consumer confidence and spending intent remain low, particularly in on-premise channels.

SMBIL's September 2020 year-to-date consolidated operating income reached US\$ 14 million, 37.3% behind 2019 due to the decline in volumes, partly tempered by lower fixed costs, particularly sales and marketing expenses.

III. FINANCIAL POSITION

2021 vs. 2020

Cash and cash equivalents increased by ₱3,049 million or 12.6% mainly due to higher cash generated from operations.

Trade and other receivables decreased by 15.3% from ₱5,662 million in 2020 to ₱4,797 million this year owing to lower sales volume in September 2021 compared to December 2020.

Prepaid expenses and other current assets declined by ₱374 million or 17.3% primarily due to lower unused portion of tax credit certificates from SML tax refund cases and amortization of global property insurance partially offset by the increase in advances to suppliers related to importations.

The increase in investments was mainly due to translation adjustment on SMBIL's investment in San Miguel Corporation's (SMC) redeemable perpetual securities.

Deferred tax assets decreased by 7.0% or ₱64 million as of September 2021 on account of the adjustments pertaining to the impact of the CREATE law.

Other noncurrent assets-net also declined by 5.8% or ₱1,636 million as a result of the reclassification of Advances to Suppliers to Property, Plant and Equipment, this year's provision for inventory losses net of write-off and net movement of deferred containers.

Income and other taxes payable was lower by 24.9% or ₱1,006 million due to the lower taxable income for the third quarter of 2021 compared to fourth quarter of 2020 coupled with the decrease of income tax rate from 30% to 25%.

Current maturities of long-term debt decreased by ₱5,438 million with the redemption of the Series G fixed rate bonds in April 2021 net of the reclassification of the Series F fixed rate bonds that will mature on April 2022 from noncurrent to current.

Long-term debt increased by 25.2% or ₱4,909 million due to the term loans drawn last March 30, 2021 net of the reclassification of the Series F fixed rate bonds to current liability.

Other noncurrent liabilities was higher by 13.1% or ₱28 million mainly due to current year's accrual of pension cost.

Equity reserves which is comprised of cumulative translation adjustment, fair value reserve and reserve for retirement plan increased by ₱376 million due to the depreciation of the Philippine Peso versus the United States (US) Dollar.

The 7.1% increase in Retained Earnings – Unappropriated pertained to the net income for the first three quarters of 2021 net of dividend declarations.

Noncontrolling interests went up by 8.3% with the share in 2021 profits of PT Delta Djakarta Tbk (PTD) and San Miguel Beer (Thailand) Limited.

2020 vs. 2019

Cash and cash equivalents decreased by ₱10,527 million or 34.6% with the lower cash generated from operations and the US\$100 million investment of SMBIL in SMC's redeemable perpetual securities as well as the payment of dividends and income taxes in 2020.

Trade and other receivables also declined by 32.5% from ₱6,479 million in 2019 to ₱4,374 million in 2020 with the lower credit sales volume as of September 2020 as a result of the lockdowns and liquor bans.

Inventories increased by 38.4% or ₱1,112 million with higher levels of finished goods for both domestic and international operations as well as higher raw materials inventory for domestic operations. The increase was mainly due to the restrictions in mobility imposed by the government to contain the spread of the COVID-19 virus.

Prepaid expenses and other current assets was higher by ₱320 million or 7.9% mainly due to the recognition of the tax credit certificates issued by the BIR for the SML tax refund cases offset by lower input taxes on services in the first nine months of 2020 as compared to December 2019.

The increase in investments pertained to the investment of SMBIL in SMC's redeemable perpetual securities.

Property, plant and equipment increased to ₱28,669 million in 2020 from ₱26,719 million in 2019 with the completion of the Company's Tagoloan Brewery in Misamis Oriental and the ongoing capacity expansion projects in Sta. Rosa, Laguna and Bacolod.

The decrease in right-of-use (ROU) assets from ₱1,955 million in end 2019 to ₱1,791 million in 2020 pertains mainly to the current year depreciation of the assets.

Deferred tax assets was up by 6.1% in the first nine months of 2020 as compared to December 2019 primarily due to the deferred tax on the provision for inventory losses of the domestic operations.

Other noncurrent assets decreased by 5% due to the reclassification of advances to suppliers to capital projects in progress as well as the amortization of deferred containers.

Accounts payable and accrued expenses was down from ₱17,732 million in 2019 to ₱14,689 million in 2020 primarily as a result of lower purchases of goods and services, payment of trade payables as well as lower container deposit with the lower sales volume.

Lease liabilities – current decreased by ₱35 million or 15.3% due to the payment of rent expense offset by the reclassification from noncurrent portion to current liabilities.

Income and other taxes payable decreased by 18.7% or ₱852 million due to the lower taxable income for the third quarter of 2020 compared with the taxable income of the fourth quarter of 2019.

Current maturities of long-term debt pertain to the Series G fixed rate bonds which will mature on April 2021. Correspondingly, long-term debt decreased with the reclassification of the said Series G fixed rate bonds to current status net of the amortization of debt issue costs.

Lease liabilities – noncurrent decreased by ₱56 million mainly as a result of the reclassification to current liabilities.

Equity reserves which is comprised of cumulative translation adjustment, fair value reserve and reserve for retirement plan increased by ₱1,198 million in 2020 due to the depreciation of the Indonesian rupiah (IDR) versus the US dollar.

Noncontrolling interests went down from ₱3,667 million to ₱3,272 million or 10.8% due to the dividend pay-out of PTD.

Increase/(Decrease) in Equity 2021 vs 2020

The increase (decrease) in equity is due to:

(in Millions)	September 30	
	2021	2020
Income during the period	₱14,049	₱11,080
Effect of translation adjustments and others	643	(1,388)
Cash dividends declared	(11,830)	(11,961)
	₱2,862	(₱2,269)

IV. SOURCES AND USES OF CASH

A brief summary of cash flow movements is shown below:

(in Millions)	September 30	
	2021	2020
Net cash flows provided by operating activities	₱17,316	₱11,147
Net cash flows used in investing activities	(2,094)	(8,975)
Net cash flows used in financing activities	(12,634)	(12,196)

Net cash flows provided by operating activities basically consist of income for the period and changes in noncash current assets, certain current liabilities and others.

Net cash flows used in investing activities included the following:

(in Millions)	September 30	
	2021	2020
Additions to property and equipment	(₱1,585)	(₱3,365)
Additions to investments	-	(4,849)
Increase in other noncurrent assets	(1,006)	(1,201)
Additions to investment properties	-	(47)
Proceeds from sale of property and equipment	213	3
Interest received	193	484
Dividend received	91	-

Net cash flows used in financing activities included the following:

(in Millions)	September 30	
	2021	2020
Proceeds from long-term debt	₱11,910	₱ -
Payments of:		
Long-term debt	(12,472)	-
Cash dividends	(11,519)	(11,519)
Lease liabilities	(247)	(238)
Dividends to noncontrolling shareholders	(306)	(439)

The effect of exchange rate changes on cash and cash equivalents amounted to ₱461 million and (₱503) million for the periods ended September 30, 2021 and 2020, respectively.

V. KEY PERFORMANCE INDICATORS

The following are the major performance measures that the Group uses. Analyses are employed by comparisons and measurements based on the financial data of the current period against the same period of previous year. Please refer to Item I “Financial Performance” for the discussion of certain Key Performance Indicators.

	September 2021	December 2020
Liquidity:		
Current Ratio	1.39	1.07
Solvency:		
Debt-to-Equity Ratio	0.59	0.63
Interest-bearing Debt-to-Equity Ratio	0.36	0.38
Asset-to-Equity Ratio	1.59	1.63
Profitability:		
Return on Average Equity Attributable to Equity Holders of the Company	24.16%	21.16%
Interest Coverage Ratio	16.79	14.13
		Periods Ended September 30
	2021	2020
Operating Efficiency:		
Volume Growth (Decline)*	6.58%	(37.63%)
Revenue Growth (Decline)	13.24%	(30.23%)
Operating Margin	22.15%	20.43%

*Represents beer and malt-based beverage volumes only.

The manner by which the Group calculates the key performance indicators is as follows:

KPI	Formula
Current Ratio	$\frac{\text{Current Assets}}{\text{Current Liabilities}}$
Debt-to-Equity Ratio	$\frac{\text{Total Liabilities (Current + Noncurrent)}}{\text{Equity + Non-controlling Interests}}$
Interest-bearing Debt-to-Equity Ratio	$\frac{\text{Total Interest-Bearing Debt}}{\text{Equity + Non-controlling Interests}}$
Asset-to-Equity Ratio	$\frac{\text{Total Assets (Current + Noncurrent)}}{\text{Equity + Non-controlling Interests}}$
Return on Average Equity	$\frac{\text{Net Income Attributable to Equity Holders of the Company}^*}{\text{Average Equity Attributable to Equity Holders of the Company}}$

Interest Coverage Ratio	$\frac{\text{Earnings Before Interests, Taxes, Depreciation and Amortization (EBITDA)**}}{\text{Interest Expense and Other Financing Charges}}$
Volume Growth (Decline)	$\left(\frac{\text{Current Period Sales Volume}}{\text{Prior Period Sales Volume}} \right) - 1$
Revenue Growth	$\left(\frac{\text{Current Period Net Sales}}{\text{Prior Period Net Sales}} \right) - 1$
Operating Margin	$\frac{\text{Income from Operating Activities}}{\text{Net Sales}}$

*Annualized for quarterly reporting

**Based on 12-month rolling EBITDA

VI. OTHER MATTERS

a. Effect of COVID-19

On March 8, 2020, under Proclamation No. 922, the Office of the President declared a state of public health emergency and subsequently on March 16, 2020, under Proclamation No. 929, a state of calamity was declared throughout the Philippines due to the spread of the COVID-19 for a period of six months (which was further extended until September 12, 2022 under Proclamation No. 1218) and an enhanced community quarantine (ECQ) was imposed in the island of Luzon, including Metro Manila from March 15, 2020 to May 15, 2020. The ECQ guidelines included the restrictions on movements outside the residence, ranging from stay-at-home to total lockdowns, suspension of mass transport facilities, schools were closed and alternative work arrangements were implemented. Only essential businesses were allowed to operate, subject to certain conditions and limitations on operating capacity.

The ECQ was eased starting May 16, 2020 with government converting most cities to a modified enhanced community quarantine (MECQ) including Metro Manila and Cebu until May 31, 2020 while some regions were placed under either a general community quarantine (GCQ) or a modified general community quarantine (MGCQ). On June 1, 2020, the National Capital Region was placed under GCQ which allowed certain business sectors to resume full operations such as agriculture, food manufacturing and all supply chains, including supermarkets and certain forms of public transportation. On August 4, 2020, the National Capital Region was again placed on MECQ until August 31, 2020, in view of the continuing rise of COVID-19 cases. The National Capital Region has been reverted back to GCQ on September 1, 2020 which was in effect until March 28, 2021. However, due to the sharp increase of COVID-19 cases in the months of late February and early March 2021, the National Capital Region and its nearby provinces of Bulacan, Rizal and Cavite were again placed under ECQ until April 11, 2021, reverted to MECQ status on April 12 until May 14, 2021, and once again placed under GCQ with heightened restrictions from May 15 to August 5, 2021. On August 6, 2021, the National Capital Region (NCR) was again placed under ECQ until August 20, 2021 to slow down the surge of COVID-19 cases due to the highly-contagious Delta variant. The quarantine classification was then lowered to MECQ from August 21 to September 15, 2021 with more lenient restrictions, and further eased down to GCQ from September 8 to 15. The country then shifted to the new alert level system for COVID-19 with NCR placed under alert level 4 (the second highest level) from September 16 to October 15, alert level 3 from October 16 to November 4, and alert level 2 from November 5 to 21.

The Group showed continuous signs of recovery to date, posting an increase in sales volume as well as sales revenue both for the domestic and the international operations

compared with the three quarters of last year, despite the reimposition of the ECQ in the metro and some parts of the country and liquor bans in NCR and selected key cities with the surge of COVID-19 cases due to the Delta variant.

The extent to which the COVID-19 pandemic impacts the Group will depend on future developments, including the timeliness and effectiveness of actions taken or not taken to contain and mitigate the effects of COVID-19 both in the Philippines and abroad where the Group has operations, healthcare providers, healthcare system participants, and other businesses and individuals, which are highly uncertain and cannot be predicted.