

A 2 0 0 1 1 7 5 9 5  
S.E.C. Registration Number

E M P E R A D O R I N C .  
(Company's Full Name)

7 / F 1 8 8 0 E A S T W O O D A V E N U E ,  
E A S T W O O D C I T Y C Y B E R P A R K ,  
B A G U M B A Y A N , Q U E Z O N C I T Y  
(Business Address: No. StreetCity/ Town/ Province)

**DINA D.R. INTING**  
Contact Person

**8709-2038 to 41**  
Company Telephone Number

1 2 3 1  
Month Day  
Fiscal Year

1 7 - Q  
FORM TYPE  
(QUARTERLY REPORT FOR SEPTEMBER 30, 2022)

0 5 3rd Monday  
Month Day  
Annual Meeting

**Registration of Securities**

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

STAMPS

Remarks = pls. use black ink for scanning purposes

**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, 2022**
2. Commission identification number.....**A200117595**
3. BIR Tax Identification No.....**214-815-715-000**
4. Exact name of issuer as specified in its charter.....**EMPERADOR INC.**
5. **METRO MANILA, PHILIPPINES**  
Province, country or other jurisdiction of incorporation or organization
6. Industry Classification Code:  (SEC Use Only)
7. **7<sup>th</sup> Floor, 1880 Eastwood Avenue, Eastwood City CyberPark, 188 E. Rodriguez Jr. Ave.,  
Bagumbayan, Quezon City** **1110**  
Address of issuer's principal office Postal Code
8. Issuer's telephone number, including area code.....**632-870920-38 to -41**
10. Securities registered pursuant to Sections 8 and 12 of the Code, or Sections 4 and 8 of the RSA

Title of each Class	Number of shares of common stock outstanding <b>As of September 30, 2022</b>
<b>Common issued</b>	<b>16,242,391,176</b>
<b>Less Treasury</b>	<b><u>505,919,938</u></b>
<b>Outstanding</b>	<b>15,736,471,238</b>

11. Are any or all of the securities listed on a Stock Exchange? If yes, state the name of such Stock Exchange and the class/es of securities listed therein.

Yes  No  **PHILIPPINE STOCK EXCHANGE, INC. Common Shares**

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 (or for such shorter period the registrant was required to file such reports)

Yes  No

(b) has been subject to such filing requirements for the past ninety (90) days.

Yes  No

## PART I - FINANCIAL INFORMATION

### 1. Financial Statements

The following interim financial statements, notes and schedules are submitted as part of this report:

- Consolidated Statements of Financial Position
- Consolidated Statements of Comprehensive Income
- Consolidated Statements of Changes in Equity
- Consolidated Statements of Cash Flows
- Notes to Interim Consolidated Financial Statements
- Schedule of Financial Soundness Indicators
- Aging of Trade and Other Receivables

The interim consolidated financial statements (“ICFS”) have been prepared in accordance with PFRSs and Philippine Accounting Standard 34, *Interim Financial Reporting*. As such, they do not include all of the information and disclosures required for full annual consolidated financial statements, and thus should be read in conjunction with the audited consolidated financial statements of the Group as at and for the year ended December 31, 2021 (“ACFS”). The accounting policies and methods of computations used are consistent with those applied in the audited consolidated financial statements of the Group as at and for the year ended December 31, 2021. The ICFS have been prepared using the measurement bases specified by PFRS for each type of asset, liability, income and expenses.

### 2. Management’s Discussion and Analysis of Financial Condition and Results of Operations

#### *Five Key Performance Indicators*

- Revenue growth – measures the percentage change in revenues over a designated period
- Net profit growth – measures the percentage change in net profit over a designated
- Net profit rate– computed as percentage of net profit to revenues - measures the operating efficiency and success of maintaining satisfactory control of costs
- Return on assets – the ratio of net profit to total assets - measures the degree of efficiency in the use of resources to generate net profit
- Current ratio – computed as current assets divided by current liabilities – measures the ability of the business to meet its current obligations. To measure immediate liquidity, quick assets [cash, marketable securities, accounts receivables] is divided by current liabilities.
- Interest rate coverage ratio – computed as profit before tax and interest expense (“EBIT”) divided by interest expense - measures the business’ ability to meet its interest payments.

	M9	M9	M9	Q3	Q3	Q3	Q2	Q2	Q2	Q1	Q1	Q1
<i>In Million Pesos</i>	2022	2021	2020	2022	2021	2020	2022	2021	2020	2022	2021	2020
Revenues and other income	42,639	38,357	34,467	14,585	13,026	12,927	15,721	13,255	10,882	12,333	12,077	10,658
Net profit ["NP"]	7,273	7,362	5,882	1,970	2,232	2,571	3,173	3,031	1,890	2,130	2,099	1,421
NP to owners ["NPO"]	7,185	7,259	5,869	1,945	2,175	2,543	3,140	3,000	1,869	2,098	2,084	1,457
Revenue growth	11%	11%	2%	12%	0.8%	4%	19%	22%	4%	2%	13%	-3%
NP growth	-1%	25%	11%	-12%	-13%	26%	5%	60%	24%	2%	48%	-18%
NPO growth	-1%	24%	11%	-11%	-14%	26%	5%	60%	24%	1%	43%	-16%
NP rate	17%	19%	17%	14%	17%	20%	20%	23%	17%	17%	17%	13%
NPO rate	17%	19%	17%	13%	17%	20%	20%	23%	17%	17%	17%	14%

	M9	M9	M9	Q3	Q3	Q3	Q2	Q2	Q2	Q1	Q1	Q1
<i>In Million Pesos</i>	2022	2021	2020	2022	2021	2020	2022	2021	2020	2022	2021	2020
EBIT	9,105	10,050	7,280	2,564	2,927	3,137	3,905	4,493	2,281	2,636	2,630	1,862
Interest expense	735	536	438	303	216	145	275	151	141	157	169	152
Interest coverage	12x	19x	17x	8x	14x	22x	14x	30x	16x	17x	16x	12x

<i>In Million Pesos</i>	Sep 30	Dec 31	Increase	
	2022	2021	YTD	%
Quick assets	32,219	29,683	2,536	8.5
Current assets	72,687	64,945	7,741	11.9
Current liabilities	25,249	23,523	1,726	7.3
Total Assets	136,353	128,516	7,837	6.1
Current ratio	2.9x	2.8x		
Quick ratio	1.3x	1.3x		
Return on assets	5.3%	7.9%		
	(9mos)	1yr		

### Results of Operations – First Nine Months 2022 vs 2021

Emperador Inc. ended the first nine months of the current year with P42.6 billion revenues and other income, up 11% year-on-year (“YoY”), from its global Brandy and Scotch whisky segments. Global business remained robust in the third quarter as revenues and other income climbed 12% YoY to P14.6 billion. This is attained on the backdrop of worldwide challenges of rising costs, supply chain disruptions and logistics issues that saw higher-than-expected inflation<sup>1</sup> alongside the lingering COVID-19 pandemic<sup>2</sup>.

Net profit (“NP”) and net profit attributable to owners (“NPO”) were sustained at P7.3 billion and P7.2 billion, respectively, relatively flat YoY. Third quarter NP and NPO contracted 12% and 11%, respectively, mainly from higher input costs and promotional activities YoY.

The Group achieved 32% gross profit rate (“GPR”) this year compared to 37% a year ago, and 17% net profit rate (“NPR”) compared to 19% a year ago, amidst inflationary and logistic pressures. Impact of these pressures was more evident in Brandy segment which has low-margin products. The Group’s GPR remained above the 30ish level, i.e. 31% in the third quarter and 32% throughout the two earlier quarters. The Group continued to maintain caution and optimization in its spending.

The Group continues to pursue its strategic long-term agenda of premiumization and internationalization in spite of the bumps along the way. The topline split is bigger for Brandy segment, yet, Scotch Whisky is growing its share:

Revenue and other income share	M9 2022	M9 2021	Q3 2022	Q3 2021	Q2 2022	Q2 2021	Q1 2022	Q1 2021	YE 2021
Brandy	63%	65%	62%	65%	65%	62%	62%	68%	67%
S. Whisky	37%	35%	38%	35%	35%	38%	38%	32%	33%

<sup>1</sup> Most of the world experienced rapid inflation during the current interim period, driven by rising costs of food, fuel and energy and supply chain disruptions. In most cases, inflation rates rose much faster than GDP growth rates. In July, UK reached a 40-year high inflation rate while Spain reached its 38-year high. USA hit 40-year high inflation rate in June while Philippines recorded in September its highest since February 2009.

<sup>2</sup> The Omicron variant of Covid-19 (“Omicron”, first named by WHO in November 2021, a less severe yet more transmissible than the Delta variant) has spread fast worldwide causing record peaks in most countries (including UK, Spain, Mexico, USA and Philippines) in January 2022 and declined quickly. Omicron sub-variants have been detected in various parts of the world in May 2022 that caused “minor” surges in June. The governments were forced to tighten mobility restrictions as infection surged. As the situation had improved globally, public health restrictions had eased in most places while there were still tightening in other places. Most economies have been opening up while China’s Zero-Covid policy, that has caused supply chain disruptions from its imports and exports, is still in place as of this report date.

In the Philippines, right after the New Year holidays, Metro Manila and other places were put under stricter Alert Level 3 for a month (business and activities at 10% indoor, 30% outdoor) (from Alert Level 2 since mid-November 2021), then restrictions were gradually eased to Alert Level 2 (50% indoor, 70% outdoor) in February and Alert Level 1 (full capacity) in March up to this report date; while some other areas are still under the stricter level. As of October 31, only 32 out of 121 provinces are still under Alert Level 2.

Comparative results are shown in the following table.

In Million Pesos	M9 2022	M9 2021	YoY M9	YoY %	Q3 2022	Q3 2021	YoY %	Q2 2022	Q2 2021	Q1 2022	Q1 2021
Revenue and other income	42,639	38,357	4,283	11.2	14,585	13,026	12.0	15,721	13,255	12,333	12,077
Brandy*	26,885	24,840	2,045	8.2	8,988	8,498	5.8	10,262	8,179	7,635	8,163
Whisky*	15,754	13,517	2,237	16.6	5,597	4,527	23.6	5,459	5,076	4,698	3,914
Gross profit ["GP"]	13,126	13,889	(763)	-5.5	4,690	4,323	8.5	4,660	5,667	3,776	3,898
Brandy	6,997	8,523	(1,526)	-17.9	2,432	2,517	-3.4	2,668	3,701	1,897	2,306
Whisky	6,130	5,366	764	14.2	2,257	1,806	25.0	1,993	1,967	1,880	1,593
NP before tax	8,370	9,513	(1,143)	-12.0	2,261	2,710	-16.6	3,630	4,342	2,479	2,461
Brandy	4,483	6,311	(1,829)	-29.0	1,053	1,853	-43.2	2,009	2,861	1,421	1,597
Whisky	3,887	3,202	686	21.4	1,208	857	40.9	1,621	1,482	1,058	864
Tax expense	1,097	2,151	(1,054)	-49.0	291	478	-39.2	457	1,311	349	362
Brandy	605	923	(319)	-34.5	174	370	-52.9	247	337	184	216
Whisky	492	1,228	(736)	-59.9	117	108	7.7	211	974	165	146
NP	7,273	7,362	(89)	-1.2	1,970	2,232	-11.7	3,173	3,031	2,130	2,099
Brandy	3,878	5,388	(1,510)	-28.0	879	1,483	-40.7	1,762	2,523	1,237	1,381
Whisky	3,395	1,974	1,422	72.0	1,092	749	45.7	1,411	508	893	718
NP to owners ["NPO"]	7,185	7,259	(74)	-1.0	1,947	2,175	-10.5	3,140	3,000	2,098	2,084
Brandy	3,789	5,285	(1,496)	-28.3	855	1,426	-40.0	1,729	2,492	1,205	1,366
Whisky	3,395	1,974	1,422	72.0	1,092	749	45.7	1,411	508	893	718
EBITDA	10,191	11,114	(923)	-8.3	2,924	3,290	-11.1	4,157	4,847	3,110	2,977
Brandy	5,551	7,535	(1,984)	-26.3	1,410	2,274	-38.0	2,227	3,260	1,914	2,001
Whisky	4,640	3,579	1,061	29.6	1,514	1,016	49.0	1,930	1,587	1,196	976
GPR**	31.75%	36.86%			31.39%	33.61%		31.84%	43.73%	32.10%	32.88%
Brandy	26.06%	33.93%			25.37%	28.82%		26.98%	44.64%	25.74%	28.48%
Whisky	40.82%	40.44%			41.32%	40.05%		40.76%	40.65%	40.29%	40.64%
NP rate ["NPR"]	17.06%	19.19%			13.51%	17.13%		20.18%	22.87%	17.27%	17.38%
Brandy	14.19%	21.13%			9.69%	16.74%		16.97%	30.25%	15.70%	16.64%
Whisky	21.45%	14.56%			19.39%	16.47%		25.77%	9.99%	18.90%	18.25%
NPO rate ["NPOR"]	16.85%	18.92%			13.35%	16.70%		19.97%	22.63%	17.01%	17.26%
Brandy	13.86%	20.72%			9.43%	16.10%		16.65%	29.88%	15.30%	16.46%
Whisky	21.45%	14.56%			19.39%	16.47%		25.77%	9.99%	18.90%	18.25%
EBITDA margin	23.90%	28.98%			20.05%	25.26%		26.44%	36.57%	25.22%	24.65%
Brandy	20.31%	29.55%			15.56%	25.66%		21.44%	39.08%	24.29%	24.11%
Whisky	29.31%	26.40%			26.90%	22.34%		35.25%	31.24%	25.31%	24.83%

Notes: Numbers may not add up due to rounding off. YoY refers to year-on-year changes.  
\*Segment Revenues and Other Income above are from external customers only.  
\*\*GP is sales less cost of sales, and GPR is GP over sales.

The Brandy segment grew its first nine months' revenues and other income from external customers 8% YoY (+P2.0 billion) to P26.9 billion, attributable to a strong third quarter which grew 6% (+P0.5 billion) YoY to P9.0 billion. The easing of pandemic restrictions and resumption of travel from the second quarter helped improve sales results. The brands sustained growths in key markets in the Philippines, Spain, Mexico and North America. Although profit margins were affected by the rising costs, GPR was maintained at 26% at end of the nine-month period as it was at first half of the year. With increased promotional activities, NPR and NPOR were registered at 14% for the nine-month period.

The Scotch Whisky segment grew its first nine month's revenues and other income from external customers 17% YoY (+P2.2 billion) to P15.8 billion, with third quarter expanding 24% YoY (+P1.1 billion), driven by the single malt products which accounted for 83% of branded sales (as compared to 79% a year ago). Scotch Whisky products sold strongly in Europe, Asia Pacific and North America as restrictions eased in most regions and global travel retail opened up. Supply chain challenges continued to affect this segment's markets, yet demand remains high with orders on hand. GP expanded 14% YoY to P6.1 billion and GPR was maintained at 41% at end of the nine-month period as it was at first half of the year. With increased promotional spending in third

quarter, NP and NPOR rates stood at 21% for the nine-month period as compared to 23% in the first half.

Brandy Segment													
In Million Pesos	M9 2022	M9 '2021	YoY	YoY %	Q3 2022	Q3 2021	YoY %	Q2 2022	Q2 2021	YoY %	Q1 2022	Q1 2021	YoY %
REVENUES AND OTHER INCOME-													
External	26,885	24,840	2,046	8.2	8,988	8,498	5.8%	10,262	8,179	25.5%	7,635	8,163	(6.5%)
Intersegment	444	664	(220)	(33.1%)	78	362	(78.5%)	124	163	(23.7%)	242	139	73.6%
Total	27,329	25,504	1,826	7.2%	9,066	8,860	2.3%	10,386	8,342	24.5%	7,877	8,302	(5.1%)
Cost of Goods Sold –													
External	19,774	16,553	3,221	19.5%	7,124	6,196	15.0%	7,207	4,584	57.2%	5,444	5,773	(5.7%)
Intersegment	76	42	34	80.9%	32	21	55.0%	15	5	222.5%	29	17	73.9%
Total	19,850	16,595	3,255	19.6%	7,155	6,217	15.1%	7,221	4,589	57.4%	5,473	5,790	(5.5%)
Gross Profit ["GP"]	6,997	8,523	(1,526)	(17.9%)	2,432	2,517	(3.4%)	2,668	3,701	(27.9%)	1,897	2,306	(17.7%)
Other operating expenses	2,772	2,195	578	26.3%	781	653	19.5%	1,102	763	44.4%	889	778	14.3%
Selling and distribution	1,965	1,599	366	22.9%	455	478	(4.7%)	933	565	65.1%	576	556	3.8%
General and administrative	807	596	211	35.5%	325	175	85.5%	169	198	(14.7%)	313	222	40.7%
Interest and other charges	224	403	(179)	(44.3%)	77	137	(43.8%)	54	129	(58.5%)	94	137	(31.6%)
NP before tax	4,483	6,311	(1,829)	(29.0%)	1,053	1,853	(43.2%)	2,009	2,861	(29.8%)	1,421	1,597	(11.1%)
Tax expense	605	923	(319)	(34.5%)	174	370	(52.9%)	247	337	(26.9%)	184	216	(14.9%)
NP	3,878	5,388	(1,510)	(28.0%)	879	1,483	(40.7%)	1,762	2,523	(30.2%)	1,237	1,381	(10.5%)
NPO	3,789	5,285	(1,496)	(28.3%)	855	1,426	(40.0%)	1,729	2,492	(30.6%)	1,205	1,366	(11.8%)
EBITDA	5,551	7,535	(1,984)	(26.3%)	1,410	2,274	(38.0%)	2,227	3,260	(31.7%)	1,914	2,001	(4.4%)
GPR %	26.06	33.93			25.37	28.82		26.98	44.64		25.74	28.48	
NPOR %	13.86	20.72			9.43	16.10		16.65	29.88		15.30	16.46	
EBITDA Margin %	20.31	29.55			15.56	25.66		21.44	39.08		24.29	24.11	

Scotch Whisky Segment													
In Million Pesos	M9 2022	M9 '2021	YoY	YoY %	Q3 2022	Q3 2021	YoY %	Q2 2022	Q2 2021	YoY %	Q1 2022	Q1 2021	YoY %
REVENUES AND OTHER INCOME-													
External	15,754	13,517	2,237	16.6%	5,597	4,527	23.6%	5,459	5,076	7.5%	4,698	3,914	20.0%
Intersegment	76	42	34	80.9%	32	21	55.0%	15	5	222.5%	29	17	73.9%
Total	15,830	13,559	2,271	16.7%	5,629	4,548	23.8%	5,474	5,081	7.7%	4,727	3,931	20.3%
Cost of Goods Sold -													
External	8,444	7,238	1,205	16.7%	3,128	2,342	33.5%	2,772	2,709	2.3%	2,544	2,187	16.3%
Intersegment	444	664	(220)	(33.1%)	78	362	(78.5%)	124	163	(23.7%)	242	139	73.6%
Total	8,888	7,902	985	12.5%	3,205	2,704	18.6%	2,896	2,872	0.8%	2,786	2,326	19.8%
Gross Profit ["GP"]	6,130	5,366	764	14.2%	2,257	1,807	25.0%	1,993	1,967	1.3%	1,880	1,593	18.0%
Other operating expense	2,544	2,321	223	9.6%	989	907	9.1%	735	705	4.3%	820	708	15.6%
Selling and distribution	1,809	1,602	206	12.9%	703	620	13.4%	538	559	(3.7%)	568	423	34.0%
General and administrative	735	719	16	2.3%	286	288	(0.4%)	197	146	35.0%	252	285	(11.8%)
Interest and other charges	511	134	377	282.0%	226	80	183.5%	221	22	908.4%	63	32	97.4%
NP before tax	3,887	3,202	686	21.4%	1,208	857	40.9%	1,621	1,482	9.4%	1,058	864	22.7%
Tax expense	492	1,228	(736)	(59.9%)	117	108	7.7%	211	974	(78.4%)	165	146	13.3%
NP	3,395	1,974	1,422	72.0%	1,092	749	45.7%	1,411	508	177.9%	893	718	24.6%
NPO	3,395	1,974	1,422	72.0%	1,092	749	45.7%	1,411	508	177.9%	893	718	24.6%
EBITDA	4,640	3,579	1,061	29.6%	1,514	1,016	49.0%	1,930	1,587	21.6%	1,196	976	22.6%
GPR %	40.82	40.44			41.32	40.05		40.76	40.65		40.29	40.64	
NPOR %	21.45	14.56			19.39	16.47		25.77	9.99		18.90	18.25	
EBITDA Margin %	29.31	26.40			26.90	22.34		35.25	31.24		25.31	24.83	

Operating expenses for the first nine months increased 18% YoY (+P0.8 billion) to P5.3 billion due to increased business activities in global markets during the current interim periods. Advertising and promotions (+P0.4 billion), professional fees and other services (+P0.2 billion), travel and transportation (+P0.09 billion) and fuel and oil (+P0.03 billion) went up YoY.

Operating Expenses	M9	M9			Q3	Q3		Q2	Q2		Q1	Q1	
In Million Pesos	2022	2021	YoY	YoY %	2022	2021	YoY %	2022	2021	YoY %	2022	2021	YoY %
Selling and distribution	3,774	3,201	573	17.9	1,158	1,098	5.5	1,471	1,124	30.9	1,144	979	16.9
Brandy	1,965	1,599	366	22.9	455	478	(4.7)	933	565	65.1	576	556	3.8
Whisky	1,809	1,602	206	12.9	703	620	13.4	538	559	(3.7)	568	423	34.0
General and Administrative	1,542	1,315	228	17.3	612	463	32.1	366	344	6.4	565	507	11.2
Brandy	807	596	211	35.5	325	175	85.5	169	198	(14.7)	313	222	40.7
Whisky	735	719	16	2.3	286	288	(0.4)	197	146	35.0	252	285	(11.8)
Total Operating Expenses	5,316	4,516	800	17.7	1,770	1,560	13.4	1,837	1,468	25.1	1,709	1,486	14.9

*Selling and distribution.* In general, as economies opened up and mobility became less restricted, both segments increased strategic and promotional marketing spends to support their brands to boost sales. Relative to this, Brandy segment had spent more on merchandising service fees and fuel and oil while Scotch Whisky segment had spent more this year on travel and transportation, professional fees and salaries and employee benefits. As a result, consolidated selling and distribution expenses went up 18% from a year ago.

*General and administrative.* Both segments increased expenses on travel and transportation this year. Brandy segment recorded professional fees related to the SGX secondary listing during the interim. There were other costs that could fluctuate on a monthly basis, and these increased YoY. Overall, consolidated general and administrative expenses went up 17% from a year ago.

In Million Pesos	M9 2022	M9 2021	YoY	YoY %	Q3 2022	Q3 2021	YoY %	Q2 2022	Q2 2021	YoY %	Q1 2022	Q1 2021	YoY %
Interest expense	735	536	198	37.0%	303	216	39.9%	275	151	82.0%	157	169	(7.1%)
Brandy	224	403	(179)	(44.3%)	77	137	(43.8%)	54	129	(58.5%)	94	137	(31.6%)
Whisky	511	133	377	282.0%	226	80	183.5%	221	22	908.4%	63	32	97.4%

Interest expense jumped 37% YoY (+P0.2 billion) to P0.8 billion mainly due to increase in interest expense at the Scotch Whisky segment because of additional drawdowns since last year, which was offset by decrease in Brandy's interest expense due to loan repayments and the variable interest on ELS paid a year ago.

In Million Pesos	M9 2022	M9 2021	YoY	YoY %	Q3 2022	Q3 2021	YoY %	Q2 2022	Q2 2021	YoY %	Q1 2022	Q1 2021	YoY %
Other Income	1,295	677	619	91.4%	(356)	164	(316.8%)	1,082	294	267.7%	569	218	160.6%
Brandy	482	386	97	25.0%	(522)	126	(512.5%)	497	52	847.2%	507	207	145.2%
Whisky	813	291	522	179.5%	166	38	342.3%	585	242	142.0%	62	11	438.1%

Other income soared 91% YoY (+P0.6 billion) to P1.3 billion mainly from foreign exchange gains, other operating income and share in net profit of BLC.

In Million Pesos	M9 2022	M9 2021	YoY	YoY %	Q3 2022	Q3 2021	YoY %	Q2 2022	Q2 2021	YoY %	Q1 2022	Q1 2021	YoY %
Tax Expense	1,097	2,152	(1,055)	(49.0%)	291	478	(39.2)	457	1,311	(65.1%)	349	362	(3.5%)
Brandy	605	923	(319)	(34.5%)	174	370	(52.9%)	247	337	(26.9%)	184	216	(14.9%)
Whisky	492	1,228	(736)	(59.9%)	117	108	7.7%	211	974	(78.4%)	165	146	13.3%

Tax expense decreased 49% YoY (-P1.1 billion) to P1.1 billion primarily due to deferred tax adjustment last year, more particularly on intangibles, attributed to prospective increase in UK corporate tax rates from 19% to 25% (P0.7 billion). Both segments incurred lower taxable income in current interim period from a year ago.

EBITDA, which is computed as profit before interest expense, tax, depreciation and amortization, amounted to P10.2 billion this interim period as compared to P11.1 billion a year ago, primarily due to the lower tax expense, showing margin of 24% this interim period versus 29% a year ago.

### *Financial Condition*

Total assets amounted to P136.3 billion at September 30, 2022, a 6% increase (+P7.8 billion) from P128.5 billion at December 31, 2021. The Group is strongly liquid with current assets exceeding current liabilities 2.9 times at end and 2.8 at the beginning of the current interim period.

Accounts with at least +/-5% changes during the year are as follows:

Cash and cash equivalents swelled 34% (+P3.2 billion) to P12.5 billion at end of interim period, mainly provided from operations and collection of receivables. Cash flows from operations and financing activities were used for capital expenditures, loan and interest payments and laying up of inventories.

Financial assets at fair value through profit or loss amounted to P0.01 billion at the end of interim period and P0.003 billion at the beginning of the year, due to marked-to market valuation of the marketable securities held for trading.

Inventories expanded 16% (+P5.3 billion) to P39.3 billion primarily from the continuous laying of Scotch whisky liquids for ageing (under work-in-process), advanced production to ensure continuity of dispatch and purchases of raw materials to ensure continuity of supply.

Prepayments and other current assets contracted 9% (-P0.1 billion), mainly due to timing of payments.

Investment in a joint venture decreased 9% (-P0.3 billion) to P3.2 billion due to dividend received and translation adjustment recorded during the period.

Deferred tax assets decreased 7% (-P0.009 billion) to P0.1 billion due to movements of timing differences.

Retirement benefit assets slid 14% (-P0.1 billion) to P0.8 billion due to changes in financial assumptions and foreign exchange adjustments.

Other non-current assets decreased 81% (-P0.6 billion) to P0.1 billion due to reversal of property mortgage receivable upon acquisition of the subject property.



Current Interest-bearing loans went up 8% (+P0.3 billion) to P3.7 billion while non-current portion went down 8% (-P1.8 billion) to P19.7 billion due to drawdowns in Scotland loan facility, offset by repayment of bank loans.

Trade and other payables increased 9% (+P1.6 billion) to P19.5 billion due to purchases for production (+P0.7 billion), timing of accrued expenses (+P1.4 billion) and output vat payable (-P0.4 billion) near to end of interim period.

Current lease liabilities jumped 32% (+P0.1 billion) to P0.3 billion while non-current lease liabilities decreased 55% (-P0.5 billion) to P0.4 billion primarily due to reversal of liabilities relating to a leased property upon its acquisition.

Income tax payable dropped 14% (-P0.3 billion) to P1.7 billion primarily due to the payment during the interim of annual obligations at beginning of the year.

Provisions went down 55% (-P0.2 billion) to P0.2 billion due to release of provisions for onerous lease on the acquired bottling hall.

Deferred tax liabilities increased 7% (+P0.2 billion) to P3.8 billion from the movements of tax timing differences of the Group.

Equity attributable to owners went up 10% (+P8.1 billion) to P85.8 billion from net profit during the period (+P7.2 billion), translation gain in translating financial statements of foreign subsidiaries (+P0.8 billion) and other reserves (+P0.1 billion).

Non-controlling interest pertains primarily to the minority interest in DBLC and Boozylife. The increase of P0.2 billion pertains to share in translation adjustment and in net profit of non-controlling shareholders recorded during the current period.

#### *Financial Soundness Indicators*

Please see submitted schedule attached to this report.

<i>In Million Pesos</i>	<b>Sept 30</b>	<b>Dec 31</b>
	2022	2021
Debt [Loans]	23,344	24,841
Equity	87,053	78,718
Total Capitalization	110,398	103,560
Total Liabilities	49,269	49,798
Debt-to-equity ratio	0.27	0.32
Liabilities-to-equity ratio	0.57	0.63
Current ratio	2.88x	2.76x
Quick ratio	1.28x	1.26x
Return on assets	5.49%	7.9%
	9mos	1yr
Solvency ratio	0.44	0.61
[EBITDA/Debt]	9mos	1yr

*Other Required Disclosures*

As at September 30, 2022, except for what has been noted, there were no other known items –such as trends, demands, commitments, events or uncertainties- affecting assets, liabilities, equity, sales, revenues, net profit or cash flows that were unusual because of their nature, size, or incidents, and that will result in or that are reasonably likely to result in the liquidity increasing or decreasing in any material way, or that would have a material favorable or unfavorable impact on net sales or revenues or income from continuing operations.

There were no other known material events subsequent to the end of the interim period that would have a material impact in the interim period.

There are no other known trends or demands, commitments, events or uncertainties that will result in or that are reasonably likely to result in the Group's liquidity increasing or decreasing in any material way.

The Group does not have nor anticipate having any cash flow or liquidity problems within the year.

The Group is not in default or breach of any note, lease or other indebtedness or financing arrangement requiring it to make payments.

There are no other known events that will trigger direct or contingent financial obligation that is currently considered material to the Group, including any default or acceleration of an obligation.

There are no other material off-balance sheet transactions, arrangements, obligations, and other relationships with unconsolidated entities or other persons created during the reporting period.

There are no other known trends, events or uncertainties that have had or that are reasonably expected to have a material favorable or unfavorable impact on net sales or revenues or income from continuing operations.

There are also no known events that will cause material change in the relationship between costs and revenues. There are no other significant elements of income or loss that did not arise from continuing operations.

There were no other material issuances, repurchases or repayments of debt and equity securities.

The business has no seasonal aspects that had a material effect on the financial condition and results of operations of the Group.

**EMPERADOR INC. AND SUBSIDIARIES**  
*(A Subsidiary of Alliance Global Group, Inc.)*  
**INTERIM CONSOLIDATED STATEMENT OF FINANCIAL POSITION**  
**SEPTEMBER 30, 2022**  
*(With Corresponding Figures as of December 31, 2021)*  
*(Amounts in Philippine Pesos)*

	Notes	September 30, 2022 (UNAUDITED)	December 31, 2021 (AUDITED)
<b><u>A S S E T S</u></b>			
<b>CURRENT ASSETS</b>			
Cash and cash equivalents	5	<b>P 12,538,849,012</b>	P 9,333,783,438
Trade and other receivables - net	6	<b>19,666,710,981</b>	20,345,854,801
Financial assets at fair value through profit or loss	24.2	<b>13,372,100</b>	3,294,192
Inventories - net	7	<b>39,333,591,345</b>	34,013,144,005
Prepayments and other current assets	10.1	<b>1,133,985,228</b>	1,249,119,654
Total Current Assets		<b>72,686,508,666</b>	64,945,196,090
<b>NON-CURRENT ASSETS</b>			
Property, plant and equipment - net	8	<b>28,785,930,971</b>	27,866,668,685
Intangible assets - net	9	<b>29,657,661,811</b>	29,438,539,142
Investment in a joint venture	11	<b>3,184,158,530</b>	3,482,644,617
Retirement benefit asset - net		<b>790,159,483</b>	914,000,495
Deferred tax assets - net	18	<b>124,707,307</b>	133,659,465
Other non-current assets - net	10.2	<b>148,170,841</b>	773,927,777
Total Non-current Assets		<b>62,690,788,943</b>	62,609,440,181
<b>NON-CURRENT ASSETS HELD FOR SALE</b>			
	19.7	<b>945,160,170</b>	961,740,550
<b>TOTAL ASSETS</b>		<b>P 136,322,457,779</b>	P 128,516,376,821
<b><u>LIABILITIES AND EQUITY</u></b>			
<b>CURRENT LIABILITIES</b>			
Interest-bearing loans	12	<b>P 3,678,348,841</b>	P 3,411,082,346
Trade and other payables	14	<b>19,523,812,450</b>	17,888,331,330
Lease liabilities	8.3	<b>271,319,262</b>	205,206,504
Income tax payable		<b>1,745,124,669</b>	2,018,777,418
Total Current Liabilities		<b>25,218,605,222</b>	23,523,397,598
<b>NON-CURRENT LIABILITIES</b>			
Interest-bearing loans	12	<b>19,665,767,506</b>	21,430,348,300
Lease liabilities	8.3	<b>397,661,203</b>	887,743,550
Provisions		<b>181,751,570</b>	404,419,596
Deferred tax liabilities - net	18	<b>3,805,254,565</b>	3,552,232,410
Total Non-current Liabilities		<b>24,050,434,844</b>	26,274,743,856
Total Liabilities		<b>49,269,040,066</b>	49,798,141,454
<b>EQUITY</b>			
Equity attributable to owners of the parent company	20	<b>85,835,659,375</b>	77,718,065,873
Non-controlling interest	20.3	<b>1,217,758,338</b>	1,000,169,494
Total Equity		<b>87,053,417,713</b>	78,718,235,367
<b>TOTAL LIABILITIES AND EQUITY</b>		<b>P 136,322,457,779</b>	P 128,516,376,821

*See Selected Explanatory Notes to Interim Consolidated Financial Statements.*

**EMPERADOR INC. AND SUBSIDIARIES**  
*(A Subsidiary of Alliance Global Group, Inc.)*  
**CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME**  
**FOR THE NINE MONTHS ENDED SEPTEMBER 30, 2022 AND 2021**  
*(Amounts in Philippine Pesos)*  
**(UNAUDITED)**

	Notes	Nine Months		Quarter	
		2022	2021	2022	2021
<b>REVENUES AND OTHER INCOME</b>	15	<b><u>P 42,639,429,324</u></b>	<b><u>P 38,356,814,548</u></b>	<b><u>P 14,584,989,180</u></b>	<b><u>P 13,025,698,054</u></b>
<b>COSTS AND EXPENSES</b>					
Costs of goods sold	16	28,217,881,431	23,791,201,757	10,251,068,207	8,538,534,007
Selling and distribution expenses	17	3,773,739,205	3,200,880,197	1,158,329,209	1,097,652,830
General and administrative expenses	6, 17	1,542,400,064	1,314,848,181	611,599,813	462,815,930
Interest expense	8, 12, 13	734,810,325	536,470,330	302,845,930	216,467,584
		<u>34,268,831,025</u>	<u>28,843,400,465</u>	<u>12,323,843,159</u>	<u>10,315,470,351</u>
<b>PROFIT BEFORE TAX</b>		<b><u>8,370,598,299</u></b>	<b><u>9,513,414,083</u></b>	<b><u>2,261,146,021</u></b>	<b><u>2,710,227,703</u></b>
<b>TAX EXPENSE</b>	18				
Current tax expense		922,467,420	1,157,409,751	232,614,395	407,440,775
Deferred tax expense		174,807,891	994,164,964	58,269,297	70,879,370
		<u>1,097,275,311</u>	<u>2,151,574,715</u>	<u>290,883,692</u>	<u>478,320,145</u>
<b>NET PROFIT</b>		<b><u>P 7,273,322,988</u></b>	<b><u>P 7,361,839,368</u></b>	<b><u>P 1,970,262,329</u></b>	<b><u>P 2,231,907,558</u></b>
<b>OTHER COMPREHENSIVE INCOME (LOSS)</b>					
Item that will be reclassified subsequently to profit or loss					
Translation gain (loss)		921,202,861	2,422,878,542	1,340,137,394	877,588,533
Items that will not be reclassified subsequently to profit or loss					
Net actuarial gain on retirement benefit plan		( 179,091,000 )	609,756,000	( 186,327,000 )	425,439,000
Tax expense on remeasurement of retirement benefit plan		44,772,750	( 152,439,000 )	46,581,750	( 106,359,750 )
		<u>( 134,318,250 )</u>	<u>457,317,000</u>	<u>( 139,745,250 )</u>	<u>319,079,250</u>
		<u>786,884,611</u>	<u>2,880,195,542</u>	<u>1,200,392,144</u>	<u>1,196,667,783</u>
<b>TOTAL COMPREHENSIVE INCOME</b>		<b><u>P 8,060,207,599</u></b>	<b><u>P 10,242,034,910</u></b>	<b><u>P 3,170,654,473</u></b>	<b><u>P 3,428,575,341</u></b>
Net profit attributable to:					
Owners of the parent company		P 7,184,603,160	P 7,258,971,501	P 1,946,738,149	P 2,175,282,911
Non-controlling interest		88,719,828	102,867,867	23,524,180	56,624,647
		<u>P 7,273,322,988</u>	<u>P 7,361,839,368</u>	<u>P 1,970,262,329</u>	<u>P 2,231,907,558</u>
Total comprehensive income (loss) attributable to:					
Owners of the parent company		P 7,842,618,755	P 10,121,917,628	P 3,030,019,172	P 3,395,189,729
Non-controlling interest		217,588,844	120,117,282	140,635,301	33,385,612
		<u>P 8,060,207,599</u>	<u>P 10,242,034,910</u>	<u>P 3,170,654,473</u>	<u>P 3,428,575,341</u>
<b>Earnings Per Share for the Net Profit Attributable to Owners of the Parent Company -</b>					
Basic and Diluted	21	<u>P 0.45</u>	<u>P 0.46</u>	<u>-</u>	<u>-</u>

*See Selected Explanatory Notes to Interim Condensed Consolidated Financial Statements.*

EMPERADOR INC. AND SUBSIDIARIES  
(A Subsidiary of Alliance Global Group, Inc.)  
INTERIM CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY  
FOR THE NINE MONTHS ENDED SEPTEMBER 30, 2022 AND 2021  
(Amounts in Philippine Pesos)  
UNAUDITED

	Attributable to Owners of the Parent Company (see Note 20)													Non-controlling Interest (see Note 20)	Total Equity
	Capital Stock	Additional Paid-in Capital	Deposit on Future Stock Subscription-ELS	Treasury Shares	Conversion Options Outstanding	Share Options Outstanding	Accumulated Translation Adjustments	Revaluation Reserves	Other Reserves	Retained Earnings			Total		
										Appropriated	Unappropriated	Total			
Balance at January 1, 2022	P 16,242,391,176	P 23,106,377,832	P 3,443,750,000	( P 4,747,713,903 )	P 88,498,401	P 183,769,571	( P 3,128,522,733 )	( P 159,833,776 )	P 142,402,572	P 1,200,000,000	P 41,346,946,733	P 42,546,946,733	P 77,718,065,873	P 1,000,169,494	P 78,718,235,367
Movements during the period	-	-	-	-	-	81	-	-	274,974,749	-	-	-	-	-	274,974,749
Total comprehensive income (loss) for the period	-	-	-	-	-	-	792,333,845	( 134,318,250 )	-	-	7,184,603,160	7,184,603,160	7,842,618,755	217,588,844	8,060,207,599
Balance at September 30, 2022	<u>P 16,242,391,176</u>	<u>P 23,106,377,832</u>	<u>P 3,443,750,000</u>	<u>( P 4,747,713,903 )</u>	<u>P 88,498,401</u>	<u>P 183,769,652</u>	<u>( P 2,336,188,888 )</u>	<u>( P 294,152,026 )</u>	<u>P 417,377,240</u>	<u>P 1,200,000,000</u>	<u>P 48,531,549,893</u>	<u>P 49,731,549,893</u>	<u>P 85,835,659,377</u>	<u>P 1,217,758,338</u>	<u>P 87,053,417,715</u>
Balance at January 1, 2021	P 16,242,391,176	P 23,106,377,832	P -	( P 3,745,584,182 )	P 88,498,401	P 138,841,593	( P 6,068,016,235 )	( P 924,611,866 )	P 114,994,796	P 800,000,000	P 36,832,913,174	P 37,632,913,174	P 66,585,804,689	P 778,511,627	P 67,364,316,316
Movements during the period	-	-	-	-	-	-	-	-	28,383,926	-	-	-	28,383,926	-	28,383,926
Acquisition of treasury shares during the period	-	-	-	( 1,002,129,721 )	-	-	-	-	-	-	-	-	( 1,002,129,721 )	-	( 1,002,129,721 )
Total comprehensive income for the period	-	-	-	-	-	-	2,405,629,127	457,317,000	-	-	7,258,971,501	7,258,971,501	10,121,917,628	120,117,282	10,242,034,910
Reversal of appropriation	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Cash dividends declared during the period	-	-	-	-	-	-	-	-	-	-	( 5,057,031,744 )	( 5,057,031,744 )	( 5,057,031,744 )	-	( 5,057,031,744 )
Balance at September 30, 2021	<u>P 16,242,391,176</u>	<u>P 23,106,377,832</u>	<u>P -</u>	<u>( P 4,747,713,903 )</u>	<u>P 88,498,401</u>	<u>P 138,841,593</u>	<u>( P 3,662,387,108 )</u>	<u>( P 467,294,866 )</u>	<u>P 143,378,722</u>	<u>P 800,000,000</u>	<u>P 39,034,852,931</u>	<u>P 39,834,852,931</u>	<u>P 70,676,944,778</u>	<u>P 898,628,909</u>	<u>P 71,575,573,687</u>

See Selected Explanatory Notes to Interim Consolidated Financial Statements.

**EMPERADOR INC. AND SUBSIDIARIES**  
*(A Subsidiary of Alliance Global Group, Inc.)*  
**INTERIM CONSOLIDATED STATEMENTS OF CASH FLOWS**  
**FOR THE NINE MONTHS ENDED SEPTEMBER 30, 2022 AND 2021**  
*(Amounts in Philippine Pesos)*  
**(UNAUDITED)**

	Notes	<u>2022</u>	<u>2021</u>
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>			
Profit before tax		P 8,370,598,299	P 9,513,414,083
Adjustments for:			
Depreciation and amortization	8, 16, 17	1,084,718,915	1,063,234,700
Interest expense	8, 12, 13	734,810,325	536,470,330
Interest income	5	( 86,017,007 )	( 70,399,704 )
Share in net profit of a joint venture	11, 15	( 73,048,419 )	( 68,593,350 )
Share option benefits expense		81	
Amortization of trademarks	9, 17	1,211,544	1,211,544
Gain on sale of property, plant and equipment		( 1,100,000 )	( 108,820 )
Provisions	17	( 33,500,000 )	( 37,264,000 )
Operating profit before working capital changes		9,997,673,738	10,937,964,783
Decrease in trade and other receivables		975,443,733	4,364,991,236
Decrease (increase) in financial instruments at fair value through profit or loss		( 5,789,613 )	67,170,512
Increase in inventories		( 4,091,636,793 )	( 3,310,527,335 )
Decrease in prepayments and other current assets		163,483,621	23,828,592
Increase in retirement benefit asset		( 55,249,990 )	( 266,355,416 )
Increase in other non-current assets		( 6,616,566 )	( 90,117,048 )
Increase in trade and other payables		1,887,542,845	951,800,779
Decrease in retirement benefit obligation			
Cash generated from operations		8,864,850,975	12,678,756,103
Cash paid for income taxes		( 1,218,598,524 )	( 1,537,696,653 )
Net Cash From Operating Activities		<u>7,646,252,451</u>	<u>11,141,059,450</u>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>			
Acquisitions of property, plant and equipment	8	( 2,987,455,862 )	( 1,498,487,457 )
Interest received	5	82,031,374	69,144,022
Proceeds from sale of property, plant and equipment	8	140,029,376	52,442,561
Dividends received from a joint venture	11	285,000,400	-
Net Cash Used in Investing Activities		<u>( 2,480,394,712 )</u>	<u>( 1,376,900,874 )</u>
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>			
Proceeds from interest-bearing loans	12	1,768,649,160	1,020,000,000
Repayments of interest-bearing loans	12	( 2,941,427,458 )	( 4,334,394,677 )
Interest paid	8, 12, 13	( 708,915,101 )	( 493,868,991 )
Repayments of lease liabilities	8	( 79,098,766 )	( 5,226,508 )
Dividends paid	20	-	( 5,054,915,544 )
Acquisition of treasury shares	20	-	( 1,002,129,721 )
Net Cash Used in Financing Activities		<u>( 1,960,792,165 )</u>	<u>( 9,870,535,441 )</u>
<b>NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS</b>		<b>3,205,065,574</b>	<b>( 106,376,865 )</b>
<b>CASH AND CASH EQUIVALENTS AT JANUARY 1</b>		<b><u>9,333,783,438</u></b>	<b><u>7,561,169,140</u></b>
<b>CASH AND CASH EQUIVALENTS AT SEPTEMBER 30</b>		<b><u>P 12,538,849,012</u></b>	<b><u>P 7,454,792,275</u></b>

*See Selected Explanatory Notes to Interim Consolidated Financial Statements.*

**EMPERADOR INC. AND SUBSIDIARIES**  
**SCHEDULE OF FINANCIAL SOUNDNESS INDICATORS**  
**SEPTEMBER 30, 2022**

	<b>09/30/22</b>	<b>12/31/21</b>
Current ratio	2.88	2.76
Quick ratio	1.28	1.26
Liabilities-to-equity ratio	0.57	0.63
Debt-to-equity ratio	0.27	0.32
Asset -to-equity ratio	1.57	1.63
	<b>M9 2022</b>	<b>M9 2021</b>
Net profit margin	17%	19%
Return on assets	5%	6%
Return on equity/investment	8%	10%
Solvency Ratio	44%	36%
Interest rate coverage ratio	12.39	18.73

LIQUIDITY RATIOS measure the business' ability to pay short-term obligations.

Current ratio - computed as current assets divided by current liabilities

Quick ratio - computed a cash, marketable securities, accounts receivable divided by current liabilities.

SOLVENCY RATIOS measure the business' ability to meet its long-term debt obligations.

Liabilities-to-equity ratio - computed as total liabilities divided by stockholders'equity.

Debt-to-equity ratio - computed as total interest-bearing loans [debt] divided by stockholders'equity.

Solvency ratio - computed as EBITDA divided by total debt [loans]

INTEREST RATE COVERAGE RATIO measures the business' ability to meet its interest payments.

It is computed as profit before income tax and interest expense ("EBIT") divided by interest.

ASSET-TO-EQUITY RATIOS measure financial leverage and long-term solvency. It shows how much of the assets are owned by the company. It is computed as average total assets divided by stockholders'equity.

PROFITABILITY RATIOS measure the business' ability to generate earnings.

Net profit margin - computed as net profit divided by revenues

Return on assets - net profit divided by average assets

Return on equity investment - net profit divided by total stockholders' equity

**EMPERADOR INC. AND SUBSIDIARIES**  
**AGING SCHEDULE OF TRADE AND OTHER RECEIVABLES**  
**September 30, 2022**  
*(Amounts in Thousand Philippine Pesos)*

Trade Receivables	
Current	10,686,221
1 to 30 days	1,519,397
31 to 60 days	98,497
Over 60 days	<u>774,591</u>
Total	13,078,706
Other receivables	<u>6,588,005</u>
Balance	<u><u>19,666,711</u></u>



**EMPERADOR INC. AND SUBSIDIARIES**  
*(A Subsidiary of Alliance Global Group, Inc.)*  
**SELECTED EXPLANATORY NOTES TO INTERIM**  
**CONSOLIDATED FINANCIAL STATEMENTS**  
**FOR THE NINE MONTHS ENDED SEPTEMBER 30, 2022 AND 2021**  
*(With Comparative Audited Figures for December 31, 2021)*  
*(Amounts in Philippine Pesos)*  
**(UNAUDITED)**

**1. CORPORATE INFORMATION**

Emperador Inc. (“EMI” or “EMP” or “the Parent Company”) was incorporated in the Philippines and registered with the Securities and Exchange Commission (“SEC”) on November 26, 2001. It presently operates as a holding company of a global conglomerate in the distilled spirits and other alcoholic beverages business.

EMI is a subsidiary of Alliance Global Group, Inc. (“AGI” or “the Ultimate Parent Company”), a publicly-listed domestic holding company with diversified investments in real estate development, food and beverage, quick-service restaurants, and tourism-entertainment and gaming businesses.

The registered principal office of EMI is located at 7<sup>th</sup> Floor, 1880 Eastwood Avenue, Eastwood City CyberPark, 188 E. Rodriguez, Jr. Avenue, Bagumbayan, Quezon City, where the registered office of AGI is also presently located.

The common shares of EMI and AGI were first listed for trading in the Philippine Stock Exchange (PSE) on December 19, 2011 and April 19, 1999, respectively. On July 14, 2022, EMI shares were secondary listed and started trading in the Singapore Stock Exchange.

**1.1 Subsidiaries**

EMI holds beneficial equity ownership in entities operating in an integrated business of manufacturing, bottling and distributing distilled spirits and other alcoholic beverages from the Philippines and Europe (collectively referred to herein as “the Group”), as follows:

Names of Subsidiaries	Percentage of Effective Ownership	
	September 30, 2022	December 31, 2021
<b>EDI and subsidiaries (EDI Group)</b>		
Emperador Distillers, Inc. (“EDI”)	100%	100%
Anglo Watsons Glass, Inc. (“AWGI”)	100%	100%
Alcazar De Bana Holdings Company, Inc.	100%	100%
<i>Progreen Agricornp Inc. (“Progreen”)</i>	100%	100%
<i>South Point Science Park Inc.</i>	100%	100%
The Bar Beverage, Inc.	100%	100%
Tradewind Estates, Inc. (“TEI”)	100%	100%
<i>Boozylife Inc. (“Boozylife”)</i>	62%	62%
Cocos Vodka Distillers Philippines, Inc.	100%	100%
Zabana Rum Company, Inc.	100%	100%
The World’s Finest Liquor Inc.	100%	-

<u>Names of Subsidiaries and Joint Venture</u>	<u>Percentage of Effective Ownership</u>	
	<u>September 30, 2022</u>	<u>December 31, 2021</u>
<b>EIL and offshore subsidiaries and joint venture:</b>		
Emperador International Ltd. (“EIL”)	100%	100%
Emperador Holdings (GB) Limited (“EGB”)	100%	100%
<i>Emperador UK Limited (“EUK”)</i>	100%	100%
<i>Whyte and Mackay Group Limited (“WMG”)</i>	100%	100%
<i>Whyte and Mackay Global Limited (“WMGL”)</i>	100%	100%
<i>Whyte and Mackay Limited (“WML”)</i>	100%	100%
<i>Whyte and Mackay Warehousing Limited (“WMWL”)</i>	100%	100%
Emperador Asia Pte. Ltd. (“EA”)	100%	100%
Grupo Emperador Spain, S.A. (“GES”)	100%	100%
<i>Bodega San Bruno, S.L. (“BSB”)</i>	100%	100%
<i>Bodegas Fundador, S.L.U. (“BFS”)</i>	100%	100%
<i>Grupo Emperador Gestion S.L (“GEG”)</i>	100%	100%
<i>Stillman Spirits, S.L. (“Stillman”)</i>	100%	100%
<i>Domecq Bodega Las Copas, S.L. (“DBLC”)</i>	50%	50%
<i>Bodegas Las Copas, S.L. (“BLC”)</i>	50%	50%
Emperador Europe Sarl (“EES”)	100%	100%

Please refer to Note 1.1 to the audited consolidated financial statements as of and for the year ended December 31, 2021 for information on these entities.

## **1.2 Approval of the Interim Consolidated Financial Statements**

The interim consolidated financial statements (unaudited) of the Group as of and for the nine months ended September 30, 2022 (including the comparative financial information as of December 31, 2021 and for the nine months ended September 30, 2021) were authorized for issue by the Parent Company’s Board of Directors (“BOD”) through the Audit Committee on November 10, 2022.

## **2. SIGNIFICANT ACCOUNTING POLICIES**

The significant accounting policies used in the preparation of these interim consolidated financial statements are consistent with those applied in the most recent audited consolidated financial statements as of and for the year ended December 31, 2021 except for the application of amendments to standards that became effective on January 1, 2022 (see Note 2.2).

### **2.1 Basis of Preparation of Interim Consolidated Financial Statements**

These interim consolidated financial statements for the nine months ended September 30, 2022 and 2021 have been prepared in accordance with Philippine Accounting Standard (PAS) 34, *Interim Financial Reporting*. They do not include all of the information required in annual financial statements, and should be read in conjunction with the Group’s audited consolidated financial statements as of and for the year ended December 31, 2021.

The interim consolidated financial statements of the Group have been prepared in accordance with Philippine Financial Reporting Standards (PFRS). PFRS are adopted by the Financial Reporting Standards Council (FRSC) from the pronouncements issued by the International Accounting Standards Board and approved by the Philippine Board of Accountancy.

These interim consolidated financial statements are presented in Philippine pesos, the Group's functional and presentation currency, and all values represent absolute amounts except when otherwise indicated.

## 2.2 Adoption of Amended Standards

### (a) Effective in 2022 that are Relevant to the Group

The Group adopted for the first time the following amendments and annual improvements to PFRS, which are mandatorily effective for annual periods beginning on or after January 1, 2022. These do not have material impact on the Group's consolidated financial statements as these pronouncements merely clarify existing requirements.

- (i) PFRS 3 (Amendments), *Business Combination – Reference to the Conceptual Framework*
- (ii) PAS 16 (Amendments), *Property, Plant and Equipment – Proceeds Before Intended Use*
- (iii) PAS 37 (Amendments), *Provisions, Contingent Liabilities and Contingent Assets – Onerous Contracts – Cost of Fulfilling a Contract*
- (iv) Annual Improvements to PFRS 2018-2020 Cycle:
  - PFRS 9 (Amendments), *Financial Instruments – Fees in the '10 per cent' Test for Derecognition of Liabilities*
  - Illustrative Examples Accompanying PFRS 16, *Leases – Lease Incentives*

### (b) Effective Subsequent to 2022 but not Adopted Early

There are amendments to existing standards effective for annual periods subsequent to 2022, which are adopted by the FRSC. Management will adopt the following relevant pronouncements in accordance with their transitional provisions; and, unless otherwise stated, these are not expected to have significant impact on the Group's consolidated financial statements:

- (i) PAS 1 (Amendments), *Presentation of Financial Statements – Classification of Liabilities as Current or Non-current* (effective from January 1, 2023)
- (ii) PAS 1 (Amendments), *Presentation of Financial Statements – Disclosure of Accounting Policies* (effective from January 1, 2023)
- (iii) PAS 8 (Amendments), *Accounting Estimates – Definition of Accounting Estimates* (effective from January 1, 2023)
- (iv) PAS 12 (Amendments), *Income Taxes – Deferred Tax Related to Assets and Liabilities Arising from a Single Transaction* (effective from January 1, 2023)
- (v) PFRS 10 (Amendments), *Consolidated Financial Statements*, and PAS 28 (Amendments), *Investments in Associates and Joint Ventures – Sale or Contribution of Assets Between an Investor and its Associates or Joint Ventures* (effective date deferred indefinitely)

### 3. SIGNIFICANT ACCOUNTING JUDGMENTS AND ESTIMATES

In preparing the interim consolidated financial statements, management undertakes a number of judgments, estimates and assumptions about recognition and measurement of assets, liabilities, income and expenses. The actual results may differ from the judgments, estimates and assumptions made by management, and will seldom equal the estimated results. The judgments, estimates and assumptions applied in the interim consolidated financial statements, including the key sources of estimation uncertainty, were the same as those applied in the Group's most recent annual consolidated financial statements as of and for the year ended December 31, 2021.

The Group performed its annual impairment test of goodwill and trademarks with indefinite useful lives at year-end and when circumstances indicate the carrying value may be impaired. The Group's impairment test for goodwill arising from business combination and other intangible assets is based on value-in-use calculations. The Group monitors goodwill and trademarks with indefinite useful lives on the cash generating units to which these assets were allocated and considers the relationship between the market capitalization of the subsidiaries and its net book value, among other factors, when reviewing for indicators of impairment. The Group's management assessed that as of September 30, 2022 and as of December 31, 2021, goodwill arising from business combination and other intangible assets with indefinite useful lives are not impaired.

There had been no changes during the nine-month period of 2022 in the commitments and contingencies disclosed in the Group's most recent annual consolidated financial statements as of December 31, 2021 (see Note 19.7). Except also for the provisions for onerous lease and dilapidations recognized, there are no other commitments and contingent liabilities that arise in the normal course of the Group's operations which are not reflected in the interim consolidated financial statements. Management is of the opinion that losses, if any, from these commitments and contingencies will not have material effects on the Group's interim consolidated financial statements.

### 4. SEGMENT INFORMATION

#### 4.1 *Business Segments*

The Group is organized into two business segments, the Brandy and Scotch Whisky, which represent the two major distilled spirits categories where the Group operates. Scotch Whisky pertains to the United Kingdom ("UK") operations and the rest fall under Brandy. This is also the basis of the Group's executive committee for its strategic decision-making activities, including the financial performance evaluation of the operating segments or resource allocation decisions.

The Group disaggregates revenues recognized from contracts with customers into these two segments that depict how the nature, amount, timing and uncertainty of revenue and cash flows are affected by economic factors. The same disaggregation is used in earnings releases, annual reports and investor presentations.

#### 4.2 *Segment Assets and Liabilities*

Segment assets and segment liabilities represent the assets and liabilities reported in the interim consolidated statements of financial position of the companies included in each segment.

#### 4.3 *Intersegment Transactions*

Intersegment transactions, such as intercompany sales and purchases, and receivables and payables, are eliminated in consolidation.

#### 4.4 Analysis of Segment Information

Segment information for the nine months ended September 30, 2022 and 2021 and as of December 31, 2021 (in millions) are presented below.

	BRANDY		SCOTCH WHISKY		SEGMENT TOTALS	
	September 30,		September 30,		September 30,	
	2022	2021	2022	2021	2022	2021
<b>REVENUES AND OTHER INCOME</b>						
External Customers	P 26,885	P 24,840	P 15,754	P 13,517	P 42,639	P 38,357
Intersegment sales*	<u>444</u>	<u>664</u>	<u>76</u>	<u>42</u>	<u>520</u>	<u>706</u>
	27,329	25,504	15,830	13,559	43,159	39,063
<b>COSTS AND EXPENSES</b>						
Cost of goods sold	19,774	16,553	8,444	7,238	28,218	23,791
Intersegment cost of goods sold*	76	42	444	664	520	706
Selling and distribution expenses	1,965	1,599	1,809	1,602	3,774	3,201
General and administrative expenses	807	596	735	719	1,542	1,315
Interest expense and other charges	<u>224</u>	<u>403</u>	<u>511</u>	<u>134</u>	<u>735</u>	<u>537</u>
	22,846	19,193	11,943	10,357	34,789	29,550
<b>SEGMENT PROFIT BEFORE TAX</b>	4,483	6,311	3,887	3,202	8,370	9,513
<b>TAX EXPENSE (INCOME)</b>	605	923	492	1,228	1,097	2,151
<b>SEGMENT NET PROFIT</b>	<u>P3,878</u>	<u>P5,388</u>	<u>P3,395</u>	<u>P1,974</u>	<u>P7,273</u>	<u>P7,362</u>
Depreciation and Amortization	844	821	242	243	1,086	1,064
Interest expense	224	403	511	133	735	536
Share in NP of JV	73	69	-	-	73	69
	2022	2021	2022	2021	2022	2021
<b>TOTAL ASSETS</b>	P 142,652	P 136,220	P 57,062	P 54,471	P 199,713	P 190,692
<b>TOTAL LIABILITIES</b>	50,797	50,855	12,478	11,864	63,275	62,718

\*Intersegment sales and cost of goods sold are eliminated in consolidation. Numbers may not add up due to rounding. See reconciliation in Note 4.5.

The Group's revenues and other income in the periods presented range from 64% to 65% from the Asia Pacific, 25% to 26% from Europe and the remaining portion from North and Latin Americas, Middle East and Africa and other countries.

Sales to any of the Group's major customers did not exceed 10% of the Group's revenues in all of the periods presented.

#### 4.5 Reconciliations

The reconciliation of total segment balances presented for the Group's operating segments to the Group's consolidated balances as presented in the interim consolidated financial statements are as follows (in millions):

	<u>Segment Totals</u>	<u>Intercompany Accounts</u>	<u>Consolidated Balances</u>
<b><u>September 2022</u></b>			
Revenues and other income	P 43,159	P (520)	P 42,639
Cost and expenses	34,789	(520)	34,269
Total assets	199,713	(63,391)	136,322
Total liabilities	63,275	(14,006)	49,269
<b>Other segment information:</b>			
Depreciation and amortization	1,086	-	1,086
Interest expense	735	-	735
Share in net profit of joint venture	73	-	73
<b><u>September 2021</u></b>			
Revenues and other income	39,063	(706)	38,357
Cost and expenses	29,550	(706)	28,844
<b>Other segment information:</b>			
Depreciation and amortization	1,064	-	1,064
Interest expense	536	-	536
Share in net profit of joint venture	69	-	69
<b><u>December 2021</u></b>			
Total assets	190,692	(62,175)	128,516
Total liabilities	62,718	(12,920)	49,798

#### 5. CASH AND CASH EQUIVALENTS

This account includes the following components:

	<b><u>September 30, 2022</u></b> <b><u>(Unaudited)</u></b>	December 31, 2021 <b><u>(Audited)</u></b>
Cash on hand and in banks	<b>P 3,001,494,384</b>	P 4,485,605,267
Short-term placements	<b><u>9,537,354,628</u></b>	<u>4,848,178,171</u>
	<b><u>P 12,538,849,012</u></b>	<u>P 9,333,783,438</u>

Cash in banks generally earn interest at rates based on daily bank deposit rates. Short-term placements have an average maturity of 30 to 63 days and earn effective annual interest rates ranging from 0.5% to 4.5% in the first nine months of 2022 and from 0.4% to 0.6% in the first nine months of 2021. Interest earned amounted to P86.0 million and P70.4 million in the first nine months of 2022 and 2021, respectively, and is presented as part of Other income under the Revenues and Other Income account in the interim consolidated statements of comprehensive income (see Note 15).

## 6. TRADE AND OTHER RECEIVABLES

Details of this account are as follows:

	Notes	September 30, 2022 (Unaudited)	December 31, 2021 (Audited)
Trade receivables	19.3	<b>P 13,257,450,786</b>	P 13,930,847,017
Advances to suppliers		<b>5,689,103,834</b>	6,147,264,154
Advances to officers and employees	19.4	<b>506,325,186</b>	103,446,030
Accrued interest receivable		<b>1,073,458</b>	378,467
Other receivables		<b>391,502,270</b>	356,571,487
		<b>19,845,455,534</b>	20,538,507,155
Allowance for impairment		<b>(178,744,553)</b>	(192,652,354)
		<b>P 19,666,710,981</b>	P 20,345,854,801

Advances to suppliers pertain to downpayments made primarily for the purchase of goods from suppliers.

All of the Group's trade and other receivables have been assessed for impairment using the expected credit loss ("ECL") model adopted by the Group and adequate amounts of allowance for impairment have been recognized in 2022 and 2021 for those receivables found to be impaired (see Note 22.2). A reconciliation of the allowance for impairment is shown below.

	September 30, 2022 (Unaudited)	December 31, 2021 (Audited)
Balance at beginning of period	<b>P 192,652,354</b>	P 189,441,284
Recoveries	<b>(12,337,230)</b>	(15,546,909)
Impairment losses	<b>-</b>	11,561,171
Translation adjustment	<b>(1,570,571)</b>	7,196,808
Balance at end of period	<b>P 178,744,553</b>	P 192,652,354

Recoveries pertain to collections of certain receivables previously provided with allowance. There were no write-offs of receivables in 2022 and 2021.

The carrying amounts of these financial assets are a reasonable approximation of their fair values due to their short-term duration.

## 7. INVENTORIES

Inventories, except for certain finished goods and packaging materials, are all stated at cost, which is lower than their net realizable values. The details of inventories are shown below.

	<u>Notes</u>	<b>September 30, 2022</b> <b>(Unaudited)</b>	December 31, 2021 <b>(Audited)</b>
At cost:			
Finished goods	16, 19	<b>P 5,723,020,603</b>	P 4,451,219,952
Work-in-process	16, 19	<b>25,312,587,009</b>	24,225,660,910
Raw materials	16, 19	<b>5,830,426,208</b>	3,385,062,670
Packaging materials	16, 19	<b>501,576,804</b>	393,555,813
Machinery spare parts, consumables and factory supplies		<u><b>344,953,308</b></u>	<u>319,884,044</u>
		<u><b>37,712,563,932</b></u>	<u><b>32,775,383,389</b></u>
At net realizable value:			
Finished goods			
Cost	16, 19	<b>1,367,035,103</b>	1,123,522,860
Allowance for impairment		<b>( 180,051,780 )</b>	( 186,047,864 )
Packaging materials			
Cost	16, 19	<b>546,035,796</b>	431,128,500
Allowance for impairment		<b>( 111,991,706 )</b>	( 130,842,880 )
		<u><b>1,621,027,413</b></u>	<u>1,237,760,616</u>
		<u><b>P 39,333,591,345</b></u>	<u>P 34,013,144,005</u>

WML has a substantial inventory of aged stocks which mature over periods of up to 60 years. The maturing whisky stock inventory amounting to P20.6 billion and P19.7 billion as of September 30, 2022 and December 31, 2021, respectively, is presented as part of work-in-process inventories, and is stored in various locations across Scotland.

An analysis of the cost of inventories included in costs of goods sold for the nine months ended September 30, 2022 and 2021 is presented in Note 16.

## 8. PROPERTY, PLANT AND EQUIPMENT

The carrying amount of this account is composed of the following:

	<u>Notes</u>	<b>September 30, 2022</b> <b>(Unaudited)</b>	December 31, 2021 <b>(Audited)</b>
Property, plant and equipment	8.1	<b>P 28,378,701,122</b>	P 26,841,829,799
Right-of-use assets	8.2	<u><b>437,690,955</b></u>	<u>1,024,838,886</u>
		<u><b>P 28,816,392,077</b></u>	<u>P 27,866,668,685</u>



### 8.1 Carrying Values of Property, Plant and Equipment

The gross carrying amounts and accumulated depreciation and amortization of property, plant and equipment at the beginning and end of the reporting periods are shown below.

	<u>September 30, 2022</u> <u>(Unaudited)</u>	<u>December 31, 2021</u> <u>(Audited)</u>
Cost	<b>P 44,273,617,650</b>	P 41,553,164,681
Accumulated depreciation and amortization	<b>( 15,894,916,528 )</b>	<b>( 14,711,334,882 )</b>
Net carrying amount	<b><u>P 28,378,701,122</u></b>	<b><u>P 26,841,829,799</u></b>

A reconciliation of the carrying amounts of property, plant and equipment at the beginning and end of the reporting periods is as follows:

	<u>September 30, 2022</u> <u>(Unaudited)</u>	<u>December 31, 2021</u> <u>(Audited)</u>
Balance at beginning of the period, net of accumulated depreciation and amortization	<b>P 26,841,829,799</b>	P 25,465,059,928
Additions during the period	<b>2,987,455,862</b>	2,340,741,404
Adjustments	<b>179,750,235</b>	-
Translation adjustment	<b>( 199,447,635 )</b>	790,272,045
Disposal during the period	<b>( 138,929,376 )</b>	<b>( 57,941,643 )</b>
Depreciation and amortization charges for the period	<b>( 1,291,957,763 )</b>	<b>( 1,696,301,935 )</b>
Balance at the end of the period, net of accumulated depreciation and amortization	<b><u>P 28,378,701,122</u></b>	<b><u>P 26,841,829,799</u></b>

The amount of depreciation and amortization is allocated as follows:

		<u>For the Nine Months Ended</u>	
	<u>Notes</u>	<u>September 30, 2022</u> <u>(Unaudited)</u>	<u>September 30, 2021</u> <u>(Unaudited)</u>
Costs of goods sold	16	<b>P 852,549,632</b>	P 869,754,004
Selling and distribution expenses	17	<b>60,582,318</b>	52,091,635
General and administrative expenses	17	<b>91,233,539</b>	<b>62,641,444</b>
		<b>1,004,365,489</b>	984,487,083
Capitalized to inventories		<b>287,592,274</b>	<b>278,441,572</b>
		<b><u>P 1,291,957,763</u></b>	<b><u>P 1,262,928,655</u></b>

The capitalized amounts form part of the work-in-process inventory and represent depreciation expense on barrels and warehouse buildings wherein the maturing bulk stocks of whisky are held, which can reach periods of up to 60 years.

## 8.2 Right-of-use Assets

The Group has leases for certain manufacturing plant, warehouses, building space, commercial building, and vehicles, fittings and equipment. With the exception of short-term leases and leases of low-value underlying assets, each lease is reflected on the interim consolidated statements of financial position as Right-of-use assets under the Property, Plant and Equipment account and Lease Liabilities account.

Each lease generally imposes a restriction that, unless there is a contractual right for the Group to sublet the asset to another party, the right-of-use asset can only be used by the Group. Leases are either non-cancellable or may only be cancelled by incurring a substantive termination fee. Some leases contain an option to extend the lease for a further term. The Group is prohibited from selling or pledging the underlying leased assets as security. For certain leases, the Group must keep those properties in a good state of repair and return the properties in their original condition at the end of the lease. Further, the Group must ensure the leased assets and incur maintenance fees on such items in accordance with the lease contracts.

The carrying amounts and the movements of the Group's right-of-use assets are shown below.

	<u>September 30, 2022</u> <u>(Unaudited)</u>	<u>December 31, 2021</u> <u>(Audited)</u>
Cost	P 1,196,339,655	P 1,731,768,067
Accumulated amortization	( 789,109,806)	( 706,929,181)
Net carrying amount	<u>P 407,229,849</u>	<u>P 1,024,838,886</u>

A reconciliation of the carrying amounts at the beginning and end of the reporting periods is shown below.

	<u>September 30, 2022</u> <u>(Unaudited)</u>	<u>December 31, 2021</u> <u>(Audited)</u>
Balance at beginning of the period, net of accumulated amortization	P 1,024,838,886	P 970,785,552
Amortization charges for the period	( 80,353,426)	( 222,355,982)
Translation adjustment	( 10,434,611)	45,118,060
Additions during the period	-	141,568,711
Lease modification	-	92,397,741
Termination	( 526,821,000)	( 2,675,196)
Balance at the end of the period, net of accumulated amortization	<u>P 407,229,849</u>	<u>P 1,024,838,886</u>

The amount of amortization in 2022 and 2021 is allocated as follows:

		<u>For the Nine Months Ended</u>	
	<u>Notes</u>	<u>September 30, 2022</u> <u>(Unaudited)</u>	<u>September 30, 2021</u> <u>(Unaudited)</u>
Costs of goods sold	16	P 39,752,579	P 18,777,194
General and administrative expenses	17	<u>40,600,847</u>	<u>59,970,423</u>
		<u>P 80,353,426</u>	<u>P 78,747,617</u>

### 8.3 Lease Liabilities

Lease liabilities are presented in the interim consolidated statements of financial position as follows:

	<b>September 30, 2022</b> <b>(Unaudited)</b>	December 31, 2021 <b>(Audited)</b>
Current	<b>P 271,319,262</b>	P 205,206,504
Non-current	<b>397,661,203</b>	<b>887,743,550</b>
	<b>P 668,980,465</b>	<b>P 1,092,950,054</b>

The use of extension and termination options gives the Group added flexibility in the event it has identified more suitable premises in terms of cost and/or location or determined that it is advantageous to remain in a location beyond the original lease term. An option is only exercised when consistent with the Group's regional markets strategy and the economic benefit of exercising the option exceeds the expected overall cost.

The lease liabilities are secured by the related underlying assets and by a property mortgage. The movements of lease liabilities are as follows:

	<b>September 30, 2022</b> <b>(Unaudited)</b>	December 31, 2021 <b>(Audited)</b>
Beginning lease liabilities	<b>P 1,092,950,054</b>	P 1,462,894,265
Translation adjustment	<b>440,529,173</b>	( 269,225,893)
Finance charges	<b>( 43,621,480)</b>	( 81,073,626)
Termination of lease	<b>( 785,399,996)</b>	-
Lease payments	<b>( 35,477,286)</b>	( 19,644,692)
Ending lease liabilities	<b>P 668,980,465</b>	<b>P 1,092,950,054</b>

## 9. INTANGIBLE ASSETS

This account is composed of the following:

	<b>September 30, 2022</b> <b>(Unaudited)</b>	December 31, 2021 <b>(Audited)</b>
Indefinite useful lives		
Trademarks – net	<b>P 20,036,072,066</b>	P 20,030,113,136
Goodwill	<b>9,620,647,433</b>	<b>9,406,272,150</b>
	<b>29,656,719,499</b>	<b>29,436,385,286</b>
Definite useful lives		
Trademarks – net	<b>942,312</b>	<b>2,153,856</b>
	<b>P 29,657,661,811</b>	<b>P 29,438,539,142</b>

Goodwill represents the excess of the cost of acquisition of the Group over the fair value of the net assets acquired at the date of acquisition and relates mainly to strengthen the Group's position in the global drinks market, the synergies and economies of scale expected from combining the operations of the Group, WMG and BFS, and the value attributable to their respective workforce. This is from the acquisition of WMG in 2014 and BFS in 2016.

Certain trademarks were determined to have a finite useful life. The net carrying amounts of these trademarks are as follows:

	<u>Note</u>	<u>September 30, 2022</u> <u>(Unaudited)</u>	<u>December 31, 2021</u> <u>(Audited)</u>
Balance at beginning of the period		<b>P 2,153,856</b>	P 3,769,247
Amortization during the period	17	<b>(1,211,544)</b>	<b>(1,615,391)</b>
Balance at end of the period		<b><u>P 942,312</u></b>	<b><u>P 2,153,856</u></b>

Management believes that both the goodwill and trademarks are not impaired as of September 30, 2022 and December 31, 2021 as the Group's products that carry such brands and trademarks are performing very well in the market; hence, no impairment is necessary to be recognized in the periods presented.

## 10. OTHER ASSETS

### 10.1 Prepayments and Other Current Assets

This account is composed of the following:

	<u>September 30, 2022</u> <u>(Unaudited)</u>	<u>December 31, 2021</u> <u>(Audited)</u>
Prepaid taxes	<b>P 828,536,429</b>	P 839,417,169
Prepaid expenses	<b>181,881,491</b>	171,392,040
Deferred input value-added tax ("VAT")	<b>79,722,703</b>	177,576,724
Refundable security deposits	<b>11,297,727</b>	8,808,208
Other current assets	<b><u>32,546,878</u></b>	<b><u>51,925,513</u></b>
	<b><u>P 1,133,985,228</u></b>	<b><u>P 1,249,119,654</u></b>

Prepaid taxes pertain to payments made by the Group for the withholding taxes and other government-related obligations. It also includes advance payment of excise tax for both the local production and importation of alcoholic beverage products.

Prepaid expenses include prepayments of advertising, rentals and general prepayments.

### 10.2 Other Non-current Assets

This account is composed of the following:

	<u>Note</u>	<u>September 30, 2022</u> <u>(Unaudited)</u>	<u>December 31, 2021</u> <u>(Audited)</u>
Property mortgage receivable		<b>P -</b>	P 646,636,072
Advances to suppliers		<b>2,783,368</b>	29,302,803
Deferred input VAT		<b>29,981,712</b>	34,176,923
Refundable security deposits	19.2	<b>107,525,758</b>	55,109,352
Others		<b><u>7,880,003</u></b>	<b><u>8,702,627</u></b>
		<b><u>P 148,170,841</u></b>	<b><u>P 773,927,777</u></b>

In 2016, the Group purchased from one of its property lessors an outstanding mortgage debt on one of the Group's leased properties. The purchased mortgage asset entitles the Group to full security over the leased property and to monthly interest payments from the property lessor. In 2022, the leased property was acquired by the Group.

Management assessed that the impact of discounting the value of the refundable security deposits is not significant; hence, was no longer recognized in the Group's interim consolidated financial statements.

## 11. INVESTMENT IN A JOINT VENTURE

The carrying amount of the investment in BLC, a joint venture with Gonzales Byass S.A., accounted for under the equity method in these interim consolidated financial statements, are as follows:

	<b>September 30, 2022</b> <b>(Unaudited)</b>	December 31, 2021 <b>(Audited)</b>
Acquisition costs	<b>P 2,845,367,065</b>	P 2,845,367,065
Accumulated share in net profit:		
Balance at beginning of the period	637,277,552	448,495,366
Share in net profit for the period	73,048,419	161,824,100
Reduction - dividends	( 285,000,400)	-
Translation adjustment	( 86,534,106)	26,958,086
Balance at end of the period	<b>338,791,465</b>	<b>637,277,552</b>
	<b>P 3,184,158,530</b>	P 3,482,644,617

The share in net profit is recorded under the Revenues and Other Income section in the interim consolidated statements of comprehensive income (see Note 15).

## 12. INTEREST-BEARING LOANS

The composition of the Group's outstanding bank loans is as follows:

	<b>September 30, 2022</b> <b>(Unaudited)</b>	December 31, 2021 <b>(Audited)</b>
Current:		
Foreign	<b>P 3,378,348,841</b>	P 3,011,082,346
Local	<b>300,000,000</b>	400,000,000
	<b>3,678,348,841</b>	3,411,082,346
Non-current –		
Foreign	<b>19,665,767,506</b>	21,430,348,300
	<b>P 23,344,116,347</b>	P 24,841,430,646

Interest expense on the above loans for the periods ended September 30, 2022 and 2021 amounted to P255.7 million and 316.0 million, respectively, and is presented as part of Interest Expense account under the Costs and Expenses section of the interim consolidated statements of comprehensive income.

## 13. EQUITY-LINKED SECURITIES

The outstanding balance of the equity-linked securities instrument ("ELS") represents Tranche 2 Conversion which would be converted by the Arran Investment Private Limited ("Arran"), the Holder, for 475,000,000 common shares up to Extended Redemption Date. The ELS earned variable interest at the same rate as dividend paid to common shareholders.

On December 3, 2021, the Holder exercised its right to Tranche 2 Conversion and EMI was given a period to issue the Tranche 2 Shares (“Conversion Period”), which by a third amendment to Conversion Notice is currently up to November 12, 2022. [Note: The parties are set to come out with a mutually agreed modification of the conversion period.] Pursuant to the Conversion Notice, EMI derecognized the financial liability component of the ELS and recognized an equity component amounting to P3.4 billion in 2021 which is presented as Deposit on Future Stock Subscription – Equity-linked Securities under the Equity section of the interim consolidated statements of financial position. Upon the actual conversion, EMI will reclassify the remaining portion of the Conversion Options amounting to P88.5 million to additional paid-in capital.

Variable interest during the nine months ended September 30, 2021 amounting to P152.0 million (nil in 2022) is presented as part of Interest Expense account under the Costs and Expenses section of the 2021 interim consolidated statement of comprehensive income.

There were no related collaterals on the ELS.

#### 14. TRADE AND OTHER PAYABLES

The breakdown of this account is as follows:

	Notes	<b>September 30, 2022</b> <b>(Unaudited)</b>	December 31, 2021 <b>(Audited)</b>
Trade payables	19.1, 19.6	<b>P 11,481,055,630</b>	P 10,780,556,544
Accrued expenses		<b>7,746,360,032</b>	6,309,215,929
Output VAT payable		<b>160,827,088</b>	602,515,558
Advances from related parties	19.5	<b>3,070,715</b>	3,070,715
Others		<b>132,498,985</b>	192,972,584
		<b><u>P 19,523,812,450</u></b>	<b><u>P 17,888,331,330</u></b>

#### 15. REVENUES AND OTHER INCOME

The details of revenues and other income are shown below.

	Notes	<b>For the Nine Months Ended</b>	
		<b>September 30, 2022</b> <b>(Unaudited)</b>	September 30, 2021 <b>(Unaudited)</b>
Sales	19.3	<b>P 41,344,055,830</b>	P 37,680,190,771
Others:			
Foreign currency gains – net		<b>446,627,773</b>	342,826,792
Share in net profit of joint venture	11	<b>73,048,419</b>	68,593,350
Others	5	<b>775,697,302</b>	265,203,635
		<b><u>1,295,373,494</u></b>	<b><u>676,623,777</u></b>
		<b><u>P 42,639,429,324</u></b>	<b><u>P 38,356,814,548</u></b>

## 16. COSTS OF GOODS SOLD

The details of costs of goods sold are shown below.

	Notes	For the Nine Months Ended	
		September 30, 2022 (Unaudited)	September 30, 2021 (Unaudited)
Finished goods, beginning	7	<b>P 5,574,742,812</b>	P 5,159,455,789
Finished goods purchased	19.1	<b>1,946,497,852</b>	947,858,618
Cost of goods manufactured			
Raw and packaging materials, beginning	7	4,209,746,983	4,700,265,219
Net purchases	19.1	26,733,364,307	23,444,107,215
Raw and packaging materials, end	7	<b>(6,878,038,808)</b>	<b>(5,556,559,075)</b>
Raw materials used		<b>P 24,065,072,482</b>	P 22,587,813,359
Work-in-process, beginning	7	24,225,660,910	21,071,773,814
Direct labor		1,149,863,926	1,078,302,922
Manufacturing overhead:			
Depreciation and amortization	8	892,302,211	888,531,198
Taxes and licenses		282,355,428	92,656,969
Outside services	19.6	236,034,558	266,338,697
Communication, light, and water		397,696,641	199,268,618
Fuel and lubricants		377,540,194	242,147,097
Repairs and maintenance		326,165,039	234,961,116
Commission		226,526,196	173,285,242
Rentals		175,139,209	159,496,023
Labor		191,130,282	106,401,330
Waste disposal		54,233,811	36,428,521
Insurance		49,191,637	36,812,736
Transportation		73,240,547	29,055,704
Consumables and supplies		173,202,651	98,346,992
Meals		23,352,796	18,777,465
Gasoline and oil		56,234,782	6,627,027
Miscellaneous		124,340,182	79,743,976
Work-in-process, end	7	<b>(25,312,587,009)</b>	<b>(23,502,558,174)</b>
		<b>27,786,696,473</b>	23,904,210,632
Finished goods, end	7	<b>(7,090,055,706)</b>	<b>(6,220,323,282)</b>
		<b>P 28,217,881,431</b>	P 23,791,201,757

## 17. OTHER OPERATING EXPENSES

The details of operating expenses are shown below.

	Notes	For the Nine Months Ended	
		September 30, 2022 (Unaudited)	September 30, 2021 (Unaudited)
Advertising		P 2,088,605,933	P 1,667,276,268
Salaries and employee benefits		1,316,030,242	1,331,604,024
Taxes and licenses		70,419,899	100,963,994
Professional fees and outside services		409,056,487	289,487,286
Freight-out		307,170,605	283,385,702
Travel and transportation		269,899,983	175,927,075
Depreciation and amortization	8	192,416,704	174,703,502
Other services		118,399,375	51,060
Fuel and oil		68,028,757	38,412,155
Representation		59,773,457	124,824,405
Rentals		76,707,379	85,258,594
Repairs and maintenance		48,320,933	55,809,988
Insurance		31,381,111	29,784,383
Supplies		29,153,356	30,631,193
Communication, light, and water		20,225,102	24,573,402
Meals		13,486,164	15,803,217
Amortization of trademarks	9	1,211,544	1,211,544
Provisions*		( 33,500,000)	( 37,264,000)
Others		229,352,238	123,284,586
		<b>P 5,316,139,269</b>	<b>P 4,515,728,378</b>

\*Reversal of onerous lease provision

These expenses are classified in profit or loss in the interim consolidated statements of comprehensive income as follows:

	For the Nine Months Ended	
	September 30, 2022 (Unaudited)	September 30, 2021 (Unaudited)
Selling and distribution expenses	P 3,773,739,205	P 3,200,880,197
General and administrative expenses	1,542,400,064	1,314,848,181
	<b>P 5,316,139,269</b>	<b>P 4,515,728,378</b>

## 18. TAXES

EMI and its Philippine subsidiaries are subject to the higher of regular corporate income tax ("RCIT") at 25% of net taxable income, or minimum corporate income tax ("MCIT") at 1% of gross income, as defined under the Philippine tax regulations. The Group declared RCIT for the nine months ended September 30, 2022 and 2021 as RCIT was higher in those periods, except for TEI in which MCIT was higher than RCIT in 2021.

The Group opts to claim itemized deductions in computing its income tax due, except for EDI, Progreen and AWGI which opt to claim optional standard deduction during the same taxable periods. Taxes also include the final tax withheld on interest income.

EMI's foreign subsidiaries are subject to income and other taxes based on the enacted tax laws of the countries and/or jurisdictions where they operate.



In UK, an increase in corporation tax rates from 19% to 25% shall take effect on April 1, 2023 by the Royal Assent received on June 10, 2021. Accordingly, deferred tax assets and deferred tax liabilities were re-measured at the new tax rate which resulted in additional tax expense in 2021 of which P672.4 million pertains principally to intangibles at the consolidation level. This deferred tax adjustment was taken up in the consolidated financial statements only, does not affect stand-alone operating results of UK business, and it would not be realized or paid unless the business is liquidated or sold in the far future.

The components of tax expense as reported in the interim consolidated statements of comprehensive income are as follows:

	<b>For the Nine Months Ended</b>	
	<b>September 30, 2022</b>	September 30, 2021
	<b>(Unaudited)</b>	(Unaudited)
<i>Reported in profit or loss:</i>		
Current tax expense		
RCIT at 19% and 25%	<b>P 913,066,232</b>	P 1,155,060,953
Final tax on interest	<b>8,867,246</b>	1,787,337
MCIT	<b>533,942</b>	561,461
	<b>922,467,420</b>	1,157,409,751
Deferred tax expense		
One-time effect of change in rate on fair value of assets/ intangibles		672,384,000
Origination and reversal of other temporary differences	<b>174,807,891</b>	321,780,964
	<b>174,807,891</b>	994,164,964
	<b>P 1,097,275,311</b>	P 2,151,574,715
<i>Reported in other comprehensive income or loss –</i>		
Deferred tax expense relating to retirement benefit obligation re-measurement	<b>(P 44,772,750)</b>	P 152,439,000

The deferred tax assets and liabilities relate to the following:

	<b>September 30, 2022</b>	December 31, 2021
	<b>(Unaudited)</b>	(Audited)
Brand valuation	<b>(P 2,618,853,680)</b>	(P 2,491,991,522)
Fair value adjustment	<b>( 406,269,242)</b>	( 386,506,864)
Short-term temporary differences	<b>( 397,630,201)</b>	( 342,312,232)
Retirement benefit asset	<b>( 288,664,123)</b>	( 228,632,315)
PFRS 16 impact	<b>49,196,408</b>	49,196,408
Capitalized borrowing costs	<b>( 41,118,820)</b>	( 41,118,820)
Allowance for impairment	<b>22,614,307</b>	22,614,307
Unamortized past service costs	<b>178,093</b>	178,093
Net deferred tax liabilities	<b>(P 3,680,547,258)</b>	(P 3,418,572,945)

These are presented in the interim consolidated statements of financial position as follows:

	<b>September 30, 2022</b>	December 31, 2021
	<b>(Unaudited)</b>	(Audited)
Deferred tax liabilities - net	<b>(P 3,805,254,565)</b>	P 3,552,232,410
Deferred tax assets - net	<b>124,707,307</b>	133,659,465
	<b>(P 3,680,547,258)</b>	(P 3,418,572,945)

## 19. RELATED PARTY TRANSACTIONS

The Group's related parties include the ultimate parent company, stockholders, officers and employees, and other related parties under common ownership.

The summary of the Group's significant transactions with its related parties for the nine months ended September 30, 2022 and 2021 and the related outstanding balances as of September 30, 2022 and December 31, 2021 are shown below.

Related Party Category	Notes	Amount of Transaction For the Nine Months Ended		Outstanding Receivable (Payable)	
		September 30, 2022	September 30, 2021	September 30, 2022	December 31, 2021
<b>Ultimate Parent Company:</b>					
Dividends		P -	P 4,252,534,514	P -	P -
Lease of properties	19.2(a)	<b>19,875,000</b>	11,828,000	-	-
<b>Related Parties Under Common Ownership:</b>					
Purchase of raw materials	19.1	<b>1,931,715,490</b>	1,102,142,430	( 636,136,890)	( 621,856,151)
Purchase of finished goods	19.1	<b>14,575,951</b>	12,416,664	-	( 972,593)
Lease of properties	19.2(b),(c)	<b>58,372,662</b>	57,691,972	-	-
Sale of goods	19.3	<b>151,791,619</b>	32,536,892	<b>202,312,509</b>	206,204,092
Management services	19.6	<b>45,000,000</b>	45,000,000	( 115,500,000)	( 33,000,000)
Refundable deposits	19.2(b),(c)	-	( 1,205,758)	<b>6,480,688</b>	6,480,688
<b>Stockholder -</b>					
Advances obtained	19.5	-	-	( 3,070,715)	( 3,070,715)
<b>Officers and Employees -</b>					
Advances granted (collected)	19.4	<b>402,879,156</b>	51,466,028	<b>506,325,186</b>	103,446,030

The Group's outstanding receivables from and payables to related parties arising from the above transactions are unsecured, noninterest-bearing and payable on demand, unless otherwise stated. No impairment loss was recognized in the first nine months of 2022 and 2021 for related party receivables.

### 19.1 Purchase of Goods

The Group imports raw materials such as alcohol, flavorings and other items, and finished goods through Andresons Global, Inc. ("AGL"), a related party under common ownership. These transactions are normally being paid within 30 days. The Group also imports raw materials from Alcoholera dela Mancha Vinicola, S.L., a wholly owned subsidiary of BLC, which is considered a related party under joint control (see Note 11).

The related unpaid purchases as of September 30, 2022 and December 31, 2021 are shown as part of Trade payables under the Trade and Other Payables account in the interim consolidated statements of financial position (see Note 14).

### 19.2 Lease Agreements

The Group recognized right-of-use assets and lease liabilities from these lease agreements, which will be amortized and paid, respectively, over the lease term in lieu of the annual rent expense. Amortization of right-of-use assets and interest expense recognized from the lease liabilities are presented as part of Depreciation and amortization under the Costs of Goods Sold account and as part of Interest Expense account in the interim consolidated statements of comprehensive income, respectively.

The outstanding right-of-use assets and lease liabilities from these lease agreements are presented as part of Property, Plant, and Equipment – net account and Lease Liabilities account, respectively, in the interim consolidated statements of financial position (see Note 8).

(a) *AGI*

AWGI leases the glass manufacturing plant located in Laguna from AGI. The amount of rental is mutually agreed upon by the parties at the start of each year, as provided in their lease contract.

There were no outstanding balances or refundable security deposits arising from this lease agreement as of September 30, 2022 and December 31, 2021.

(b) *Megaworld Corporation*

EDI, PAI and AWGI also entered into lease contracts with Megaworld Corporation (“Megaworld”), a related party under common ownership, for the head office space of the Group. The Group paid P34.5 million and P35.0 million in rentals for the first nine months of 2022 and 2021, respectively.

The refundable security deposits paid to the lessors are shown as part of Other Non-current Assets account in the interim consolidated statements of financial position (see Note 10.2).

(c) *Empire East Land Holdings, Inc.*

EDI entered into a lease contract with Empire East Land Holdings, Inc., a related party under common ownership, for its office and warehouse. The Group paid P23.9 million and P22.7 million in rentals for the first nine months of 2022 and 2021, respectively.

### 19.3 *Sale of Goods*

The Group sold finished goods to some of its related parties on the basis of the price lists in force and terms that would be available to non-related parties. The outstanding receivables from these transactions are generally noninterest-bearing, unsecured and settled through cash within three to six months. These receivables are presented as part of Trade receivables under the Trade and Other Receivables account in the interim consolidated statements of financial position (see Note 6).

### 19.4 *Advances to Officers and Employees*

In the normal course of business, the Group grants noninterest-bearing, unsecured, and payable on demand cash advances to certain officers and employees. The outstanding balance arising from these transactions is presented as Advances to officers and employees under the Trade and Other Receivables account in the interim consolidated statements of financial position (see Note 6).

The movements in the balance of Advances to officers and employees are as follows:

	<b>September 30, 2022</b> <b>(Unaudited)</b>	December 31, 2021 <b>(Audited)</b>
Balance at beginning of period	<b>P 103,446,030</b>	P 44,299,252
Additions - net	<b>402,879,156</b>	59,146,778
Balance at end of period	<b>P 506,325,186</b>	P 103,446,030

### ***19.5 Advances to (from) Related Parties***

Certain entities within the AGI Group and other related parties grant cash advances to (from) the Group for its working capital, investment and inventory purchases requirements. These advances are unsecured, noninterest-bearing and repayable in cash upon demand. These advances are presented as Advances to related parties under the Trade and Other Receivables account (see Note 6) and as Advances from related parties under the Trade and Other Payables account (see Note 14).

### ***19.6 Management Services***

Progreen has a management agreement with Consolidated Distillers of the Far East, Inc. for consultancy and advisory services in relation to the operation, management, development and maintenance of its distillery plant.

Total management fees incurred are presented as part of Outside services under the Costs of Goods Sold account in the interim consolidated statements of comprehensive income (see Note 16). The outstanding liability is presented as part of Trade payables under the Trade and Other Payables account in the interim consolidated statements of financial position (see Note 14). The related liabilities are unsecured, noninterest-bearing and payable upon demand.

### ***19.7 Purchase and Sale Commitment***

On December 27, 2020, the Group signed a letter of intent with Global One, a related party under common ownership, for the sale of the Group's certain land and buildings (reported as Non-Current Assets Held for Sale in the interim consolidated statements of financial position) for a total purchase price of €16.6 million.

## **20. EQUITY**

### ***20.1 Treasury Shares***

On May 12, 2017, the Parent Company's BOD authorized the buy-back of EMI's common shares of up to P5.0 billion for a term of 2 years commencing on May 16, 2017 and ending on May 16, 2019. On May 7, 2019, the buy-back program of the Parent Company's common shares of up to P3.0 billion was extended for another 12 months up to May 16, 2020. On May 16, 2020 the BOD approved another 12-month extension and fully used up the allotment before the end of the extension period.

On April 12, 2021, the Parent Company's BOD authorized another buy-back program of up to P1.0 billion ending on December 31, 2021 under the same terms and conditions as the previous ones. The allotment was fully used up by the end of June 30, 2021.

As of September 30, 2022 and December 31, 2021, the Parent Company had spent P6.12 billion including trading charges, to purchase a total of 759.20 million shares. Out of these, a total of 253.3 million shares had been issued to Arran for the Tranche 1 Conversion of the ELS in February 2020 (see Note 13). As of September 30, 2022, there were 505.92 million shares in treasury amounting to P4.75 billion and presented under Treasury Shares account in the interim consolidated statement of changes in equity.

Under the Revised Corporation Code of the Philippines, a stock corporation can purchase or acquire its own shares provided that it has unrestricted retained earnings to cover the shares to be purchased or acquired.

## 20.2 Declaration of Dividends

The details of the Parent Company's cash dividend declarations for the nine months ended September 30, 2021 are as follows:

<u>Date of Declaration</u>	<u>Date of Stockholders' Record</u>	<u>Payable Date</u>	<u>Dividend per Share</u>	<u>Total</u>
January 4, 2021	January 15, 2021	February 3, 2021	P 0.12	P1,900,582,805
March 8, 2021	March 19, 2021	April 15, 2021	0.09	1,425,437,103
August 2, 2021	August 13, 2021	September 8, 2021	0.11	<u>1,731,011,836</u>
				<b><u>P5,057,031,744</u></b>

There were no dividends declared and paid by the Parent Company for the nine months ended September 30, 2022.

The Parent Company's buy-back program restricts its retained earnings for distribution as dividends up to the cost of the treasury shares (see Note 20.1).

## 20.3 Subsidiaries with Non-controlling Interest

The composition of non-controlling interest account is as follows:

	<u>September 30, 2022</u> <u>(Unaudited)</u>	<u>December 31, 2021</u> <u>(Audited)</u>
DBLC	<b>P 1,245,948,808</b>	P 1,021,025,250
Boozylife	<b>( 28,190,470)</b>	( 20,855,756)
	<b><u>P 1,217,758,338</u></b>	<b><u>P 1,000,169,494</u></b>

## 21. EARNINGS PER SHARE

Earnings per share were computed as follows:

	<u>For the Nine Months Ended</u>	
	<u>September 30, 2022</u> <u>(Unaudited)</u>	<u>September 30, 2021</u> <u>(Unaudited)</u>
Consolidated net profit attributable to owners of parent company	<b>P 7,184,603,160</b>	P 7,258,971,501
Divided by weighted average number of outstanding common shares	<b><u>15,801,951,138</u></b>	<u>15,787,188,303</u>
Basic and diluted earnings per share	<b><u>P 0.45</u></b>	<b><u>P 0.46</u></b>

The basic and diluted earnings per share are the same because the dilutive effects of potential common shares from the employee share options and convertible ELS are negligible for the periods presented. Thus, the weighted average number of issued and outstanding common shares presented above does not include the effect of the potential common shares from the employee share options and convertible ELS.

The treasury shares under the buy-back program (see Note 20.1) and those held by a subsidiary do not form part of outstanding shares.

## 22. RISK MANAGEMENT OBJECTIVES AND POLICIES

The Group is exposed to certain financial risks which result from its operating activities. The main types of risks are market risk, credit risk, liquidity risk and price risk. There have been no significant changes in the Group's financial risk management objectives and policies during the period.

The Group's risk management is coordinated with AGI, in close cooperation with the BOD appointed by AGI, and focuses on actively securing the Group's short-to-medium term cash flows by minimizing the exposure to financial markets.

The Group does not engage in the trading of financial assets for speculative purposes nor does it write options. The most significant financial risks to which the Group is exposed to are described below and in the succeeding paragraphs.

### 22.1 Market Risk

The Group is exposed to market risk through its use of financial instruments and specifically to foreign currency risk, interest rate risk and certain other price risk which result from its operating, investing and financing activities.

#### (a) Foreign Currency Risk

Most of the Group's transactions are carried out in Philippine pesos, United States ("US") dollars, Euros, and UK pounds, which are the entities' functional currencies. Exposures to currency exchange rates arise from the Group's foreign currency-denominated transactions at each entity level. The Group has no significant exposure to other foreign currency exchange rates at each entity level, except for US dollars of EDI and foreign subsidiaries, since these other foreign currencies are not significant to the Group's interim consolidated financial statements. EDI has cash and cash equivalents in US dollars as of September 30, 2022 and December 31, 2021 while the foreign subsidiaries have cash and cash equivalents, receivables and payables in US dollars. To mitigate the Group's exposure to foreign currency risk, non-functional currency cash flows are being monitored.

Foreign currency-denominated financial assets and financial liabilities with exposure to foreign currency risk, translated into Philippine pesos at the closing rate, are as follows:

	<b>September 30, 2022</b> <b>(Unaudited)</b>		December 31, 2021 (Audited)
Financial assets	<b>P 908,595,676</b>	P	432,911,894
Financial liabilities	<b>( 651,530,117)</b>	(	<u>2,750,063,007</u> )
	<b><u>P 257,065,559</u></b>	(P	<u>2,317,151,113</u> )

The following table illustrates the sensitivity of the Group's consolidated profit before tax with respect to changes in Philippine pesos against US dollar exchange rates. The percentage changes in rates have been determined based on the average market volatility in exchange rates, using standard deviation, in the previous 12 months at a 68% confidence level.

	Reasonably possible change in rate	Effect in consolidated profit before tax	Effect in consolidated equity
<b>September 30, 2022</b>	<b>4.89%</b>	<b><u>P 12,570,506</u></b>	<b><u>P 9,427,879</u></b>
December 31, 2021	4.11%	(P <u>95,234,911</u> )	(P <u>71,426,183</u> )

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.

(b) *Interest Rate Risk*

As at September 30, 2022 and December 31, 2021, the Group is exposed to changes in market rates through its cash in banks and short-term placements which are generally subject to 30-day re-pricing intervals (see Note 5). Due to the short duration of short-term placements, management believes that interest rate sensitivity and its effect on the net results and equity are not significant. The Group's interest-bearing loans and borrowings are subject to fixed interest rates and are therefore not subject to interest rate risk, except for certain loans that are based on Euro Interbank Offered Rate ("EURIBOR") and Sterling Overnight Index Average. The Group does not see a material interest rate risk here in the short-term. The Group does not see a significant effect on the interim consolidated financial statements from both.

(c) *Other Price Risk*

The Group was exposed to other price risk in respect of its financial instruments at fair value through profit or loss ("FVTPL"), which pertain to derivative assets and liabilities arising from foreign exchange margins trading spot and forward contracts. These financial instruments will continue to be measured at fair value based on the index reference provided by certain foreign financial institution and through reference to quoted bid prices, respectively. The Group believes that the change in foreign exchange rate related to foreign exchange margins trading spot rate and forward contracts will not materially affect the interim consolidated financial statements.

## 22.2 *Credit Risk*

Credit risk is the risk that counterparty may fail to discharge an obligation to the Group. The Group is exposed to this risk for various financial instruments arising from granting advances and selling goods to customers including related parties and placing deposits with banks.

The Group continuously monitors defaults of customers and other counterparties, identified either individually or by group, and incorporates this information into its credit risk controls. The Group's policy is to deal only with creditworthy counterparties.

Generally, the maximum credit risk exposure of financial assets is the total carrying amount of the financial assets as shown in the interim consolidated statements of financial position or in the detailed analysis provided in the notes to the interim consolidated financial statements, as presented below.

	Notes	September 30, 2022 (Unaudited)	December 31, 2021 (Audited)
Cash and cash equivalents	5	<b>P 12,538,849,012</b>	P 9,333,783,438
Trade and other receivables – net	6	<b>13,471,281,961</b>	14,095,144,617
Property mortgage receivable	10.2	-	646,636,072
Refundable security deposits	10	<b><u>118,823,485</u></b>	<u>63,917,560</u>
		<b><u>P 26,128,954,458</u></b>	<u>P 24,139,481,687</u>

The Group's management considers that all the above financial assets that are not impaired as at the end of reporting period under review are of good credit quality.

(a) *Cash and Cash Equivalents*

The credit risk for cash and cash equivalents is considered negligible since the counterparties are reputable banks with high quality external credit ratings. Cash and cash equivalents include cash in banks and short-term placements in the Philippines which are insured by the Philippine Deposit Insurance Corporation up to a maximum coverage of P0.5 million for every depositor per banking institution.

(b) *Trade and Other Receivables, Property Mortgage Receivable, and Refundable Security Deposits*

The Group applies the simplified approach in measuring ECL which uses a lifetime expected loss allowance for all trade receivables and other receivables. To measure the expected credit losses, trade receivables have been grouped based on shared credit risk characteristics and the days past due (age buckets).

Based on application of ECL methodology on the trade receivables, the allowance for impairment is deemed to be adequate; hence, no further credit losses were recognized.

Management believes that any additional expected credit losses from the application of the ECL methodology would not be material to the Group's interim consolidated financial statements.

For the advances to related parties and refundable security deposits, the lifetime ECL rate is assessed at 0%, as there was no historical credit loss experience from the counterparties. The counterparties have low credit risk and strong financial position and sufficient liquidity to settle its obligations to the Group once they become due. With respect to property mortgage receivable, management assessed that this financial asset has low probability of default since the Parent Company is also a lessee over the same property and can apply such receivable against future lease payments.

### 22.3 Liquidity Risk

The Group manages its liquidity needs by carefully monitoring cash out flows due in day-to-day business. Liquidity needs are monitored in various time bands, on a day-to-day and week-to-week basis, as well as on the basis of a rolling 60-day projection. Long-term liquidity needs for a six-month and one-year period are identified monthly.

The contractual maturities of Trade and Other Payables (except for output VAT payable, withholding tax payables and advances from suppliers under Others) and Interest-bearing Loans reflect the gross cash flows, which approximate the carrying values of the liabilities at the end of each reporting period.

The maturity profile of the Group's financial liabilities as of September 30, 2022 and December 31, 2021 based on contractual undiscounted payments is as follows:

	<b>September 30, 2022 (Unaudited)</b>			
	CURRENT		NON-CURRENT	
	Within 6 months	6 to 12 months	1 to 5 years	More than 5 years
Interest-bearing loans	P 747,627,538	P 3,178,221,818	P 19,820,671,033	P -
Trade and other payables	19,282,674,211	-	-	-
Lease liabilities	<u>139,929,182</u>	<u>131,390,080</u>	<u>295,819,881</u>	<u>101,841,322</u>
	<b><u>P 20,170,230,931</u></b>	<b><u>P 3,309,611,898</u></b>	<b><u>P 20,116,490,914</u></b>	<b><u>P 101,841,322</u></b>
	<b>December 31, 2021 (Audited)</b>			
	CURRENT		NON-CURRENT	
	Within 6 months	6 to 12 months	1 to 5 years	More than 5 years
Interest-bearing loans	P 734,323,235	P 2,946,647,836	P 21,946,907,378	P -
Trade and other payables	17,205,504,621	-	-	-
Lease liabilities	<u>146,261,792</u>	<u>134,778,563</u>	<u>861,533,617</u>	<u>431,965,723</u>
	<b><u>P 18,086,089,648</u></b>	<b><u>P 3,081,426,399</u></b>	<b><u>P 22,808,440,995</u></b>	<b><u>P 431,965,723</u></b>

The Group maintains cash to meet its liquidity requirements for up to seven-day periods. Excess cash funds are invested in short-term placements.



## 23. CATEGORIES AND OFFSETTING OF FINANCIAL ASSETS AND FINANCIAL LIABILITIES

### 23.1 Carrying Values and Fair Values of Financial Assets and Financial Liabilities

The carrying values and fair values of the categories of financial assets and financial liabilities presented in the interim consolidated statements of financial position are shown below.

	Notes	September 30, 2022 (Unaudited)		December 31, 2021 (Audited)	
		Carrying Values	Fair Values	Carrying Values	Fair Values
<i>Financial Assets</i>					
Financial assets					
at amortized cost:					
Cash and cash equivalents	5	P 12,538,849,012	P 12,538,849,012	P 9,333,783,438	P 9,333,783,438
Trade and other receivables	6	13,471,281,961	13,471,281,961	14,095,144,617	14,095,144,617
Property mortgage receivable	10.2	-	-	646,636,072	646,636,072
Refundable security deposits	10	<u>118,823,485</u>	<u>118,823,485</u>	<u>63,917,560</u>	<u>63,917,560</u>
		<u>P 26,128,954,458</u>	<u>P 26,128,954,458</u>	<u>P 24,139,481,687</u>	<u>P 24,139,481,687</u>
Financial assets at FVTPL		<u>P 13,372,100</u>	<u>P 13,372,100</u>	<u>P 3,294,192</u>	<u>P 3,294,192</u>
<i>Financial Liabilities</i>					
Financial liabilities					
at amortized cost:					
Interest -bearing loans	12	P 23,344,116,347	P 23,344,116,347	P 24,841,430,646	P 24,841,430,646
Trade and other payables	14	19,282,674,211	19,282,674,211	17,205,504,621	17,205,504,621
Lease liabilities	8.3	<u>668,980,465</u>	<u>668,980,465</u>	<u>1,092,950,054</u>	<u>1,092,950,054</u>
		<u>P 43,295,771,023</u>	<u>P 43,295,771,023</u>	<u>P 43,139,885,321</u>	<u>P 43,139,885,321</u>

A description of the Group's risk management objectives and policies for financial instruments is provided in Note 22.

### 23.2 Offsetting of Financial Assets and Financial Liabilities

Currently, the Group's financial assets and financial liabilities are settled on a gross basis because there is no relevant offsetting arrangement on them as of September 30, 2022 and December 31, 2021. In subsequent reporting periods, each party to the financial instruments (particularly those involving related parties) may decide to enter into an offsetting arrangement in the event of default of the other party.

## 24. FAIR VALUE MEASUREMENT AND DISCLOSURES

### 24.1 *Fair Value Hierarchy*

In accordance with PFRS 13, *Fair Value Measurement*, the fair value of financial assets and financial liabilities and non-financial assets which are measured at fair value on a recurring or non-recurring basis and those assets and liabilities not measured at fair value but for which fair value is disclosed in accordance with other relevant PFRS, are categorized into three levels based on the significance of inputs used to measure the fair value. The fair value hierarchy has the following levels:

- Level 1: quoted prices (unadjusted) in active markets for identical assets or liabilities that an entity can access at the measurement date;
- Level 2: inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (i.e., as prices) or indirectly (i.e., derived from prices); and,
- Level 3: inputs for the asset or liability that are not based on observable market data (unobservable inputs).

The level within which the asset or liability is classified is determined based on the lowest level of significant input to the fair value measurement.

For purposes of determining the market value at Level 1, a market is regarded as active if quoted prices are readily and regularly available from an exchange, dealer, broker, industry group, pricing service, or regulatory agency, and those prices represent actual and regularly occurring market transactions on an arm's length basis.

### 24.2 *Financial Instruments Measured at Fair Value*

The Group's financial instruments measured at fair value pertain to the Group's derivative instruments. These were presented as financial assets at FVTPL amounting to P13.4 million and P3.3 million as of September 30, 2022 and December 31, 2021, respectively. The fair values of derivative financial instruments that are not quoted in an active market are determined through valuation techniques using the net present value computation.

**24.3 Financial Instruments Measured at Amortized Cost for which Fair Value is Disclosed**

The table below summarizes the fair value hierarchy of the Group's financial assets and financial liabilities which are not measured at fair value in the interim consolidated statements of financial position but for which fair value is disclosed.

	<b>September 30, 2022 (Unaudited)</b>			
	<b>Level 1</b>	<b>Level 2</b>	<b>Level 3</b>	<b>Total</b>
<b>Financial assets:</b>				
Cash and cash equivalents	P 12,538,849,012	P -	P -	P 12,538,849,012
Trade and other receivables	-	-	13,471,281,961	13,471,281,961
Refundable security deposits	-	-	118,823,485	118,823,485
	<b><u>P 12,538,849,012</u></b>	<b><u>P -</u></b>	<b><u>P 13,590,105,446</u></b>	<b><u>P 26,128,954,458</u></b>
<b>Financial liabilities:</b>				
Interest-bearing loans	P -	P -	P 23,344,116,347	P 23,344,116,347
Trade and other payables	-	-	19,282,674,211	19,282,674,211
Lease liabilities	-	-	699,441,572	699,441,572
	<b><u>P -</u></b>	<b><u>P -</u></b>	<b><u>P 43,326,232,130</u></b>	<b><u>P 43,326,232,130</u></b>
<b>December 31, 2021 (Audited)</b>				
	<b>Level 1</b>	<b>Level 2</b>	<b>Level 3</b>	<b>Total</b>
<b>Financial assets:</b>				
Cash and cash equivalents	P 9,333,783,438	P -	P -	P 9,333,783,438
Trade and other receivables	-	-	14,095,144,617	14,095,144,617
Property mortgage receivable	-	-	646,636,072	646,636,072
Refundable security deposits	-	-	63,917,560	63,917,560
	<b><u>P 9,333,783,438</u></b>	<b><u>P -</u></b>	<b><u>P 14,805,698,249</u></b>	<b><u>P 24,139,481,687</u></b>
<b>Financial liabilities:</b>				
Interest-bearing loans	P -	P -	P 24,841,430,646	P 24,841,430,646
Trade and other payables	-	-	17,205,504,621	17,205,504,621
Lease liabilities	-	-	1,092,950,054	1,092,950,054
	<b><u>P -</u></b>	<b><u>P -</u></b>	<b><u>P 43,139,885,321</u></b>	<b><u>P 43,139,885,321</u></b>

For financial assets with fair values included in Level 1, management considers that the carrying amounts of those short-term financial instruments approximate their fair values.

## 25. CAPITAL MANAGEMENT OBJECTIVES, POLICIES AND PROCEDURES

The Group's capital management objectives are to ensure the Group's ability to continue as a going concern and to provide an adequate return to shareholders by pricing products and services commensurately with the level of risk.

The Group monitors capital on the basis of the carrying amount of equity as presented in the face of the interim consolidated statements of financial position. Capital at the end of each reporting period is summarized as follows:

	<b>September 30, 2022</b> <b>(Unaudited)</b>		December 31, 2021 (Audited)
Total liabilities	<b>P 49,269,040,066</b>	P	49,798,141,454
Total equity	<b>87,053,417,713</b>		78,718,235,367
Liabilities-to-equity ratio	<b>P 0.57 : 1.00</b>	P	0.63 : 1.00

The Group sets the amount of capital in proportion to its overall financing structure, i.e., equity and liabilities. The Group manages the capital structure and makes adjustments to it in the light of changes in economic conditions and the risk characteristics of the underlying assets. In order to maintain or adjust the capital structure, the Group may adjust the amount of dividends paid to shareholders, issue new shares or sell assets to reduce debt.

## 26. CONTINUING IMPACT OF COVID-19 PANDEMIC

The COVID-19 pandemic which put the Philippines in a state of calamity is continuing globally as of date of this report, with new variants of the virus coming out and causing upsurges and re-imposition of restrictions in countries so affected at varying degrees. The government's vaccination program is ongoing. The Group has started its vaccination program for its employees in May 2021, and later on to their family members, to help achieve the herd immunity that the government is aiming for.

There were global economic disruptions in the first quarter brought about by the Omicron variant waves of infection that caused record peaks in most countries in January, including UK, Spain, Mexico, and Philippines. As the situation had improved globally, public health restrictions had eased in most places while there were still tightening in other places due to new variants causing infections.

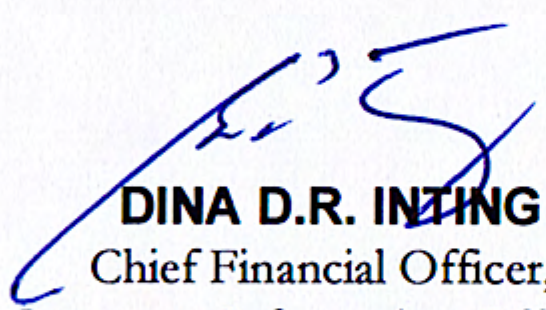
The world is not yet out of the pandemic in which the ultimate impact is still uncertain and subject to change. Accordingly, management cannot reliably estimate the quantitative impact of the pandemic on the Group's interim consolidated financial position and results of operations for future periods. The Group follows dutifully government guidelines and pronouncements.

## 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: **EMPERADOR INC.**

By:



**DINA D.R. INTING**  
Chief Financial Officer,  
Corporate Information Officer  
& Duly Authorized Officer  
(Principal Financial/Accounting Officer)  
November 10, 2022