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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. Street/City/ 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 MARCH 31, 2021)

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

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SECURITIES AND EXCHANGE COMMISSION

SEC FORM 17-Q

**QUARTERLY REPORT PURSUANT TO SECTION 17 OF THE SECURITIES
REGULATION CODE AND SRC RULE 17(2)(b) THEREUNDER**

1. For the quarterly period ended.....**March 31, 2021**
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. **7th 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 As of March 31, 2021
Common issued	16,242,391,176
Less Treasury	<u>404,201,138</u>
Outstanding	15,838,190,038

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, 2020 (“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, 2020. 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

The COVID-19 pandemic¹ is continuing globally in 2021. Several variants or mutations are now being monitored and are said to spread more easily and quickly. COVID-19 cases are declining in most parts of the world while other parts are seeing spikes or resurgence. The year opened with Metro Manila (“MM”), Batangas, Iloilo and Davao City still under GCQ (the third phase of community quarantine) while the rest of the country was under the lower MGCQ. The rising infection in March, prompted the government to place MM plus its neighboring Cavite, Laguna, Rizal and Bulacan (“NCR Plus”) into a Stricter GCQ bubble for two weeks starting March 22. Going in and out of the bubble was restricted except for essential needs, longer curfew was imposed, mass gatherings were limited to 10 persons, and take-out and 50% al-fresco dining only were allowed for dining places. With infection cases shooting up, NCR Plus reverted to ECQ for two weeks from March 29, which eased to MECQ for about five weeks from April 12 [and then to ‘GCQ with heightened restrictions’ from May 15] while most of the country are under GCQ with a handful under MECQ. Spain and UK experienced similar tightening of lockdown restrictions.

Vaccination has started worldwide, including the Philippines which started on March 1.

¹ From a public health emergency of international concern in January 2020, the outbreak was declared as a pandemic on March 11, 2020 by WHO. On March 9, President Duterte declared a state of public health emergency and on March 17, put the Philippines under state of calamity. Partial lockdown began on March 12, 2020 in MM which expanded to entire Luzon and its associated islands being put under total lockdown [called Enhanced Community Quarantine (“ECQ”)] beginning March 16, which lasted for two months. This paralyzed all non-essential activities and public transportation. The whole country transitioned to four phases of community quarantines (“CQ”) with easing degrees of restrictions, depending on the severity of infection cases in the locality – i) ECQ, ii) Modified ECQ (“MECQ”), iii) General CQ (“GCQ”), iv) Modified GCQ (“MGCQ”). Spain, UK and Mexico, where the Group principally operate, experienced similar lockdown restrictions.

Results of Operations – First Three Months 2021 vs 2020

The Group continued to bring in robust performance as it opened the year very strongly amidst the ongoing pandemic challenges, surpassing comparable periods in 2020 (when pandemic was just starting) and 2019 (pre-pandemic), further attesting to the strength of its diversified brands, global footprint and operations.

First quarter revenues jumped 13% year-on-year to P12.1 billion with net profit soaring 48% to P2.1 billion and net profit to owners surging 43% to P2.1 billion, bolstered by a strong international business. Net profit margin attributable to owners of the parent company (17%) improved from a year ago (14%) while gross profit margin (33%) remained stable.

<i>In Million Pesos</i>	Q1	Q1	YoY		Q1
	2021	2020	2021	%	2019
Revenues	12,077	10,658	1,419	13	11,026
Brandy ¹	8,163	7,580	583	8	7,690
S. Whisky ¹	3,914	3,078	836	27	3,336
Gross Profit	3,898	3,410	489	14	3,688
Brandy	2,306	2,365	-59	-3	2,284
S. Whisky	1,592	1,044	548	52	1,404
NP	2,099	1,421	678	48	1,743
Brandy	1,381	1,098	283	26	1,086
S. Whisky	718	323	395	122	657
NP to owners	2,084	1,457	626	43	1,738
Brandy	1,367	1,135	232	20	1,081
S. Whisky	717	323	395	122	657
GPmargin ²	33%	33%			34%
Brandy ²	28%	32%			30%
S. Whisky ²	41%	34%			42%
NP-owners margin	17%	14%			16%
Brandy	16%	15%			14%
S. Whisky	18%	10%			19%
EBITDA	2,977	2,212			2,538
Brandy	2,001	1,706			1,750
S. Whisky	976	507			788
EBITDA margin	25%	21%			23%
Brandy	24%	22%			23%
S. Whisky	25%	16%			23%

Notes: Numbers may not add up due to rounding. ¹Segment Revenues are from external customers only.
YoY refers to year-on-year changes. ²GPM is GP over Sales.

The Brandy segment raised revenues from external customers to P8.2 billion, and both net profit and net profit to owners to P1.4 billion, up 8%, 26% and 20% year-on-year, respectively, as the segment adapted to the lockdown restrictions. Brandy sales picked up both locally and offshore, particularly to USA, UK and Mexico. ‘Emperador’, ‘Fundador’ and ‘Harveys Bristol Cream’ showed sales increases during the quarter. The segment’s gross profit margin slightly moved to 28% due to product mix and spike in cost inputs from abroad.

The Scotch Whisky segment had a very good starting quarter as well with revenues from external customers expanding 27% to P3.9 billion, and net profit skyrocketing 122% to P0.7 billion as compared to a year ago. The UK business continued to grow in off-premise and e-commerce channels while on-trade remained shut throughout the quarter. ‘Jura’ is now the no. 1 malt brand in the UK Off-trade, with 38% volume growth, followed by ‘Tamnavulin’ in the no. 2 spot, with

80% growth year-on-year. Most markets were returning, with Asia leading the growth, followed by Europe, USA (tariffs are currently suspended) and developing markets. Travel Retail was still behind last year with travel restrictions/bans still on this year especially in Europe and Middle East, yet Asia was ahead of last year already. Gross profit margin improved to 41% from 34% a year ago due mainly to product mix.

Operating expenses contracted 14% to P1.5 billion from P1.7 billion a year ago because of reduced spending due to lockdown restrictions and travel bans. Salaries and wages, advertising and promotions, freight and handling, travel and transportation, representation and other services were down year-on-year.

Interest expense increased 11% or P0.02 billion to P0.2 billion during the quarter mainly due to variable interest charged during the current interim period.

EBITDA, which is computed as profit before interest expense, tax, depreciation and amortization, amounted to P3.0 billion and P2.2 billion for 2021 and 2020, respectively, showing respective margins of 25% and 21%.

Financial Condition

Total assets amounted to P124.6 billion at March 31, 2021, a 2% increase (P2.2 billion) from P122.5 billion at December 31, 2020. The Group is strongly liquid with current assets exceeding current liabilities 2.3 times by the end of the current interim period, as compared to 2.4 times last year-end.

Cash and cash equivalents were increased by 29% or P2.2 billion at end of interim period, mainly due to collection of beginning receivables during the three-month period. The Group's cash flows from its operations were sufficient to cover its financing and investing activities.

Trade and other receivables decelerated 13% or P2.8 billion, primarily due to collections from customers (-P3.4 billion), who had larger beginning balances due to purchases in the lead up to the Christmas period, while advances to suppliers (+P0.7 billion) accelerated due to increased production requirements.

Financial assets at fair value through profit or loss of P0.05 billion at end of interim period represent primarily the marked-to market valuation of marketable securities held for trading during the period.

Inventories expanded 6% or P1.7 billion primarily from continuous ageing of Scotch whisky (under work-in-process) and advanced production to ensure continuity of dispatch.

Prepayment and other current assets were 16% or P0.2 billion higher than last year-end primarily due to timing of prepayments and subsequent charging to profit or loss in general. These included prepaid excise taxes (+P0.1 billion), product costs (+P0.1 billion), input vat and general prepayments.

Deferred tax assets increased 23% or P0.03 billion due to movements of timing differences.

Other non-current assets went up 8% or P0.1 billion from refundable security deposits and advances to suppliers booked during the interim period.

Current Interest-bearing loans went down 13% or P0.7 billion mainly due to repayment of bank loans plus the effect of translation adjustment of foreign loans.

Trade and other payables increased 8% or P1.2 billion due to timing of purchases for production near to interim-end, offset by the decrease in accrued expenses as the beginning accruals were paid during the quarter.

Current Lease liabilities decreased 5% or P0.01 billion due to rental payments during the interim period.

Dividends payable represent the dividends declared in March and payable in April.

Income tax payable dropped 6% or P0.1 billion as the annual obligations at beginning of the year were adjusted and paid during the period.

Provisions swelled 74% or P165 million due to reclassification of a beginning contingent liability to provision for dilapidations.

Retirement benefit obligations dipped 59% or P0.2 billion due to changes in financial assumptions and foreign exchange adjustments.

Deferred tax liabilities increased 11% or P0.3 billion from the movements of tax timing differences of the Group.

Five Key Performance Indicators

- Revenue growth – measures the percentage change in revenues over a designated period of time.
- Net profit growth – measures the percentage change in net profit over a designated period of time.
- 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 income
- 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 divided by interest expense -measures the business' ability to meet its interest payments.

	Q1	Q1
<i>In Million Pesos</i>	2021	2020
Revenues	12,077	10,658
Net profit [NP]	2,099	1,421
NP to owners	2,084	1,457
Revenue growth	13%	-3%
NP growth	48%	-18%
NP to owners growth	43%	-16%
NP rate	17%	13%
NP owners rate	17%	14%

	Q1	Q1
<i>In Million Pesos</i>	2021	2020
EBIT	2,630	1,862
Interest expense	169	152
Interest coverage	16x	12x

	Mar 31	Dec 31		
<i>In Million Pesos</i>	2021	2020	YTD	%
Quick assets	29,040	29,628	(588)	-2
Current assets	63,330	61,961	1,368	2
Current liabilities	27,704	25,808	1,895	7
Total Assets	124,648	122,452	2,196	2
Current ratio	2.29x	2.40x		
Quick ratio	1.05x	1.15x		
Return on assets	1.7%	6.6%		
	1qtr	1yr		

Financial Soundness Indicators

Please see submitted schedule.

Other Required Disclosures

As at March 31, 2021, 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.)
CONSOLIDATED STATEMENTS OF FINANCIAL POSITION
MARCH 31, 2021 AND DECEMBER 31, 2020
(Amounts in Philippine Pesos)

	Notes	MARCH 31, 2021 (UNAUDITED)	DECEMBER 31, 2020 (AUDITED)
<u>A S S E T S</u>			
CURRENT ASSETS			
Cash and cash equivalents	5	P 9,757,245,824	P 7,561,169,140
Trade and other receivables - net	6	19,237,728,098	22,013,800,294
Financial assets at fair value through profit or loss	24.2	45,709,884	52,551,232
Inventories - net	7	32,697,370,342	30,959,999,370
Prepayments and other current assets	10.1	1,591,775,973	1,373,977,625
Total Current Assets		63,329,830,121	61,961,497,661
NON-CURRENT ASSETS			
Property, plant and equipment - net	8	26,568,048,526	26,435,845,480
Intangible assets - net	9	28,859,706,654	28,365,766,133
Investment in a joint venture	11	3,365,476,765	3,293,862,431
Deferred tax assets		177,911,501	144,894,759
Other non-current assets - net	10.2	1,385,681,843	1,288,545,176
Total Non-current Assets		60,356,825,289	59,528,913,979
NON-CURRENT ASSETS HELD FOR SALE			
	19.8	961,740,423	961,740,595
TOTAL ASSETS		P 124,648,395,833	P 122,452,152,235
<u>LIABILITIES AND EQUITY</u>			
CURRENT LIABILITIES			
Interest-bearing loans	12	P 4,619,519,705	P 5,288,395,845
Trade and other payables	14	16,507,524,850	15,256,516,254
Dividends payable	20.2	1,423,320,903	-
Equity-linked debt securities	13	3,443,750,000	3,443,750,000
Lease liabilities	8.3	165,518,382	173,763,731
Income tax payable		1,544,139,185	1,645,950,536
Total Current Liabilities		27,703,773,025	25,808,376,366
NON-CURRENT LIABILITIES			
Interest-bearing loans	12	25,091,944,716	25,091,948,760
Lease liabilities	8.3	1,297,839,806	1,289,130,534
Provisions		387,860,616	222,999,552
Deferred tax liabilities - net		2,576,836,632	2,315,851,761
Retirement benefit obligation - net		145,757,898	359,528,946
Total Non-current Liabilities		29,500,239,668	29,279,459,553
Total Liabilities		57,204,012,693	55,087,835,919
EQUITY			
	20		
Equity attributable to owners of the parent company		66,642,205,956	66,585,804,689
Non-controlling interest	20.3	802,177,184	778,511,627
Total Equity		67,444,383,140	67,364,316,316
TOTAL LIABILITIES AND EQUITY		P 124,648,395,833	P 122,452,152,235

See Notes to Consolidated Financial Statements.

EMPERADOR INC. AND SUBSIDIARIES
(A Subsidiary of Alliance Global Group, Inc.)
CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME
FOR THE THREE MONTHS ENDED MARCH 31, 2021 AND 2020
(Amounts in Philippine Pesos)
(UNAUDITED)

	Notes	2021	2020
REVENUES AND OTHER INCOME	15	P 12,076,285,265	P 10,657,587,933
COSTS AND EXPENSES			
Costs of goods sold	16	7,959,602,575	6,949,915,592
Selling and distribution expenses	17	978,935,521	1,262,717,932
General and administrative expenses	6, 17	507,918,669	469,173,064
Interest expense	8, 12, 13	168,865,251	152,218,826
Other charges	8	200	114,000,698
		9,615,322,216	8,948,026,112
PROFIT BEFORE TAX		2,460,963,049	1,709,561,821
TAX EXPENSE	18	362,040,349	288,827,842
NET PROFIT		P 2,098,922,700	P 1,420,733,979
OTHER COMPREHENSIVE INCOME (LOSS)			
Item that will be reclassified subsequently to profit or loss			
Translation gain (loss)		1,147,660,576	(2,071,580,083)
Items that will not be reclassified subsequently to profit or loss			
Net actuarial gain on retirement benefit plan		181,566,000	241,605,000
Tax expense on remeasurement of retirement benefit plan		(45,391,500)	(45,904,950)
		136,174,500	195,700,050
		1,283,835,076	(1,875,880,033)
TOTAL COMPREHENSIVE INCOME (LOSS)		P 3,382,757,776	(P 455,146,054)
Net profit attributable to:			
Owners of the parent company		P 2,083,850,350	P 1,457,468,218
Non-controlling interest		15,072,350	(36,734,239)
		P 2,098,922,700	P 1,420,733,979
Total comprehensive income (loss) attributable to:			
Owners of the parent company		P 3,359,092,219	(P 81,564,738)
Non-controlling interest		23,665,557	(373,581,316)
		P 3,382,757,776	(P 455,146,054)
Earnings Per Share for the Net Profit Attributable to Owners of the Parent Company - Basic and Diluted	21	P 0.13	P 0.09

See Notes to Consolidated Financial Statements.

EMPERADOR INC. AND SUBSIDIARIES
(A Subsidiary of Alliance Global Group, Inc.)
CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY
FOR THE THREE MONTHS ENDED MARCH 31, 2021 AND 2020
(Amounts in Philippine Pesos)
(UNAUDITED)

	Attributable to Owners of the Parent Company													Non-controlling Interest	Total Equity
	Capital Stock	Additional Paid-in Capital	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, 2021	P 16,242,391,176	P 23,106,377,832	(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 year	-	-	-	-	-	-	-	25,761,841	-	-	-	25,761,841	-	25,761,841	
Acquisition of treasury shares during the year	201	-	(2,432,885)	-	-	-	-	-	-	-	-	(2,432,885)	-	(2,432,885)	
Total comprehensive income for the year		-	-	-	-	1,139,067,369	136,174,500	-	-	2,083,850,350	2,083,850,350	3,359,092,219	23,665,357	3,382,757,776	
Cash dividends declared during the year	202	-	-	-	-	-	-	-	-	(3,326,019,908)	(3,326,019,908)	(3,326,019,908)	-	(3,326,019,908)	
Balance at March 31, 2021	P 16,242,391,176	P 23,106,377,832	(P 3,748,017,067)	P 88,498,401	P 138,841,593	(P 4,928,948,866)	(P 788,437,366)	P 140,756,637	P 800,000,000	P 35,590,743,616	P 36,390,743,616	P 66,642,205,956	P 802,177,184	P 67,444,383,140	
Balance at January 1, 2020	P 16,242,391,176	P 23,058,724,847	(P 3,487,839,412)	P 136,151,386	P 111,883,425	(P 3,707,343,087)	(P 73,475,415)	P 120,364,326	P 800,000,000	P 30,616,668,304	P 31,416,668,304	P 63,817,525,550	P 899,231,970	P 64,716,757,520	
Movements during the year	-	47,652,985	1,836,250,000	(47,652,985)	-	-	-	(44,516,539)	-	-	-	1,791,733,461	-	1,791,733,461	
Acquisition of treasury shares during the year	201	-	(758,264,606)	-	-	-	-	-	-	-	-	(758,264,606)	-	(758,264,606)	
Total comprehensive income for the year		-	-	-	-	(1,734,733,006)	195,700,050	-	-	1,457,468,218	1,457,468,218	(81,564,738)	(373,581,316)	(455,146,054)	
Balance at March 31, 2020	P 16,242,391,176	P 23,106,377,832	(P 2,409,854,018)	P 88,498,401	P 111,883,425	(P 5,442,076,093)	P 122,224,635	P 75,847,787	P 800,000,000	P 32,074,136,522	P 32,874,136,522	P 64,769,429,667	P 525,650,654	P 65,295,080,321	

EMPERADOR INC. AND SUBSIDIARIES
(A Subsidiary of Alliance Global Group, Inc.)
CONSOLIDATED STATEMENTS OF CASH FLOWS
FOR THE THREE MONTHS ENDED MARCH 31, 2021 AND 2020
(Amounts in Philippine Pesos)
(UNAUDITED)

	<u>Notes</u>	<u>2021</u>	<u>2020</u>
CASH FLOWS FROM OPERATING ACTIVITIES			
Profit before tax		P 2,460,963,049	P 1,709,561,821
Adjustments for:			
Depreciation and amortization	8, 16, 17	346,941,679	350,069,609
Interest expense	8,12,13	168,865,251	152,218,826
Interest income	5,10	(21,289,995)	(23,478,383)
Share in net profit of joint venture	11	(71,614,845)	(52,983,486)
Amortization of trademarks	9	403,848	403,848
Gain on sale of property, plant and equipment	8	(108,820)	(350,000)
Provisions		-	6,620,361
Operating profit before working capital changes		2,884,160,167	2,142,062,596
Decrease in trade and other receivables		2,869,356,962	7,769,988,062
Decrease (increase) in financial instruments at fair value at fair value through profit or loss		10,176,400	(1,818,231,279)
Increase in inventories		(1,374,560,800)	(623,648,553)
Increase in prepayments and other current assets		(198,767,442)	(352,022,609)
Decrease (increase) in other non-current assets		(89,980,578)	(397,197,998)
Increase (decrease) in trade and other payables		1,413,277,557	(4,241,047,801)
Decrease in retirement benefit obligation		(33,875,772)	(12,290,819)
Cash generated from operations		5,479,786,494	2,467,611,599
Cash paid for income taxes		(264,969,331)	(202,729,629)
Net Cash From Operating Activities		<u>5,214,817,163</u>	<u>2,264,881,970</u>
CASH FLOWS FROM INVESTING ACTIVITIES			
Acquisitions of property, plant and equipment	8	(270,562,664)	(321,659,441)
Interest received	5	21,270,254	19,192,726
Net proceeds from sale of property, plant and equipment	8	24,211,400	910,059
Net Cash Used in Investing Activities		<u>(225,081,010)</u>	<u>(301,556,656)</u>
CASH FLOWS FROM FINANCING ACTIVITIES			
Repayments of interest-bearing loans	12	(1,457,882,674)	(1,045,510,178)
Dividends paid	20	(1,900,582,805)	(779,231,315)
Proceeds from interest-bearing loans	12	666,600,000	130,134,952
Interest paid		(82,149,298)	(173,779,254)
Repayments of lease liabilities	8.3	(19,644,692)	-
Acquisition of treasury shares	20	-	(758,264,606)
Net Cash Used In Financing Activities		<u>(2,793,659,469)</u>	<u>(1,868,385,795)</u>
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS		2,196,076,684	94,939,519
CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR		<u>7,561,169,140</u>	<u>7,740,605,656</u>
CASH AND CASH EQUIVALENTS AT MARCH 31		<u>P 9,757,245,824</u>	<u>P 7,835,545,175</u>

Supplemental Information on Non-cash Financing Activities:

The conversion of Tranche 1 of ELS into EMP shares from treasury in February 2020 was credited from Treasury Shares.

See Notes to Consolidated Financial Statements.

EMPERADOR INC. AND SUBSIDIARIES
SCHEDULE OF FINANCIAL SOUNDNESS INDICATORS
MARCH 31, 2021

	03/31/2021	12/31/2020
Current ratio	2.29	2.40
Quick ratio	1.05	1.15
Liabilities-to-equity ratio	0.85	0.82
Asset -to-equity ratio	1.85	1.82
Debt-to-equity ratio	0.49	0.50
	Q1 2021	Q1 2020
Net profit margin	17%	13%
Return on assets	2%	1%
Return on equity/investment	3%	2%
Solvency Ratio	9%	7%
Interest rate coverage ratio	15.72	12.23

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

Current ratio - computed as current assets divided by current liabilities

Solvency ratio - computed as EBITDA divided by total debt

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

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

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 total assets divided by stockholders'equity.

INTEREST RATE COVERAGE RATIOS measure the business' ability to meet its interest payments.

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

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
MARCH 31, 2021
(Amounts in Thousand Philippine Pesos)

Trade Receivables	
Current	10,080,089
1 to 30 days	1,035,197
31 to 60 days	64,774
Over 60 days	<u>69,218</u>
Total	11,249,278
Other receivables	<u>7,988,450</u>
Balance	<u><u>19,237,728</u></u>

EMPERADOR INC. AND SUBSIDIARIES
(A Subsidiary of Alliance Global Group, Inc.)
NOTES TO INTERIM CONSOLIDATED FINANCIAL STATEMENTS
MARCH 31, 2021
(With Comparative Figures for December 31, 2020 and March 31, 2020)
(Amounts in Philippine Pesos)

1. CORPORATE INFORMATION

Emperador Inc. (“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.

EMP 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 property development, food and beverage, quick-service restaurants, and tourism-entertainment and gaming businesses.

The registered principal office of EMP is located at 7th 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 EMP and AGI were first listed for trading in the Philippine Stock Exchange (PSE) on December 19, 2011 and April 19, 1999, respectively.

1.1 Subsidiaries

EMP 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	
	March 31, 2021	December 31, 2020
EDI and subsidiaries (EDI Group)		
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%

Names of Subsidiaries	Percentage of Effective Ownership	
	March 31, 2021	December 31, 2020
EIL and offshore subsidiaries and joint venture:		
Emperador International Ltd. (“EIL”)	100%	100%
Emperador Holdings (GB) Limited (“EGB”)	100%	100%
<i>Emperador UK Limited</i> (“EUK”)	100%	100%
<i>Whyte and Mackay Group Limited</i> (“WMG”)	100%	100%
<i>Whyte and Mackay Global Limited</i> (“WMGL”)	100%	100%
<i>Whyte and Mackay Limited</i> (“WML”)	100%	100%
<i>Whyte and Mackay Warehousing Limited</i> (“WMWL”)	100%	100%
Emperador Asia Pte. Ltd. (“EA”)	100%	100%
Grupo Emperador Spain, S.A. (“GES”)	100%	100%
<i>Bodega San Bruno, S.L.</i> (“BSB”)	100%	100%
<i>Bodegas Fundador, S.L.U.</i> (“BFS”)	100%	100%
<i>Grupo Emperador Gestion S.L.</i> (“GEG”)	100%	100%
<i>Stillman Spirits, S.L.</i> (“Stillman”)	100%	100%
<i>Domecq Bodega Las Copas, S.L.</i> (“DBLC”)	50%	50%
<i>Bodegas Las Copas, S.L.</i> (“BLC”)	50%	50%
Emperador Europe Sarl (“EES”)	100%	100%

Please refer to Note 1.1 to the Audited Consolidated Financial Statements as of last year-end for information on these entities.

1.2 Approval of the Consolidated Financial Statements

The consolidated financial statements of the Group as of and for the period ended March 31, 2021 (including the comparative consolidated financial statements as of December 31, 2020 and for the interim period ended March 31, 2020) were authorized for issue by the Parent Company’s Board of Directors through the Audit Committee on May 17, 2021.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

2.1 Basis of Preparation of Consolidated Financial Statements

(a) Statement of Compliance with Philippine Financial Reporting Standards (“PFRS”)

These interim consolidated financial statements 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 in accordance with PFRS, and should be read in conjunction with the Group’s audited consolidated financial statements as of and for the year ended December 31, 2020.

The significant accounting policies and methods of computations used in the preparation of these interim consolidated financial statements are consistent with those applied in the most recent annual consolidated financial statements as of and for the year ended December 31, 2020, except for the application of adopted standards that became effective on January 1, 2021, as discussed in Note 2.2.

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 New and Amended Standards

(a) Effective in 2021 that are Relevant to the Group

There are no new standards or amendments effective beginning on or after January 1, 2021 that are applicable to the Group.

(b) Effective Subsequent 2021 but not Adopted Early

The following amendments to PFRS are applicable to the Group [please refer to Note 2.2 (b) to the annual audited Consolidated Financial Statements for discussion on these amendments]. Management will adopt these 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) PFRS 3 (Amendments), *Business Combination – Reference to the Conceptual Framework* (effective from January 1, 2022).
- (ii) PAS 16 (Amendments), *Property, Plant and Equipment – Proceeds Before Intended Use* (effective from January 1, 2022).
- (iii) PAS 37 (Amendments), *Provisions, Contingent Liabilities and Contingent Assets – Onerous Contracts – Cost of Fulfilling a Contract* (effective from January 1, 2022).
- (iv) Annual Improvements to PFRS 2018-2020 Cycle.
 - a. PFRS 9 (Amendments), *Financial Instruments – Fees in the '10 per cent' Test for Derecognition of Liabilities*.
 - b. Illustrative Examples Accompanying PFRS 16, *Leases – Lease Incentives*.
- (v) PAS 1 (Amendments), *Presentation of Financial Statements – Classification of Liabilities as Current or Non-current* (effective from January 1, 2023).
- (vi) 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 Venture* (effective date deferred indefinitely).

2.3 Segment Reporting

Operating segments are reported in a manner consistent with the internal reporting provided to the Group's strategic executive committee, its chief operating decision-maker. The strategic executive committee is responsible for allocating resources and assessing performance of the operating segments.

In identifying its operating segments, management generally follows the Group's product lines, which represent the main products provided by the Group. Each of these operating segments is managed separately as each of these product lines requires different processes and other resources as well as marketing approaches. All intersegment transfers are carried out at arm's length prices.

The measurement policies the Group use for segment reporting under PFRS 8, *Operating Segments*, are the same as those used in its consolidated financial statements.

There have been no changes from prior period in the measurement methods used to determine reported segment profit or loss.

3. SIGNIFICANT ACCOUNTING JUDGMENTS AND ESTIMATES

The preparation of the Group's consolidated financial statements in accordance with PFRS requires management to make judgments and estimates that affect the amounts reported in the consolidated financial statements and related notes. Judgments and estimates are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances. Actual results may ultimately differ from these estimates.

3.1 Critical Management Judgments in Applying Accounting Policies

In the process of applying the Group's accounting policies, management has made judgments, apart from those involving estimation, which are consistent with those applied in the last year-end.

3.2 Key Sources of Estimation Uncertainty

The key assumptions concerning the future, and other key sources of estimation uncertainty at the end of the reporting period, are consistent with those of the preceding year-end

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 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 liabilities represent the assets and liabilities reported in the 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 periods ended March 31, 2021 and 2020 and as of December 31, 2020 (in millions) are presented in the succeeding page.

	BRANDY		SCOTCH WHISKY		SEGMENT TOTALS	
	March 31,		March 31,		March 31,	
	2021	2020	2021	2020	2021	2020
REVENUES						
External Customers	P 8,163	P 7,580	P 3,914	P 3,078	P 12,077	P 10,658
Intersegment sales*	139	47	17	13	156	60
	<u>8,302</u>	<u>7,627</u>	<u>3,931</u>	<u>3,091</u>	<u>12,233</u>	<u>10,718</u>
COSTS AND EXPENSES						
Cost of goods sold	5,773	5,012	2,187	1,938	7,960	6,950
Intersegment cost of goods sold*	17	13	139	47	156	60
Selling and distribution expenses	556	811	423	452	979	1,263
General and administrative expenses	222	278	285	191	507	469
Other charges	137	177	33	89	170	266
	<u>6,705</u>	<u>6,291</u>	<u>3,067</u>	<u>2,717</u>	<u>9,772</u>	<u>9,008</u>
SEGMENT PROFIT BEFORE TAX	1,597	1,336	864	374	2,461	1,710
TAX EXPENSE (INCOME)	216	238	146	51	362	289
SEGMENT NET PROFIT	<u>P 1,381</u>	<u>P 1,098</u>	<u>P 718</u>	<u>P 323</u>	<u>P 2,099</u>	<u>P 1,421</u>
Depreciation and Amortization	267	369	81	77	348	446
Interest expense	137	96	32	56	169	152
Share in NP of JV	72	53	-	-	72	53
	<u>March 2021</u>	<u>Dec 2020</u>	<u>March 2021</u>	<u>Dec 2020</u>	<u>March 2021</u>	<u>Dec 2020</u>
TOTAL ASSETS	P 135,450	P 134,298	P 51,046	P 50,500	P 186,496	P 184,798
TOTAL LIABILITIES	57,341	27,080	12,804	41,148	70,145	68,228

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

Sales to any of the Group's major customers did not exceed 10% of the Group's revenues in all of the years 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 consolidated financial statements are as follows (in millions).

	Segment Totals	Intercompany Accounts	Consolidated Balances
<u>March 2021</u>			
Revenues	12,233	(156)	12,077
Cost and expenses	9,771	(156)	9,615
Total assets	186,496	(61,848)	124,648
Total liabilities	70,145	(12,941)	57,204
Other segment information:			
Depreciation and amortization	348	-	348
Interest expense	169	-	169
Share in net profit of joint venture	72	-	72
-			
<u>March 2020</u>			
Revenues	10,717	(60)	10,657
Cost and expenses	9,008	(60)	8,948
Other segment information:			
Depreciation and amortization	446	-	446
Interest expense	152	-	152
Share in net profit of joint venture	53	-	53
<u>December 2020</u>			
Total assets	184,798	(62,346)	122,452
Total liabilities	68,228	(13,140)	55,088

5. CASH AND CASH EQUIVALENTS

This account includes the following components:

		March 31, 2021 (Unaudited)		December 31, 2020 (Audited)
Cash on hand and in banks	P	<u>5,367,273,068</u>	P	4,319,014,811
Short-term placements		<u>4,389,972,756</u>		<u>3,242,154,329</u>
	P	<u>9,757,245,824</u>	P	<u>7,561,169,140</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 60 days and earn effective annual interest rates ranging from 0.4% to 0.6% in the first three months of 2021. Interest earned amounted to P 21.3 million and P 23.5 million in the first three months of 2021 and 2020 respectively, and is presented as part of Other income under the Revenues account in the consolidated statements of comprehensive income (see Note 15).

6. TRADE AND OTHER RECEIVABLES

Details of this account are as follows:

	<u>Notes</u>		March 31, 2021 (Unaudited)		December 31, 2020 (Audited)
Trade receivables	19.3	P	<u>11,442,066,472</u>	P	14,890,213,702
Advances to suppliers			5,699,197,257		5,036,539,368
Advances to related parties	19.5		2,190,155,620		2,178,819,411
Advances to officers and employees	19.4		43,455,781		44,299,252
Accrued interest receivable			26,417		587,867
Other receivables			<u>55,614,908</u>		<u>52,781,978</u>
			<u>19,430,516,455</u>		<u>22,203,241,578</u>
Allowance for impairment			<u>(192,788,357)</u>		<u>(189,441,284)</u>
		P	<u>19,237,728,098</u>	P	<u>22,013,800,294</u>

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

All of the Group's trade and other receivables have been assessed for indications of impairment using the ECL model and adequate amounts of allowance for impairment have been recognized in 2021 and 2020 for those receivables found to be impaired (see Note 23.2). A reconciliation of the allowance for impairment is shown below.

		March 31, 2021 (Unaudited)		December 31, 2020 (Audited)
Balance at beginning of year	P	<u>189,441,284</u>	P	88,686,826
Impairment losses		-		109,087,408
Recoveries		<u>3,347,073</u>		<u>(8,332,950)</u>
	P	<u>192,788,357</u>	P	<u>189,441,284</u>

Recoveries pertain to collection of certain receivables previously provided with allowance. There were no write-offs of receivables in March 31, 2021 and December 31, 2020.

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 raw materials, are all stated at cost, which is lower than their net realizable values. The details of inventories are as shown below.

	<u>Notes</u>	March 31, 2021 (Unaudited)	December 31, 2021 (Audited)
At cost:			
Finished goods	16, 19	P 4,227,703,448	P 4,351,980,903
Work-in-process	16, 19	22,257,389,825	21,071,773,814
Raw materials	16, 19	4,414,298,345	3,953,242,460
Packaging materials	16, 19	423,989,421	333,083,936
Machinery spare parts, consumables and factory supplies		<u>302,905,003</u>	<u>287,281,059</u>
		<u>31,626,286,042</u>	<u>29,997,362,172</u>
At net realizable value:			
Finished goods			
Costs	16, 19	924,877,074	807,474,886
Allowance for impairment		(157,738,207)	(155,596,608)
Packaging materials			
Cost	16, 19	402,682,566	413,938,824
Allowance for impairment		<u>(98,737,133)</u>	<u>(103,179,904)</u>
		<u>1,071,084,300</u>	<u>962,637,198</u>
		P <u>32,697,370,342</u>	P <u>30,959,999,370</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 P18.3 billion and P17.0 billion as of March 31, 2021 and December 31, 2020, 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 periods ended March 31, 2021 and 2020 is presented in Note 16.

8. PROPERTY, PLANT AND EQUIPMENT

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

	<u>Notes</u>	March 31, 2021 (Unaudited)	December 31, 2020 (Audited)
Property, plant and equipment	8.1	P 25,601,735,287	P 25,465,059,928
Right-of-use assets	8.2	<u>966,313,239</u>	<u>970,785,552</u>
		P <u>26,568,048,526</u>	P <u>26,435,845,480</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 follow.

	March 31, 2021		December 31, 2020
	(Unaudited)		(Audited)
Cost	P 38,883,633,024	P	38,261,538,031
Accumulated depreciation and amortization	(13,281,897,737)		(12,796,478,103)
Net carrying amount	P 25,601,735,287	P	25,465,059,928

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

	March 31, 2021		December 31, 2020
	(Unaudited)		(Audited)
Balance at beginning of period, net of accumulated depreciation and depreciation and amortization	P 25,465,059,928	P	27,383,160,263
Additions during the period	270,562,664		1,013,759,803
Translation Adjustment	300,429,256		(195,210,055)
Disposals during the period	(24,102,580)		(107,344,016)
Reclassifications during the period	(6,048,771)		(961,740,595)
Depreciation/amortization charges for the period	(404,165,210)		(1,667,565,472)
Balance at the end of the period, net of accum. depreciation and amortization	P 25,601,735,287	P	25,465,059,928

The amount of depreciation and amortization is allocated as follows:

		For the Three Months Ended	
		March 31, 2021	March 31, 2020
		(Unaudited)	(Unaudited)
Cost of goods sold	Notes 16	P 262,461,993	P 265,053,153
Selling and distribution expenses	17	18,091,199	18,312,733
Administrative expenses	17	41,807,558	46,430,461
		322,360,750	329,796,347
Capitalized to inventory		81,804,460	84,766,768
		P 404,165,210	P 414,563,115

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 consolidated statement 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 insure 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.

	March 31, 2021 (Unaudited)	December 31, 2020 (Audited)
Cost	P 1,436,984,058	P 1,560,448,676
Accumulated depreciation and amortization	<u>(470,670,819)</u>	<u>(589,663,124)</u>
Net carrying amount	P <u>966,313,239</u>	P <u>970,785,552</u>

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

	March 31, 2021 (Unaudited)	December 31, 2020 (Audited)
Balance at beginning of period, net of accumulated amortization	P 970,785,552	P 1,603,476,999
Additions	20,108,616	41,562,280
Translation Adjustment	-	(63,171,043)
Lease Modification	-	(383,647,981)
Amortization of ROUA	<u>(24,580,929)</u>	<u>(227,434,703)</u>
Balance at the end of period net of accumulated amortization	P <u>966,313,239</u>	P <u>970,785,552</u>

The amount of amortization in March 31, 2021 is allocated as follows:

Cost of goods sold	P 24,580,929
General and administrative expenses	<u>-</u>
	P <u>24,580,929</u>

8.3 Lease Liabilities

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

	March 31, 2021 (Unaudited)	December 31, 2020 (Audited)
Current	P 165,518,382	P 173,763,731
Non-current	1,297,839,806	1,289,130,534
Net carrying amount	P <u>1,463,358,188</u>	P <u>1,462,894,265</u>

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 undiscounted maturity analysis of lease liabilities is as follows:

	March 31, 2021	December 31, 2020
	(Unaudited)	(Audited)
Lease liabilities	P 1,462,894,265	P 2,021,932,115
Translation Adjustments	17,519,496	(64,461,783)
Finance charges	<u>(17,055,573)</u>	<u>(494,576,067)</u>
Net present values	P 1,463,358,188	P 1,462,894,265

9. INTANGIBLE ASSETS

This account is composed of the following:

	March 31, 2021	December 31, 2020
	(Unaudited)	(Audited)
Indefinite useful lives:		
Trademarks	P 19,688,115,507	P 19,372,584,563
Goodwill	<u>9,168,225,748</u>	<u>8,989,412,323</u>
	28,856,341,255	28,361,996,886
Definite useful lives:		
Trademarks- net	<u>3,365,399</u>	<u>3,769,247</u>
	P 28,859,706,654	P 28,365,766,133

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

	March 31, 2021	December 31, 2020
	(Unaudited)	(Audited)
Balance at beginning	P 3,769,247	P 5,384,638
Amortization	17 <u>(403,848)</u>	<u>(1,615,391)</u>
Balance at end of the period	P 3,365,399	P 3,769,247

Management believes that both the goodwill and trademarks are not impaired as of March 31, 2021 and December 31, 2020 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:

	March 31, 2021	December 31, 2020
	(Unaudited)	(Audited)
Prepaid expenses	P 521,926,678	P 503,052,548
Prepaid taxes	934,132,033	720,789,800
Deferred input VAT	41,590,479	41,339,798
Refundable security deposits	2,663,534	22,854,313
Other current assets	<u>91,463,249</u>	<u>85,941,166</u>
	P 1,591,775,973	P 1,373,977,625

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

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.

10.2 Other Non-current Assets

This account is composed of the following:

	<u>Notes</u>	<u>March 31, 2021</u> <u>(Unaudited)</u>	<u>December 31, 2020</u> <u>(Audited)</u>
Property mortgage receivable		P <u>632,103,186</u>	P <u>613,935,936</u>
Advances to suppliers	19.7	<u>668,254,045</u>	<u>625,294,487</u>
Deferred input VAT		<u>22,362,641</u>	<u>24,697,117</u>
Refundable security deposits	19.2	<u>49,135,956</u>	<u>11,026,843</u>
Others		<u>13,826,015</u>	<u>13,590,793</u>
		P <u><u>1,385,681,843</u></u>	P <u><u>1,288,545,176</u></u>

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. However, the Group remains as lessee over the property; hence, it is still required to make monthly lease payments to the property lessor until 2036.

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 consolidated financial statements.

11. INVESTMENT IN A JOINT VENTURE

The carrying amount of the investment in Bodegas Las Copas, a joint venture with Gonzales Byass SA, accounted for under the equity method in these consolidated financial statements, are as follows:

	<u>March 31, 2021</u> <u>(Unaudited)</u>	<u>December 31, 2020</u> <u>(Audited)</u>
Acquisition cost	P <u>2,845,367,065</u>	P <u>2,845,367,065</u>
Accumulated share in net profit:		
Balance at beginning of year	<u>363,308,737</u>	<u>178,200,678</u>
Share in net profit for the year	<u>71,614,845</u>	<u>185,108,059</u>
Translation Adjustment	<u>85,186,118</u>	<u>85,186,629</u>
Balance at end of year	P <u><u>520,109,700</u></u>	P <u><u>448,495,366</u></u>
	P <u><u>3,365,476,765</u></u>	P <u><u>3,293,862,431</u></u>

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

12. INTEREST-BEARING LOANS

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

	March 31, 2021	December 31, 2020
	(Unaudited)	(Audited)
Current:		
Foreign	P 4,049,519,705	P 4,466,729,178
Local	<u>570,000,000</u>	<u>821,666,667</u>
	<u>4,619,519,705</u>	<u>5,288,395,845</u>
Non-current:		
Foreign	25,091,944,716	25,091,948,760
Local	<u>-</u>	<u>-</u>
	<u>25,091,944,716</u>	<u>25,091,948,760</u>
	<u>P 29,711,464,421</u>	<u>P 30,380,344,605</u>

13. EQUITY-LINKED DEBT SECURITIES

The outstanding balance of the equity-linked debt securities instrument ("ELS") represents Tranche 2 Conversion which may be converted by the Holder for 475,000,000 common shares up to Extended Redemption Date which is on December 4, 2021. The ELS earns variable interest at the same rate as dividend paid to common shareholders.

Variable interest during the current period is presented as part of Interest Expense account under the Cost and Expenses section of the consolidated statements of comprehensive income. Unpaid interest which is payable in April 2021 is presented as part of Accrued expenses under Trade and Other Payables (see Note 14).

There were no related collaterals on the ELS.

14. TRADE AND OTHER PAYABLES

The breakdown of this account is as follows:

	Notes	March 31, 2021	December 31, 2020
		(Unaudited)	(Audited)
Trade payables	19.1, 19.2	P 11,476,585,975	P 8,440,837,078
Accrued expenses	13	4,777,230,230	6,076,818,039
Advances from related parties	19.5	4,059,032	3,070,715
Output VAT payable		168,392,535	485,066,543
Others		<u>81,257,078</u>	<u>250,723,879</u>
		<u>P 16,507,524,850</u>	<u>P 15,256,516,254</u>

15. REVENUES AND OTHER INCOME

The details of revenues and other income are shown below.

	Notes	For the Three Months Ended	
		March 31, 2021 (Unaudited)	March 31, 2020 (Unaudited)
Sales	19.3	P 11,858,001,012	P 10,359,513,665
Others:			
Share in net profit of JV	11	71,614,845	52,983,486
Other income – net	5,6	146,669,408	245,090,782
		<u>218,284,253</u>	<u>298,074,268</u>
		P <u>12,076,285,265</u>	P <u>10,657,587,933</u>

16. COSTS OF GOODS SOLD

The details of costs of goods sold are shown below:

	Notes	For the Three Months Ended	
		March 31, 2021 (Unaudited)	March 31, 2020 (Unaudited)
Finished goods, beginning	7	P 5,159,455,789	P 5,800,242,939
Finished goods purchased	19.1	<u>2,506,609,052</u>	<u>1,239,998,819</u>
Costs of goods manufactured			
Raw and packaging materials, beginning	7	4,700,265,219	3,909,543,916
Net purchases	19.1	5,969,356,068	4,852,047,807
Raw and packaging materials, end	7	<u>(5,240,970,332)</u>	<u>(4,716,472,215)</u>
Raw materials used		<u>5,428,650,955</u>	<u>4,045,119,508</u>
Work-in-process, beginning	7	21,071,773,814	20,746,632,386
Direct labor		347,152,926	276,690,282
Manufacturing overhead:			
Depreciation and amortization	8	287,042,923	284,024,280
Labor		41,199,234	26,654,016
Fuel and lubricants		73,496,126	77,141,090
Outside services	19.6	89,068,270	64,346,672
Rentals	19.2	45,452,283	40,981,257
Communication, light and water		56,778,587	69,730,580
Repairs and Maintenance		69,004,651	57,443,052
Consumables and Supplies		19,810,479	16,895,576
Taxes and licenses		47,945,222	75,349,190
Insurance		12,587,275	13,283,431
Waste Disposal		8,522,894	20,959,242
Commission		60,074,006	27,392,951
Transportation		10,239,815	5,039,768
Gasoline and oil		2,040,834	3,506,533
Meals		4,356,578	8,834,487
Miscellaneous		28,311,209	30,507,416
Work-in-process, end	7	<u>(22,257,389,825)</u>	<u>(20,175,638,960)</u>
		<u>5,446,118,256</u>	<u>5,714,892,757</u>
Finished goods, end	7	<u>(5,152,580,522)</u>	<u>(5,805,218,923)</u>
		P <u>7,959,602,575</u>	P <u>6,949,915,592</u>

17. OTHER OPERATING EXPENSES

	<u>Notes</u>	<u>For the Three Months Ended</u>	
		<u>March 31, 2021</u> <u>(Unaudited)</u>	<u>March 31, 2020</u> <u>(Unaudited)</u>
Salaries and employee benefits	P	478,710,540	495,951,471
Advertising		525,606,467	573,016,628
Freight out		55,328,162	121,425,708
Professional fees and outside services		66,418,176	96,886,296
Taxes and licenses		62,505,870	50,918,533
Travel and transportation		49,995,869	77,383,859
Depreciation & amortization	8	59,898,757	66,045,327
Rentals	19.2	25,566,591	25,090,142
Other Services		17,940	54,148,966
Amortization of trademarks	9	403,848	403,848
Fuel and oil		13,437,140	21,431,707
Meals		6,349,554	8,433,046
Representation		15,974,765	42,080,181
Repairs and maintenance		16,361,142	25,478,528
Insurance		15,575,032	10,302,621
Consumables and supplies		8,772,632	12,019,651
Utilities		9,647,946	9,960,173
Others		76,283,759	40,914,311
	P	<u>1,486,854,190</u>	<u>1,731,890,996</u>

Others include subscription and association dues, and other incidental expenses under the ordinary course of business.

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

		<u>For the Nine Months Ended</u>	
		<u>March 31, 2021</u> <u>(Unaudited)</u>	<u>March 31, 2020</u> <u>(Unaudited)</u>
Selling and distribution expenses	P	978,935,521	P 1,262,717,932
General and administrative expenses		507,918,669	469,173,064
	P	<u>1,486,854,190</u>	<u>1,731,890,996</u>

18. TAXES

EMP and its Philippine subsidiaries are subject to the higher of regular corporate income tax ("RCIT") at 25% in 2021 and 30% in 2020 of net taxable income, or minimum corporate income tax ("MCIT") at 1% in 2021 and 2% in 2020 of gross income, as defined under the Philippine tax regulations. They paid RCIT in the three months period of 2021 and 2020 as RCIT was higher in those years, except for TEI in which MCIT was higher than RCIT.

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

EMP'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.

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 transactions with its related parties in March 31, 2021 and 2020 and the related outstanding balances as of March 31, 2021 and December 31, 2020 are shown below:

	Notes	Amount of Transaction For the Three Months Ended		Outstanding Receivable (Payable) as of	
		March 31, 2021	March 31, 2020	March 31, 2021	December 31, 2020
Ultimate Parent Company:					
Lease of properties	19.2(a)	2,601,500	2,601,500	-	
Advances granted	6	-	208,145,756	2,190,155,620	2,178,819,411
Dividends		2,770,015,167	-	(1,195,309,395)	-
Related Parties Under Common Ownership:					
Purchase of raw materials	19.1	640,404,978	841,448,985	(660,275,941)	(811,977,473)
Purchase of finished goods	19.1	2,798,863	4,699,985	(229,901)	(983,717)
Lease of properties	19.2(b)(c)	19,565,367	16,918,140	-	(10,429)
Advances for land purchase	19.7	-	271,247,467	622,049,938	622,049,938
Sale of goods	19.3	16,230,401	30,061,408	282,389,441	273,229,290
Management Services	19.6	15,000,000	15,000,000	(99,000,000)	(110,000,000)
Refundable deposits		(1,035,821)	-	6,568,712	7,604,533
Stockholder -					
Advances paid (obtained)	19.5	-	-	(3,070,715)	(3,070,715)
Officers and Employees -					
Advances granted (payment)	19.4	(843,471)	(12,702,469)	43,455,781	44,299,252

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 three months of 2021 and 2020 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 8).

The related unpaid purchases as of March 31, 2021 and December 31, 2020 are shown as part of Trade payables under the Trade and Other Payables account in the consolidated statements of financial position (see Note 14).

19.2 Lease Agreements

In 2019, 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 Cost of Goods Sold account and as part of Finance and Other Charges account in the consolidated statement 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 in the consolidated statement 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 March 31, 2021 and December 31, 2020.

(b) *Megaworld*

EDI, PAI and AWGI also entered into lease contracts with Megaworld, a related party under common ownership, for the head office space of the Group. The Group paid P11.7 million and P9.7 million in rentals for the first three months of 2021 and 2020, respectively..

The refundable security deposits paid to the lessors are shown as part of Other Non-current Assets account in the 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 P7.9 million and P7.2 million in rentals for the first three months of 2021 and 2020, 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:

	March 31, 2021		December 31, 2020
	(Unaudited)		(Audited)
Balance at the beginning	P 44,299,252	P	33,518,316
Additions	-		14,864,206
Payments	(843,471)		(4,083,270)
Balance at the end	P 43,455,781	P	44,299,252

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 upon demand in cash. There are no additional cash advances and collections from AGI in 2021 and 2020 and the movements relate only to translation adjustments. These are presented as Advances from related parties under the Trade and Other Payables account (see Note 14).

There are no movements in the balance of Advances from related parties.

19.6 Management Services

Progreen has a management agreement with Condis 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 Cost of Goods Sold account in the consolidated statements of comprehensive income. The outstanding liability is presented as part of Trade payables under the Trade and Other Payables account in the consolidated statements of financial position. The related liabilities are unsecured, noninterest-bearing and payable upon demand.

19.7 Purchase of Land

In 2020, the Group purchased a parcel of land located in Tanza, Cavite from a subsidiary of Megaworld. Of the total consideration, the Group already made cash payment of P271.2 million in 2020.

In 2016, the Group entered into a contract to purchase certain parcels of land located in Iloilo and Cebu from Megaworld Corporation, a related party under common ownership. The legal title and the risks and rewards of ownership over the parcels of land have not yet been transferred to the Group as of March 31, 2021; hence, the land was not yet recorded as an asset by the Group. The cash payments made by the Group totaled P206.0 million.

In 2014, the Group made payments to certain related party under common ownership for the acquisition of certain parcels of land. However, the planned acquisition was subsequently cancelled by both parties. The Group had made total cash payments amounting to P131.4 million.

In 2019, the Group also purchased and paid in full a parcel of land located in Legazpi City from a certain related party amounting to P37.0 million. The portion of the payment amounting to P13.4 million was offset from the Advances to suppliers.

The payments made by the Groups from these purchases are presented as part of Advances to suppliers under Other Non-current Assets account in the consolidated statements of financial position (see Note 10.2).

19.8 Purchase and Sale Commitment

On December 27, 2020, the Group signed a letter of intent with Global One, for the sale of the Group's certain land and building (reported as Non-Current Assets Held For Sale in the 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 EMP'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 ending May 16, 2020. On May 16, 2020 the BOD approved another 12-month extension ending on May 16, 2021 under the same terms and conditions.

Subsequently on April 12, 2021, the BOD authorized a buy-back program of EMP's common shares of up to P1.0 billion ending on December 31, 2021 under the same terms and conditions as the previous ones.

As of December 31, 2020 and March 31, 2021, the Parent Company had spent P5.11 billion, including trading charges, to purchase a total of 657.48 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). The net repurchased shares are presented under Treasury Shares account in the statement of changes in equity.

Under the Revised Corporation Code, 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 latest cash dividend declarations in the current year, as of March 31, 2021:

<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	P1,425,437,103

The Parent Company's ongoing buy-back program restricts its retained earnings for distribution as dividends.

The dividends declared last March 8, 2021 remain outstanding as of March 31, 2021 and is presented as Dividends Payable under Current Liabilities section in the consolidated statements of financial position.

20.3 Subsidiaries with Non-controlling Interest

The composition of NCI account is as follows:

	<u>March 31, 2021</u> <u>(Unaudited)</u>	<u>December 31, 2020</u> <u>(Audited)</u>
DBLC	P 823,630,872	P 798,380,685
Boozylife	(21,453,688)	(19,869,058)
	<u>P 802,177,184</u>	<u>P 778,511,627</u>

21. EARNINGS PER SHARE

Earnings per share were computed as follows:

	<u>For the Three Months Ended</u>	
	<u>March 31, 2021</u> <u>(Unaudited)</u>	<u>March 31, 2020</u> <u>(Unaudited)</u>
Consolidated net profit attributable to owners of parent company	P 2,083,850,350	P 1,457,468,219
Divided by weighted average number of outstanding common shares	<u>15,845,014,032</u>	<u>15,919,123,588</u>
Basic and diluted earnings per share	P <u>0.13</u>	P <u>0.09</u>

The basic and diluted earnings per share are the same because the dilutive effects of the potential common shares from the employee share options have no significant impact as they were only issued in November 2015. On the other hand, the potential common shares from the convertible ELS are considered to be antidilutive since their conversion to ordinary shares would increase earnings per share. Thus, 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 ongoing repurchase program (see Note 20.1) 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 paragraph.

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 both its operating, investing and financing activities.

(a) Foreign Currency Risk

Most of the Group's transactions are carried out in Philippine pesos, 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 consolidated financial statements. EDI has cash and cash equivalents in US dollars as of March 31, 2021 and December 31, 2020 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:

	March 31, 2021 (Unaudited)	December 31, 2020 (Audited)
Financial assets	P 505,411,272	P 400,870,827
Financial liabilities	<u>(3,258,552,439)</u>	<u>(3,296,647,884)</u>
Net assets (liabilities)	P <u>(2,753,141,167)</u>	P <u>(2,895,777,057)</u>

The following table illustrates the sensitivity of the Group's profit before tax with respect to changes in Philippine pesos against U.S. 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 profit before tax	Effect in equity before tax
March 31, 2021	2.50%	<u>(P 68,828,529)</u>	<u>(P 48,179,970)</u>
December 31, 2020	9.50%	<u>(P 275,098,820)</u>	<u>(P 192,569,174)</u>

Exposures to foreign exchange rates vary during the year 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 March 31, 2021 and December 31, 2020, 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 London Inter-bank Offered Rate ("LIBOR"). The EURIBOR, however, is currently at a negative rate or zero rate, and the Group does not see a material interest rate risk here in the short-term. The Group does not see a material effect on the consolidated financial statements from both.

(c) *Other Price Risk*

The Group was exposed to other price risk in respect of its financial instruments at 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 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 incorporate 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 consolidated financial statements, as summarized in the following table.

	Notes	March 31, 2021 (Unaudited)	December 31, 2020 (Audited)
Cash and cash equivalents	5	P 9,757,245,824	P 7,561,169,140
Trade and other receivables – net	6	13,495,075,060	16,932,961,674
Refundable security deposits	10	51,799,490	33,881,156
Property mortgage receivable	10	632,103,186	613,935,936
		<u>P 23,936,223,560</u>	<u>P 25,141,947,906</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 financial statements.

For the advances to the parent company 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 these financial assets have low probability of default since the 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, and 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 at March 31, 2021 and December 31, 2020 based on contractual undiscounted payments is as follows:

	March 31, 2021 (Unaudited)			
	CURRENT		NON CURRENT	
	Within 6 months	6 to 12 months	1 to 5 years	More than 5 years
Interest-bearing loans and borrowings	786,394,832	4,261,398,319	26,402,063,049	-
Trade and other payables	16,279,917,464			
Equity-linked debt securities	3,443,750,000	-	-	
Lease liabilities	128,084,871	300,690,869	847,401,408	648,630,875
Dividends payable	1,423,320,903	-	-	-
	<u>P 22,061,468,070</u>	<u>P 4,562,089,188</u>	<u>P 27,249,464,457</u>	<u>P 648,630,875</u>
	December 31, 2020 (Audited)			
	CURRENT		NON CURRENT	
	Within 6 months	6 to 12 months	1 to 5 years	More than 5 years
Interest-bearing loans and borrowings	P 923,011,978	P 4,767,025,450	P 26,402,067,304	P -
Trade and other payables	14,712,234,860			
Equity-linked debt securities	99,750,000	3,443,750,000	-	-
Lease liabilities	130,649,237	120,391,773	841,588,155	864,841,167
Dividends payable	-	-	-	-
	<u>P 15,865,646,075</u>	<u>P 8,331,167,223</u>	<u>P 27,243,655,459</u>	<u>P 864,841,167</u>

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 Amounts and Fair Values of Financial Assets and Financial Liabilities

The carrying amounts 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	March 31, 2021 (Unaudited)		December 31, 2020 (Audited)	
		Carrying Values	Fair Values	Carrying Values	Fair Values
<i>Financial Assets</i>					
Financial assets at amortized cost:					
Cash and cash equivalents	5	P 9,757,245,824	P 9,757,245,824	P 7,561,169,140	P 7,561,169,140
Trade and other receivables	6	13,495,075,060	13,495,075,060	16,932,961,674	16,932,961,674
Refundable security deposits	10	51,799,490	51,799,490	33,881,156	33,881,156
Property mortgage receivable	10	<u>632,103,186</u>	<u>632,103,186</u>	<u>613,935,936</u>	<u>613,935,936</u>
		P 23,936,223,560	P 23,936,223,560	P 25,141,947,906	P 25,141,947,906
Financial assets at FVTPL		P 45,709,884	P 45,709,884	P 52,551,232	P 52,551,232
<i>Financial Liabilities</i>					
Financial liabilities at amortized cost:					
Interest -bearing loans	12	P 29,711,464,421	P 29,711,464,421	P 30,380,344,605	P 30,380,344,605
Trade and other payables	14	16,279,917,464	16,279,917,464	14,712,234,860	14,712,234,860
Equity-linked debt securities	13	3,443,750,000	3,443,750,000	3,443,750,000	3,443,750,000
Lease liabilities		1,463,358,188	1,463,358,188	1,462,894,265	1,462,894,265
Dividends payable		<u>1,423,320,903</u>	<u>1,423,320,903</u>	-	-
		P 52,321,810,976	P 52,321,810,976	P 49,999,223,730	P 49,999,223,730
Financial liabilities at FVTPL		P -	P -	P -	P -

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 other financial assets and financial liabilities are settled on a gross basis because there is no relevant offsetting arrangement on them as of March 31, 2021 and December 31, 2020. 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 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 nine levels based on the significance of inputs used to measure the fair value. The fair value hierarchy has the following levels:

- a) Level 1: quoted prices (unadjusted) in active markets for identical assets or liabilities that an entity can access at the measurement date;
- b) 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,
- c) 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 pertains only to the Group's financial assets at FVTPL amounting to P45.7 million and P52.6 million as of March 31, 2021 and December 31, 2020 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 that follows 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 statement of financial position but for which fair value is disclosed.

	March 31, 2021			
	Level 1	Level 2	Level 3	Total
<i>Financial assets:</i>				
Cash and cash equivalents	P 9,757,245,824	P -	P -	P 9,757,245,824
Trade and other receivables	-	-	13,495,075,060	13,495,075,060
Property mortgage receivable			632,103,186	632,103,186
Refundable security deposits	-	-	51,792,490	51,792,490
	<u>P 9,757,245,824</u>	<u>P -</u>	<u>P 14,178,977,736</u>	<u>P 23,936,223,560</u>
	Level 1	Level 2	Level 3	Total
<i>Financial liabilities:</i>				
Interest-bearing loans	P -	P -	29,711,464,421	P 29,711,464,421
Trade and other payables	-	-	16,279,917,464	16,279,917,464
Dividends Payable	-	-	1,423,320,903	1,423,320,903
Lease Liabilities	-	-	1,463,358,188	1,463,358,188
ELS	-	-	3,443,750,000	3,443,750,000
	<u>P -</u>	<u>P -</u>	<u>P 52,321,810,976</u>	<u>P 52,321,810,976</u>

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:

	March 31, 2021 (Unaudited)	December 31, 2020 (Audited)
Total liabilities	P 57,204,012,693	P 55,087,835,919
Total equity	<u>67,444,383,140</u>	<u>67,364,316,316</u>
Liabilities-to-equity ratio	<u>P 0.85 : 1.00</u>	<u>P 0.82 : 1.00</u>

The Group sets the amount of capital in proportion to its overall financing structure, i.e., equity and financial 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. COVID-19 PANDEMIC UPDATE

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 in the first quarter. The National Capital Region Plus Bubble was under the strictest ECQ for two weeks up to April 11. Subsequently, it was put under the next lower level MECQ from April 12 to May 14, and declared under 'GCQ with Heightened restrictions' for the rest of May. The government's vaccination program is ongoing. The Group has started its vaccination program for its employees in May, to help achieve the herd immunity that the government is aiming for.

The ultimate impact of the pandemic is highly uncertain and subject to change. Accordingly, management cannot reliably estimate the quantitative impact of the pandemic on the Group's consolidated financial position and results of operations for future periods.

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)
May 17, 2021