A	2	0	0	1	1	7	5	9	5

S.E.C. Registration Number

EMPERADOR INC.

(Company's Full Name)

7/F 1880 EASTWOOD AVENUE, EASTWOOD CITY CYBERPARK, BAGUMBAYAN, QUEZON CITY

(Business Address: No. StreetCity/ Town/ Province)

DINA D.R. INTING

Contact Person

8709-2038 to 41

Company Telephone Number

12 (Month) **31** (Day)

Fiscal Year

17-Q

FORM TYPE

(QUARTERLY REPORT FOR SEPTEMBER 30, 2021)

05 (Month) **3rd Monday** (Day)

Annual Meeting

Registration of Securities

Secondary License Type, If Applicable

Dept. Requiring this Doc.

Amended Articles Number/Section

Total Amount of Borrowings

Total No. of Stockholders

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, 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**-8**70920-38 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 September 30, 2021**
Common issued	**16,242,391,176**
Less Treasury	**505,919,938**
Outstanding	**15,736,471,238**

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

Five Key Performance Indicators

In Million Pesos	**M9 2021**	M9 2020	**Q3 2021**	Q3 2020	Q2 2021	Q2 2020	Q1 2021	Q1 2020
Revenues	**38,357**	34,467	**13,026**	12,927	13,255	10,882	12,077	10,658
Net profit ["NP"]*	**7,362**	5,882	**2,232**	2,571	3,031	1,890	2,099	1,421
NP to owners ["NPO"]*	**7,259**	5,869	**2,175**	2,543	3,000	1,869	2,084	1,457
NP pre-adj.* [Normalized]	**8,034**	5,882	**2,242**	2,571	3,693	1,890		
NPO pre-adj.*	**7,931**	5,869	**2,185**	2,543	3,662	1,869		
Revenue growth	**11%**	2%	**0.8%**	4%	22%	4%	13%	-3%
NP growth	**25%**	11%	**-13%**	26%	60%	24%	48%	-18%
NPO growth	**24%**	11%	**-14%**	26%	60%	24%	43%	-16%
NP Normalized growth*	**37%**	11%	**-13%**	26%	95%	24%	48%	-18%
NPO Normalized growth*	**35%**	11%	**-14%**	26%	96%	24%	43%	-16%
NP rate	**19%**	17%	**17%**	20%	23%	17%	17%	13%
NPO rate	**19%**	17%	**17%**	20%	23%	17%	17%	14%
NPO rate pre-adj.*	**21%**	17%	**17%**	20%	28%	17%	17%	14%

**There was a P672M non-cash one-time consolidation adjustment that has to be taken up for financial reporting purposes, triggered by the increase in UK corporation tax rates (effective April 1, 2023). It pertains principally to intangible assets; does not affect the stand-alone operating results; and will not get paid in the far future unless the UK business is liquidated or sold. NP/NPO before this adjustment may interchangeably be referred to as "Normalized" in our discussions.*

- 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.

In Million Pesos	**M9**	M9	**Q3**	Q3	Q2	Q2	Q1	Q1
	2021	2020			2021	2020	2021	2020
EBIT	**10,050**	7,280	**2,927**	3,137	4,493	2,281	2,630	1,862
Interest expense	**536**	438	**216**	145	151	141	169	152
Interest coverage	**19x**	17x	**14x**	22x	30x	16x	16x	12x

In Million Pesos	**Sept 30**	Dec 31		
	2021	2020	YTD	%
Quick assets	**25,350**	29,628	-4,277	-14
Current assets	**62,123**	61,961	161	0.3
Current liabilities	**24,517**	25,808	-1,291	-5
Total Assets	**125,396**	122,452	2,944	2
Current ratio	**2.53x**	2.40x		
Quick ratio	**1.03x**	1.15x		
Return on assets	**5.9%** **(9mos)**	6.6% 1yr		

Results of Operations – First Nine Months 2021 vs 2020

The Group continued to perform strongly in a volatile environment[1], surpassing comparable periods in 2020, anchored on the strength of its diversified portfolio and international operations.

The Group ended the first nine months of the current year with Normalized net profit to owners soaring 35% to P7.9 billion from P5.9 billion a year ago, on the back of an 11% jump in revenues

[1] *The COVID-19 pandemic is continuing globally in 2021. From a public health emergency of international concern in January 2020, the outbreak was declared as a pandemic on March 11, 2020 by WHO. President Duterte put the Philippines under state of calamity on March 17. MM and the entire Luzon and its associated islands were under total lockdown [Enhanced Community Quarantine ("ECQ")] for two months that 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. Spain, UK and Mexico, where the Group principally operate, experienced similar lockdown stages and easement of restrictions. During the current interim period, the country was at the varying degrees of CQs; Spain, UK and Mexico experienced similar tightening of lockdown restrictions at some points during the current interim period, and had relaxed restrictions sometime in second quarter. New variants are coming out and causing certain upsurges globally in third quarter onwards and some countries are re-imposing restrictions. Metro Manila went back to stricter lockdowns in August-September this year and was under Alert Level 3 up to November 4. Vaccination programs are ongoing worldwide and vaccination passports are now in place. Some countries are on their booster shots.*

and other income to P38.4 billion from P34.5 billion a year ago. After deducting a non-cash deferred tax expense[2], net profit to owners rose 24% year-on-year to P7.3 billion. Normalized net profit to owners of both Brandy and Scotch Whisky segments grew by a third year on year.

Gross profit rate ("GPR") for the nine-month period improved to 37% this year from 35% in comparable period last year and 31% for full year 2020. This is largely attributed to sales growth (11%) outpacing cost of goods sold growth (8%), which is further attributed to sales product mix (sales of high-priced/high-margin products increased) during the period. On-trade business has also opened up in Europe and most regions during the current interim period, while Metro Manila and key cities were under hard lockdown in two months of third quarter. Net profit rate ("NPR") accelerated to 19% as compared to 17% in first nine months of last year and 15% full year of last year, as the Group maintained caution and optimization in its spending. Normalized NPR was at 21%.

In Million Pesos	**M9**	M9	YoY	YoY	**Q3**	Q3	YoY	YoY	Q2	Q2	YoY	Q1	Q1	YoY
	2021	2020	M9	%	**2021**	2020	Q3	%	2021	2020	%	2021	2020	%
Revenues and other income	**38,357**	34,467	3,890	**11**	**13,026**	12,927	98	1	13,255	10,882	22	12,077	10,658	13
Brandy[1]	**24,840**	23,488	1,352	6	**8,498**	8,587	(88)	(1)	8,179	7,321	12	8,163	7,580	8
S. Whisky[1]	**13,517**	10,979	2,538	23	**4,527**	4,340	187	4	5,076	3,561	42	3,914	3,078	27
Gross Profit (GP)[2]	**13,889**	11,723	2,166	**18**	**4,323**	4,736	(413)	(9)	5,667	3,578	58	3,898	3,410	14
Brandy	**8,523**	7,746	777	10	**2,517**	2,990	(474)	(16)	3,701	2,390	55	2,306	2,365	(3)
S. Whisky	**5,366**	3,977	1,389	35	**1,806**	1,745	61	4	1,967	1,187	66	1,592	1,044	52
NP before tax	**9,513**	6,842	2,671	**39**	**2,710**	2,992	(282)	(9)	4,342	2,140	103	2,461	1,710	44
Brandy	**6,311**	4,601	1,711	37	**1,853**	1,881	(28)	(2)	2,861	1,384	107	1,598	1,336	20
S. Whisky	**3,202**	2,242	960	43	**857**	1,111	(254)	(23)	1,482	757	96	863	374	131
Tax expense	**2,152**	960	1,191	124	**478**	421	57	14	1,311	250	424	362	289	25
Brandy	**924**	730	194	27	**370**	305	65	21	337	187	80	216	238	(9)
S.Whisky	**1,228**	230	998	433	**108**	116	(8)	(7)	974	63	1448	146	51	184
NP	**7,362**	5,882	1,480	**25**	**2,232**	2,571	(339)	(13)	3,031	1,890	60	2,099	1,421	48
Brandy	**5,388**	3,871	1,517	39	1,483	1,576	(93)	(6)	2,523	1,196	111	1,381	1,098	26
S. Whisky	**1,974**	2,011	(38)	(2)	**749**	995	(246)	(25)	508	694	(27)	718	323	122
NP to owners ["NPO"]	**7,259**	5,869	1,390	**24**	**2,175**	2,543	(367)	(14)	3,000	1,869	60	2,084	1,457	43
Brandy	**5,285**	3,858	1,427	37	**1,426**	1,548	(121)	(8)	2,492	1,175	112	1,367	1,135	20
S. Whisky	**1,974**	2,011	(38)	(2)	**749**	995	(246)	(25)	508	694	(27)	717	323	122
NPO Normalized	**7,931**	5,869	2,062	**35**	**2,185**	2,542	(357)	(14)	3,662	1,869	96	2,084	1,457	43
Brandy	**5,285**	3,858	1,427	37	**1,426**	1,548	(121)	(8)	2,492	1,175	112	1,367	1,135	20
S. Whisky	**2,646**	2,011	635	32	**759**	995	(236)	(24)	1,170	694	69	717	323	122
EBITDA	**11,114**	8,335	2,779	33	**3,290**	3,508	(218)	(6)	4,847	2,615	85	2,977	2,212	35
Brandy	**7,535**	5,764	1,771	31	**2,274**	2,298	(24)	(1)	3,260	1,761	85	2,001	1,706	17
S.Whisky	**3,579**	2,571	1,008	39	**1,016**	1,210	(194)	(16)	1,587	854	86	976	507	93
GP rate ["GPR"][2]	**37%**	35%			**34%**	37%			44%	33%		33%	33%	
Brandy[2]	**34%**	33%			**29%**	35%			45%	33%		28%	32%	
S.Whisky[2]	**40%**	37%			**40%**	40%			41%	34%		41%	34%	
NPO rate ["NPOR"]	**19%**	17%			**17%**	20%			23%	17%		17%	14%	

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[2] *There was a P672M non-cash consolidation adjustment that has to be taken up for financial reporting purposes, triggered by the increase in UK corporation tax rates (effective April 1, 2023). It pertains principally to intangible assets; does not affect the stand-alone operating results; and will not get paid in the far future unless the UK business is liquidated or sold. NP/NPO before this adjustment may interchangeably be referred to as "Normalized" in our discussions.*

In Million Pesos	**M9**	M9	YoY	YoY	**Q3**	Q3	YoY	YoY	Q2	Q2	YoY	Q1	Q1	YoY
	2021	2020	M9	%	**2021**	2020	Q3	%	2021	2020	%	2021	2020	%
Brandy	**21%**	16%			**16%**	18%			30%	16%		16%	15%	
S.Whisky	**15%**	18%			**16%**	23%			10%	19%		18%	10%	
NPOR Normalized	**21%**	17%			**17%**	20%			28%	17%		17%	14%	
Brandy	**21%**	16%			**16%**	18%			**30%**	16%		16%	15%	
S.Whisky	**20%**	18%			**17%**	23%			**23%**	19%		18%	10%	
EBITDA margin	**29%**	24%			**25%**	27%			**37%**	24%		25%	21%	
Brandy	**30%**	24%			**26%**	26%			**39%**	24%		24%	22%	
S. Whisky	**26%**	23%			**22%**	28%			**31%**	24%		25%	16%	

Notes: Numbers may not add up due to rounding.
[1]External customers.
[2]Gross profit (GP) is computed as: total sales revenues less cost of goods sold. GPR as GP over sales.

Both segments showed sturdy results with Scotch Whisky segment growing stronger as it took up 35% of the revenue pie for the interim period, from 30% share in full year 2020 and 27% in year 2019.

Revenue and other income share	**M9 2021**	M9 2020	Q3 2021	Q3 2020	Q2 2021	Q2 2020	Q1 2021	Q1 2020	YE 2020	YE 2019
Brandy	**65%**	68%	65%	66%	62%	67%	68%	71%	70%	73%
S. Whisky	**35%**	32%	35%	34%	38%	33%	32%	29%	**30%**	27%

The Brandy segment ended the first nine months with revenues and other income from external customers growing 6% year-on-year to P24.8 billion. Third quarter external revenues and other income for this year were maintained at P8.5 billion level, with a 4% growth quarter-on-quarter amid the hard lockdown in Metro Manila and heightened restrictions in most key cities in Philippines. Brandy sales in the first nine months grew year-on-year at both the Philippine and international shores, particularly in Mexico, Spain and USA where restriction on on-trade business has loosened up. 'Emperador', 'Fundador', 'Presidente', and 'Terry' remained as the top-selling brandy brands, with sales increases registered during the interim period. Sales of 'Harveys Bristol Cream' also rose as it sold well in UK. GP year-to-date expanded 10% year-on-year to P8.5 billion with GPR improving to 34% from 33% of a year ago as sales revenues grew a little faster than costs due to product sales mix (sold more of high-margin products). The higher GP and lower operating costs lifted both NP and NPO to P5.4 billion and P5.3 billion, respectively, with margin of 21% in the first nine months as compared to 16% a year ago.

Brandy Segment	**M9**	M9	YoY	YoY	**Q3**	**Q3**	YoY	Qoq %	Q2	Q2	YoY	Q1	Q1	YoY
In Million Pesos	**2021**	2020	M9	%	**2021**	2020	%	2021	2021	2020	%	2021	2020	%
REVENUES AND OTHER INCOME – External	**24,840**	23,488	1,352	6	**8,498**	8,587	(1)	4	8,179	7,321	12	8,163	7,580	8
Intersegment	**664**	394	270	68	**362**	230	57	122	163	118	38	139	47	199
Total	**25,504**	23,882	1,621	7	**8,860**	8,817	0.5	6	8,342	7,439	12	8,302	7,627	9
Gross Profit ["GP"][1]	**8,523**	7,746	777	10	**2,517**	2,990	(16)	(32)	3,701	2,390	55	2,306	2,365	(3)
Other operating expenses	**2,194**	3,252	(1,058)	(33)	**653**	1,136	(43)	(14)	763	1,026	(263)	778	1,089	(2)
Interest & other charges	**403**	399	3	1	**137**	126	**9**	6	129	96	34	137	177	(23)
NP before tax	**6,311**	4,601	1,711	37	**1,853**	1,881	(2)	(35)	2,861	1,384	107	1,598	1,336	20
Tax expense	**924**	730	194	27	**370**	305	21	(10)	337	187	80	216	238	(9)

Brandy Segment	M9	M9	YoY	YoY	Q3	Q3	YoY	Qoq %	Q2	Q2	YoY	Q1	Q1	YoY
In Million Pesos	**2021**	2020	M9	%	**2021**	2020	%	2021	2021	2020	%	2021	2020	%
NP	**5,388**	3,871	1,517	39	1,483	1,576	(6)	(41)	2,523	1,196	111	1,381	1,098	26
NP to owners ["NPO"]	**5,285**	3,858	1,427	37	**1,426**	1,548	(8)	(43)	2,492	1,175	112	1,367	1,135	20
EBITDA	**7,535**	5,764	1,771	31	**2,274**	2,298	(1)	(30)	3,260	1,761	85	2,001	1,706	17
GPR[1]	**34%**	33%			**29%**	35%			45%	33%		28%	32%	
NPR	**21%**	16%			**17%**	18%			30%	16%		16%	14%	
NPOR	**21%**	16%			**16%**	18%			30%	16%		16%	15%	
EBITDA margin	**30%**	24%			**26%**	26%			39%	24%		24%	22%	

Note: Numbers may not add up due to rounding.
[1]*Gross profit (GP) is computed as: total sales revenues less cost of goods sold. GPR as GP over sales.*

The Scotch Whisky segment posted a 23% year-on-year jump in its revenues and other income from external customers to P13.5 billion for the nine-month interim period, and a 32% leap in Normalized NP to P2.6 billion as compared to a year ago, buoyed by its single malt products. The UK business continued to grow as off-trade and e-commerce demands continued to remain high while on-trade (which was shut throughout the first quarter) opened up in April with some restrictions and now fully working with no restrictions in place. 'Jura' continues to be no. 1 malt brand in the UK Off-trade, with 11% volume growth year-on-year. 'Harveys Bristol Cream' was selling well in UK. While restrictions have been easing up in some global markets, certain countries were re-imposing restrictions recently. Outside UK, there were significant growths in practically all regions, especially in Asia, USA (where tariffs are currently suspended), Latin America, Europe and developing markets. Global Travel Retail was also tracking ahead of last year with Asia and Europe driving the upsides. GP expanded 35% to P5.4 billion which improved GPR to 40% from 37% a year ago as sales revenues grew faster than cost of goods sold due mainly to product sales mix (sales of high-priced/high-margin products increased). As markets opened up, the segment began to loosen up on its spending this year which brought Normalized NP (also its Normalized NPO) to P0.8 billion in third quarter and P2.6 billion year-to-date, up 32% year-on-year for a Normalized NPR of 20% for the nine-month period as compared to 18% a year ago. NP for nine months this year and last year remained at P2.0 billion with NPR of 15% this year as compared to 18% a year ago.

Scotch Whisky segment	M9	M9	YoY	YoY	Q3	Q3	YoY	Qoq %	Q2	Q2	YoY	Q1	YoY
Amounts In Million Pesos	**2021**	2020	M9	%	**2021**	2020	%	2021	2021	2020	%	2020	%
REVENUES AND OTHER INCOME – External	**13,517**	10,979	2,538	23	**4,527**	4,340	4	(10)	5,076	3,561	42	3,078	27
Intersegment	**42**	48	(6)	(12)	**21**	20	3	348	5	14	(68)	13	27
Total	**13,559**	11,027	2,533	23	**4,548**	4,361	4	(10)	5,081	3,575	42	3,090	27
Gross Profit ["GP"][1]	**5,366**	3,977	1,389	35	**1,806**	1,745	4	(8)	1,967	1,187	66	1,044	52
Other operating expenses	**2,321**	1,738	523	34	**907**	676	34	29	705	419	68	643	10
Interest & other charges	**134**	157	(24)	(15)	**80**	(13)	727	263	22	81	(73)	89	(64)
NP before tax	**3,202**	2,242	960	43	**857**	1,111	(23)	(42)	1,482	757	96	374	131
Tax expense	**1,228**	230	998	433	**108**	116	(7)	(89)	974	63	1448	51	184
NP/NPO	**1,974**	2,011	(38)	(2)	**749**	995	(25)	48	508	694	(27)	323	122
NP/NPO Normalized	**2,646**	2,011	635	32	**759**	995	(24)	(35)	1,170	694	69		
EBITDA	**3,579**	2,571	1,008	39	**1,016**	1,210	(16)	(36)	1,587	854	86	507	93
GPR[1]	**40%**	37%			**40%**	40%			41%	34%		34%	
NP rate	**15%**	18%			**17%**	20%			10%	19%		10%	
NP rate - Normalized	**20%**	18%			**17%**	23%			23%	19%			
EBITDA margin	**26%**	23%			**22%**	28%			**31%**	24%		16%	

Note: Numbers may not add up due to rounding.
[1]*Gross profit (GP) is computed as: total sales revenues less cost of goods sold. GPR as GP over sales.*

Operating expenses shrank 10% to P4.5 billion from P4.99 billion a year ago because of optimized spending in the current lockdown situation and travel restrictions, especially in the Philippines. Advertising and promotions (-P0.1 billion), freight and handling (-P0.2 billion), travel and transportation (-P0.03 billion), representation (-P0.05 billion) and other services (-P0.1 billion) were down year-on-year. Salaries and employee benefits, on the other hand, went up (+P0.1 billion) year-on-year due to increased business activity from a year ago.

Amounts In Million Pesos	**M9**	M9	YoY	YoY	Q3	Q3	YoY	Qoq %	Q2	Q2	YoY	Q1	Q1	YoY
	2021	2020	M9	%	2021	2020	%	2021	2021	2020	%	2021	2020	%
Selling and distribution	**3,201**	3,736	(535)	(14)	1,098	1,314	(16)	(2)	1,124	1,159	(3)	979	1,263	(22)
Brandy	**1,599**	2,418	(819)	(34)	478	812	(41)	(15)	565	795	(29)	556	811	(31)
S. Whisky	**1,602**	1,318	284	22	620	502	23	11	559	364	54	423	452	(6)
General and administrative	**1,315**	1,.255	60	5	463	498	(7)	34	344	287	20	508	469	8
Brandy	**596**	834	(238)	(29)	175	324	(46)	(12)	198	231	(14)	222	278	(20)
S. Whisky	**719**	421	299	71	288	174	65	97	146	55	163	285	191	50
Total Operating Expenses	**4,516**	4,990	(474)	(10)	1,560	1,813	(14)	6	1,468	1,445	2	1,487	1,732	(14)

Selling and distribution. Brandy segment optimized its expenditures reflective of the current situation, and had spent less year-on-year on Emperador's advertising and promotions, freight and handling, and merchandising service fees. On the other hand, Scotch Whisky segment had resumed its expenditures on strategic and promotional marketing, and freight and handling had climbed up as well, in the light of its growing sales. In both segments, travel-related expenses (transportation and travel, representation, fuel and oil) had fallen across all regions year-on-year as travel were still restricted for most part of the interim period. Overall, selling and distribution expenses went down 14% from a year ago.

General and administrative. Brandy segment's expenses decreased from travel-related expenses. Scotch Whisky segment's expenses seemed to grow this interim period because expenses from a year ago had already fallen due to lockdown and travel bans starting sometime in March last year, such as salaries and employee benefits and training. Also, support contracts with IT were continuing from second half of last year only.

Interest expense increased 23% or P0.1 billion to P0.5 billion during the period mainly due to variable interest on ELS (P0.15 billion) which was offset by decline in interest expense on loans (following principal repayments during the interim period).

Amounts In Million Pesos	**M9**	M9	YoY	YoY	**Q3**	Q3	YoY	Qoq %	Q2	Q2	YoY	Q1	Q1	YoY
	2021	2020	M9	%	**2021**	2020	%	2021	2021	2020	%	2021	2020	%
Interest	**536**	438	99	23	**216**	145	49	43	151	141	7	169	152	11
Brandy	**403**	339	64	19	**137**	125	10	6	129	118	9	137	96	43
S. Whisky	**134**	99	35	35	**80**	20	292	263	22	22	(1)	32	56	(43)

Other income inched 1% or P0.01 billion to P0.7 billion during the period mainly from foreign exchange gains as interest income and share in net profit of BLC slipped during the period.

Amounts In Million Pesos	**M9**	M9	YoY	YoY	**Q3**	Q3	YoY	Qoq %	Q2	Q2	YoY	Q1	Q1	YoY
	2021	2020	M9	%	**2021**	2020	%	2021	**2021**	2020	%	2021	2020	%

Amounts In Million Pesos	M9	M9	YoY	YoY	Q3	Q3	YoY	Qoq %	Q2	Q2	YoY	Q1	Q1	YoY
	2021	2020	M9	%	2021	2020	%	2021	2021	2020	%	2021	2020	%
Other income	677	667	10	1	164	183	(10)	(44)	294	186	58	218	298	(27)
Brandy	386	506	(121)	(24)	126	153	(18)	141	52	116	(55)	207	237	(13)
S. Whisky	291	160	130	81	38	30	27	(84)	242	70	248	11	61	(81)

Other charges had foreign exchange loss reported in interim last year, which swung up to foreign exchange gains this year that were reported under Other income.

Amounts In Million Pesos	M9	M9	YoY	YoY	Q3	Q3	YoY	Qoq %	Q2	Q2	YoY	Q1	Q1	YoY
	2021	2020	M9	%	2021	2020	%	2021	2021	2020	%	2021	2020	%
Other charges	0	119	(119)	-100	0	(32)	-100	0	0	36	-100	0	114	-100
Brandy	0	60	(60)	-100	0	1	-100	0	0	(22)	-100	0	81	-100
S. Whisky	0	59	(59)	-100	0	(33)	-100	0	0	59	-100	0	33	-100

Tax expense soared 124% to P2.2 billion primarily due to a take-up of P672.4 million deferred tax adjustment on intangible assets at consolidation level, triggered by the increase in corporation tax rates in UK (effective April 1, 2023) (that received Royal Assent in June 2021). It is a non-cash item, does not affect UK stand-alone operating results and will never be paid in the far future unless the UK business is sold or liquidated. Normalized tax expense climbed 54% to P1.5 billion due to increase in taxable income that is attributed to the robust sales.

Amounts In Million Pesos	M9	M9	YoY	YoY	Q3	Q3	YoY	Qoq %	Q2	Q2	YoY	Q1	Q1	YoY
	2021	2020	M9	%	2021	2020	%	2021	2021	2020	%	2021	2020	%
Tax expense	2,152	960	1,191	124	478	421	14	(64)	1,311	250	424	362	289	25
Brandy	923	730	194	27	370	305	21	10	337	187	80	216	238	(9)
S. Whisky	1,228	230	998	433	108	116	(7)	(89)	974	63	1448	146	51	184
Tax expense Normalized	1,479	930	519	54	468	421	11	(28)	648	250	159	362	289	25
S. Whisky - Normalized	556	230	325	141	98	116	(15)	(68)	312	63	395	146	51	184

EBITDA, which is computed as profit before interest expense, tax, depreciation and amortization, went up to P11.1 billion from P8.3 billion a year ago, showing respective margins of 29% and 24%.

Financial Condition

Total assets amounted to P125.4 billion at September 30, 2021, a 2% increase (P2.9 billion) from P122.5 billion at December 31, 2020. The Group is strongly liquid with current assets exceeding current liabilities 2.5 times by the end of the current interim period from 2.4 times last year-end.

Cash and cash equivalents were depleted by 1% or P0.1 billion at end of interim period, mainly due to payment of dividends. Cash flows from operations were used for capital expenditures, repay loans, acquire treasury shares and pay dividends.

Trade and other receivables decelerated 19% or P4.1 billion, primarily due to net collections from customers (-P2.4 billion), who had larger beginning balances due to purchases in the lead up to the Christmas period, and collection of advances from related parties (-P2.2 billion) while advances to suppliers (+P0.2 billion) accelerated due to increased production requirements.

Financial assets at fair value through profit or loss of P0.05 billion at the beginning of the year slipped 101% to financial liabilities at fair value through profit or loss at end of the interim period due to marked-to market valuation of the marketable securities held for trading.

Inventories expanded 14% or P4.4 billion primarily from the continuous laying of Scotch whisky liquids for ageing (under work-in-process) and advanced production to ensure continuity of dispatch.

Prepayments and other current assets grew 5% or P0.06 billion from timing of general prepayments and input vat.

Deferred tax assets increased 22% or P0.03 billion due to movements of timing differences.

Retirement benefit assets (obligations) made an upswing 240% or P0.9 billion to P0.5 billion from P0.4 billion liability at year-end, as the fair value of retirement plan assets exceeds the present value of the obligation, due to changes in financial assumptions and foreign exchange adjustments.

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 31% or P1.6 billion while non-current portion went down by 5% or P1.2 billion mainly due to repayment of bank loans less the effect of translation adjustment of foreign loans.

Trade and other payables increased 4% or P0.6 billion due to timing of purchases for production (+P0.7 billion) and accrued expenses (+P0.3 billion) near to interim-end, offset by the decrease in output vat (-P0.3 billion) as the beginning accounts were paid during the interim period.

Current lease liabilities increased 20% or P0.03 billion while non-current lease liabilities increased 5% or P0.06 billion due to new rent escalation during the interim period.

Income tax payable dropped 19% or P0.3 billion as the annual obligations at beginning of the year were adjusted and paid during the period.

Provisions swelled 65% or P0.1 billion due to reclassification of a beginning contingent liability to provision for dilapidations, offset partly by a release in provision for onerous lease.

Deferred tax liabilities increased 59% or P1.4 billion from the movements of tax timing differences of the Group and substantially from the tax adjustment relating to the increase in UK corporation tax rates (effective April 1, 2023). There was a P672 million non-cash deferred tax expense taken up at consolidation level for financial reporting purposes that pertains principally to intangible assets, that does not affect UK operating results and will never be paid in the far future unless the UK business is sold or liquidated. Although the said change in UK tax rates is not yet effective, it has to be taken up for financial reporting purposes because it received Royal Assent in June 2021.

Equity attributable to owners went up 6% or P4.1 billion from net profit during the period (+P7.3 billion) and translation gain in translating financial statements of foreign subsidiaries (+P2.4 billion) reduced by acquisition of treasury shares (-P1.0 billion) and dividends declared (-P5.1 billion) in interim period.

Non-controlling interest pertains primarily to the minority interest in DBLC and Boozylife. The increase of P0.1 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.

In Million Pesos	**Sept 30 2021**	Dec 31 2020
Debt [Loans+ELS]	**31,024**	33,824
Equity	**71,576**	67,364
Total Capitalization	**102,599**	101,188
Total Liabilities	**53,821**	55,088
Debt-to-equity ratio	**0.43**	0.50
Liabilities-to-equity ratio	**0.83**	0.82
Current ratio	**2.53x**	2.40x
Quick ratio	**1.03x**	1.15x
Return on assets	**5.9%** **9mos**	6.6% 1yr
Solvency ratio [EBITDA/Debt]	**0.36** **9mos**	0.34 1yr

Other Required Disclosures

As at September 30, 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.)
INTERIM CONSOLIDATED STATEMENT OF FINANCIAL POSITION
SEPTEMBER 30, 2021
(With Corresponding Figures as of December 31, 2020)
(Amounts in Philippine Pesos)

	Notes	September 30, 2021 (UNAUDITED)	December 31, 2020 (AUDITED)
A S S E T S			
CURRENT ASSETS			
Cash and cash equivalents	5	**P 7,454,792,275**	P 7,561,169,140
Trade and other receivables - net	6	**17,895,561,968**	22,013,800,294
Financial assets at fair value through profit or loss	24.2	**-**	52,551,232
Inventories - net	7	**35,335,075,355**	30,959,999,370
Prepayments and other current assets	10.1	**1,437,138,816**	1,373,977,625
Total Current Assets		**62,122,568,414**	61,961,497,661
NON-CURRENT ASSETS			
Property, plant and equipment - net	8	**27,333,406,783**	26,435,845,480
Intangible assets - net	9	**29,501,596,439**	28,365,766,133
Investment in a joint venture	11	**3,390,851,048**	3,293,862,431
Retirement benefit asset - net		**502,817,570**	-
Deferred tax assets - net	18	**177,125,787**	144,894,759
Other non-current assets - net	10.2	**1,397,789,322**	1,288,545,176
Total Non-current Assets		**62,303,586,949**	59,528,913,979
NON-CURRENT ASSETS HELD FOR SALE	19.8	**970,031,450**	961,740,595
TOTAL ASSETS		**P 125,396,186,813**	P 122,452,152,235
LIABILITIES AND EQUITY			
CURRENT LIABILITIES			
Interest-bearing loans	12	**P 3,666,683,346**	P 5,288,395,845
Trade and other payables	14	**15,865,028,625**	15,256,516,254
Equity-linked debt securities	13	**3,443,750,000**	3,443,750,000
Lease liabilities	8.3	**208,426,481**	173,763,731
Financial liabilities at fair value through profit or loss	24.2	**455,464**	-
Income tax payable		**1,333,120,333**	1,645,950,536
Total Current Liabilities		**24,517,464,249**	25,808,376,366
NON-CURRENT LIABILITIES			
Interest-bearing loans	12	**23,913,327,900**	25,091,948,760
Lease liabilities	8.3	**1,347,909,963**	1,289,130,534
Provisions		**367,139,072**	222,999,552
Retirement benefit obligation - net		**-**	359,528,946
Deferred tax liabilities - net	18	**3,674,771,942**	2,315,851,761
Total Non-current Liabilities		**29,303,148,877**	29,279,459,553
Total Liabilities		**53,820,613,126**	55,087,835,919
EQUITY	20		
Equity attributable to owners of the parent company		**70,676,944,778**	66,585,804,689
Non-controlling interest	20.3	**898,628,909**	778,511,627
Total Equity		**71,575,573,687**	67,364,316,316
TOTAL LIABILITIES AND EQUITY		**P 125,396,186,813**	P 122,452,152,235

See Selected Explanatory Notes to Interim Consolidated Financial Statements.

EMPERADOR INC. AND SUBSIDIARIES
(A Subsidiary of Alliance Global Group, Inc.)
INTERIM CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME
FOR THE PERIODS ENDED SEPTEMBER 30, 2021 AND 2020
(Amounts in Philippine Pesos)
(UNAUDITED)

	Notes	Nine Months (January to September) 2021	Nine Months (January to September) 2020	Three Months (July to September) 2021	Three Months (July to September) 2020
REVENUES AND OTHER INCOME	15	**P 38,356,814,548**	P 34,466,995,858	**P 13,025,698,054**	P 12,927,310,777
COSTS AND EXPENSES					
Costs of goods sold	16	**23,791,201,757**	22,077,423,910	**8,538,534,007**	8,008,673,282
Selling and distribution expenses	17	**3,200,880,197**	3,735,753,376	**1,097,652,830**	1,314,475,326
General and administrative expenses	17	**1,314,848,181**	1,254,513,607	**462,815,930**	498,413,596
Interest expense	8, 12, 13	**536,470,330**	437,914,597	**216,467,584**	144,974,020
Other charges		**-**	118,946,032	**-**	(31,636,872)
		28,843,400,465	27,624,551,522	**10,315,470,351**	9,934,899,352
PROFIT BEFORE TAX		**9,513,414,083**	6,842,444,336	**2,710,227,703**	2,992,411,425
TAX EXPENSE	18				
Current tax expense		**1,157,409,751**	837,272,053	**407,440,775**	359,405,969
Deferred tax expense (includes P672 million effect of increase in tax rate at consolidation level)		**994,164,964**	123,035,978	**70,879,370** *	61,714,878
		2,151,574,715	960,308,031	**478,320,145**	421,120,847
NET PROFIT		**P 7,361,839,368**	P 5,882,136,305	**P 2,231,907,558**	P 2,571,290,578
OTHER COMPREHENSIVE INCOME (LOSS)					
Item that will be reclassified subsequently to profit or loss					
Translation gain (loss)		**2,422,878,542**	(1,791,301,316)	**877,588,533**	1,228,285,355
Items that will not be reclassified subsquently to profit or loss					
Net actuarial gain (loss) on retirement benefit plan		**609,756,000**	(266,765,000)	**425,439,000**	(6,352,600)
Tax income (expense) on remeasurement of retirement benefit plan		**(152,439,000)**	(45,540,625)	**(106,359,750)**	(364,325)
		457,317,000	(312,305,625)	**319,079,250**	(6,716,925)
		2,880,195,542	(2,103,606,941)	**1,196,667,783**	1,221,568,430
TOTAL COMPREHENSIVE INCOME (LOSS)		**P 10,242,034,910**	P 3,778,529,364	**P 3,428,575,341**	P 3,792,859,008
Net profit attributable to:					
Owners of the parent company		**P 7,258,971,501**	P 5,869,190,041	**P 2,175,282,911**	P 2,542,571,585
Non-controlling interest		**102,867,867**	12,946,264	**56,624,647**	28,718,993
		P 7,361,839,368	P 5,882,136,305	**P 2,231,907,558**	P 2,571,290,578
Total comprehensive income (loss) attributable to:					
Owners of the parent company		**P 10,121,917,628**	P 3,638,536,758	**P 3,395,189,729**	P 3,753,053,493
Non-controlling interest		**120,117,282**	139,992,606	**33,385,612**	39,805,515
		P 10,242,034,910	P 3,778,529,364	**P 3,428,575,341**	P 3,792,859,008
Earnings Per Share for the Net Profit Attributable to Owners of the Parent Company - Basic and Diluted	21	**P 0.46**	P 0.37	-	-

See Selected Explanatory Notes to Interim 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, 2021 AND 2020
(Amounts in Philippine Pesos)
(UNAUDITED)

	Attributable to Owners of the Parent Company (see Note 20)													
									Retained Earnings					
	Capital Stock	Additional Paid-in Capital	Treasury Shares	Conversion Options Outstanding	Share Options Outstanding	Accumulated Translation Adjustments	Revaluation Reserves	Other Reserves	Appropriated	Unappropriated	Total	Total	Non-controlling Interest (see Note 20)	Total Equity
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 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
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	**P 16,242,391,176**	**P 23,106,377,832**	**(P 4,747,713,903)**	**P 88,498,401**	**P 138,841,593**	**(P 3,662,387,108)**	**(P 467,294,866)**	**P 143,378,722**	**P 800,000,000**	**P 39,034,852,931**	**P 39,834,852,931**	**P 70,676,944,778**	**P 898,628,909**	**P 71,575,573,687**
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 period	-	47,652,985	1,836,250,000	(47,652,985)	-	-	-	(979,924,763)	-	-	-	856,325,237	(67,500)	856,257,737
Acquisition of treasury shares during the period	-	-	(1,303,574,981)	-	-	-	-	-	-	-	-	(1,303,574,981)	-	(1,303,574,981)
Total comprehensive loss for the period	-	-	-	-	-	(1,918,347,658)	(312,305,625)	-	-	5,869,190,041	5,869,190,041	3,638,536,758	139,992,606	3,778,529,364
Balance at September 30, 2020	P 16,242,391,176	P 23,106,377,832	(P 2,955,164,393)	P 88,498,401	P 111,883,425	(P 5,625,690,745)	(P 385,781,040)	(P 859,560,437)	P 800,000,000	P 36,485,858,345	P 37,285,858,345	P 67,008,812,564	P 1,039,157,076	P 68,047,969,640

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, 2021 AND 2020
(Amounts in Philippine Pesos)
(UNAUDITED)

	Notes	2021	2020
CASH FLOWS FROM OPERATING ACTIVITIES			
Profit before tax		P 9,513,414,083	P 6,842,444,336
Adjustments for:			
Depreciation and amortization	8, 16, 17	1,063,234,700	1,053,339,592
Interest expense	8, 12, 13	536,470,330	437,914,597
Interest income	5	(70,399,704)	(97,833,248)
Share in net profit of joint venture	11, 15	(68,593,350)	(106,537,761)
Provisions		(37,264,000)	(32,625,000)
Amortization of trademarks	9	1,211,544	1,211,544
Operating profit before working capital changes		10,938,073,603	8,097,914,060
Decrease in trade and other receivables		4,364,991,236	4,119,177,277
Decrease (increase) in financial instruments at fair value through profit or loss		67,170,512	(140,985,431)
Increase in inventories		(3,310,527,335)	(1,671,955,025)
Decrease in prepayments and other current assets		23,828,592	395,948,603
Increase in other non-current assets		(90,117,048)	(62,618,732)
Increase (decrease) in trade and other payables		951,800,779	(3,057,561,887)
Decrease in retirement benefit obligation		(266,355,416)	(88,006,630)
Cash generated from operations		12,678,864,923	7,591,912,235
Cash paid for income taxes		(1,537,696,653)	(1,529,639,074)
Net Cash From Operating Activities		11,141,168,270	6,062,273,161
CASH FLOWS FROM INVESTING ACTIVITIES			
Acquisitions of property, plant and equipment	8	(1,498,487,457)	(729,595,897)
Interest received	5	69,144,022	78,563,438
Net proceeds from sale of property, plant and equipment	8	52,333,741	53,465,178
Net Cash Used in Investing Activities		(1,377,009,694)	(597,567,281)
CASH FLOWS FROM FINANCING ACTIVITIES			
Repayments of interest-bearing loans	12	(4,334,394,677)	(2,354,368,611)
Dividends paid	20	(5,054,915,544)	(2,530,247,949)
Acquisition of treasury shares	20	(1,002,129,721)	(1,303,574,981)
Proceeds from interest-bearing loans	12	1,020,000,000	807,228,661
Interest paid	8, 12, 13	(493,868,991)	(385,318,803)
Repayments of lease liabilities	8.3	(5,226,508)	-
Net Cash Used in Financing Activities		(9,870,535,441)	(5,766,281,683)
NET DECREASE IN CASH AND CASH EQUIVALENTS		(106,376,865)	(301,575,803)
CASH AND CASH EQUIVALENTS AT JANUARY 1		7,561,169,140	7,740,605,656
CASH AND CASH EQUIVALENTS AT JUNE 30		P 7,454,792,275	P 7,439,029,853

Supplemental Information on Non-cash Financing Activity:
The conversion of Tranche 1 of ELS into EMP shares from treasury in February 2020 was credited from Treasury Shares.

See Selected Explanatory Notes to Interim Consolidated Financial Statements.

EMPERADOR INC. AND SUBSIDIARIES
SCHEDULE OF FINANCIAL SOUNDNESS INDICATORS
SEPTEMBER 30, 2021

	09/30/2021	12/31/2020
Current ratio	2.53	2.40
Quick ratio	1.03	1.15
Liabilities-to-equity ratio	0.75	0.82
Asset -to-equity ratio	1.75	1.82
Debt-to-equity ratio	0.43	0.50
	M9 2021	**M9 2020**
Net profit margin	19%	17%
Return on assets	6%	5%
Return on equity/investment	10%	9%
Solvency Ratio	36%	25%
Interest rate coverage ratio	18.73	16.63

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
SEPTEMBER 30, 2021
(Amounts in Thousand Philippine Pesos)

Trade Receivables	
Current	10,190,226
1 to 30 days	1,097,924
31 to 60 days	180,977
Over 60 days	787,559
Total	12,256,686
Other receivables	5,638,875
Balance	**17,895,561**

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, 2021 AND 2020
(With Comparative Audited Figures for December 31, 2020)
(Amounts in Philippine Pesos)
(UNAUDITED)

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:

	Percentage of Effective Ownership	
Names of Subsidiaries	**September 30, 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%
Progreen Agricorp Inc. ("Progreen")	**100%**	100%
South Point Science Park Inc.	**100%**	100%
The Bar Beverage, Inc.	**100%**	100%
Tradewind Estates, Inc. ("TEI")	**100%**	100%
Boozylife Inc. ("Boozylife")	**62%**	62%
Cocos Vodka Distillers Philippines, Inc.	**100%**	100%
Zabana Rum Company, Inc.	**100%**	100%

Names of Subsidiaries and Joint Venture	Percentage of Effective Ownership **September 30, 2021**	December 31, 2020
EIL and offshore subsidiaries and joint venture:		
Emperador International Ltd. ("EIL")	**100%**	100%
Emperador Holdings (GB) Limited	**100%**	100%
Emperador UK Limited	**100%**	100%
Whyte and Mackay Group Limited	**100%**	100%
Whyte and Mackay Global Limited ("WMG")	**100%**	100%
Whyte and Mackay Limited ("WML")	**100%**	100%
Whyte and Mackay Warehousing Limited	**100%**	100%
Emperador Asia Pte. Ltd.	**100%**	100%
Grupo Emperador Spain, S.A.	**100%**	100%
Bodega San Bruno, S.L.	**100%**	100%
Bodegas Fundador, S.L.U. ("BFS")	**100%**	100%
Grupo Emperador Gestion S.L	**100%**	100%
Stillman Spirits, S.L.	**100%**	100%
Domecq Bodega Las Copas, S.L. ("DBLC")	**50%**	50%
Bodegas Las Copas, S.L.("BLC")	**50%**	50%
Emperador Europe Sarl	**100%**	100%

Please refer to Note 1.1 to the audited consolidated financial statements as of and for the year ended December 31, 2020 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, 2021 (including the comparative financial information as of December 31, 2020 and for the nine months ended September 30, 2020) were authorized for issue by the Parent Company's Board of Directors ("BOD") through the Audit Committee on November 12, 2021.

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, 2020 except for the application of amendments to standards that became effective on January 1, 2021 (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, 2021 and 2020 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, 2020.

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 New and Amended Standards

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

The Group adopted PFRS 16 (Amendments), *Leases – COVID-19-Related Rent Concessions*, effective for annual periods subsequent to 2020, which are adopted by the Financial Reporting Standards Council, in accordance with their transitional provisions. The amendments permit lessees, as a practical expedient, not to assess whether particular rent concessions occurring as a direct consequence of the COVID-19 pandemic are lease modifications and instead to account for those rent concessions as if they are not lease modifications. The application of these amendments has no significant impact on the Group's interim consolidated financial statements.

(b) Effective Subsequent to 2021 but not Adopted Early

The following amendments and improvements to PFRS are applicable to the Group [please refer to Note 2.2(b) to the audited consolidated financial statements as of and for the year ended December 31, 2020 for discussion on these amendments and improvements. 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) 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 (effective from January 1, 2022).

- PFRS 9 (Amendments), *Financial Instruments – Fees in the '10 per cent' Test for Derecognition of Liabilities*
- 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).

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, 2020.

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 at and for the nine months ended September 30, 2021 and as at December 31, 2020, 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 2021 in the commitments and contingencies disclosed in the Group's most recent annual consolidated financial statements as of and for the year ended December 31, 2020. These commitments and contingencies pertain to the purchase and sale commitment for the sale of its land and buildings with a related party (see Note 19.8) and purchase commitment of land for future construction of warehouses (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 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, 2021 and 2020 and as of December 31, 2020 (in millions) are presented below.

	BRANDY		SCOTCH WHISKY		SEGMENT TOTALS	
	September 30,		September 30,		September 30,	
	2021	2020	**2021**	2020	**2021**	2020
REVENUES AND OTHER INCOME						
External customers	**P 24,840**	P 23,488	**P 13,517**	P 10,979	**P 38,357**	P 34,467
Intersegment sales*	**664**	394	**42**	48	**706**	442
	25,504	23,882	**13,559**	11,027	**39,063**	34,909
COSTS AND EXPENSES						
Cost of goods sold	**16,553**	15,583	**7,238**	6,495	**23,791**	22,078
Intersegment costs of goods sold*	**42**	48	**664**	394	**706**	442
	16,595	15,631	**7,902**	6,889	**24,497**	22,520
Selling and distribution	**1,599**	2,418	**1,602**	1,318	**3,201**	3,736
General and administrative	**596**	834	**719**	421	**1,315**	1,255
Interest expense	**403**	339	**134**	99	**537**	438
Other charges	**-**	60	**-**	58	**-**	118
	19,193	19,282	**10,357**	8,785	**29,550**	28,067
SEGMENT PROFIT BEFORE TAX	**6,311**	4,600	**3,202**	2,242	**9,513**	6,842
TAX EXPENSE	**923**	730	**1,228**	230	**2,150**	960
SEGMENT NET PROFIT	**P 5,388**	P 3,870	**P 1,974**	P 2,012	**P 7,362**	P 5,882
Depreciation and amortization	**821**	824	**243**	231	**1,064**	1,055
Interest expense	**403**	339	**133**	99	**536**	438
Share in net profit of joint venture	**69**	107	**-**	-	**69**	107
	Sept 30, 2021	Dec 31, 2020	**Sept 30, 2021**	Dec 31, 2020	**Sept 30, 2021**	Dec 31, 2020
TOTAL ASSETS	**P 133,778**	P 134,298	**P 52,726**	P 50,500	**P 186,505**	P 184,798
TOTAL LIABILITIES	**53,664**	27,080	**12,040**	41,148	**65,704**	68,228

**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.*

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):

	Segment Totals	Intercompany Accounts	Consolidated Balances
September 30, 2021			
Revenues	**P 39,063**	**P (706)**	**P 38,357**
Costs and expenses	**29,550**	**(706)**	**28,844**
Total assets	**186,505**	**(61,108)**	**125,396**
Total liabilities	**65,704**	**(11,883)**	**53,821**
Other segment information:			
Depreciation and amortization	**1,064**	**-**	**1,064**
Interest expense	**536**	**-**	**536**
Share in net profit of joint venture	**69**	**-**	**69**
September 30, 2020			
Revenues	34,909	(442)	34,467
Costs and expenses	28,067	(442)	27,625
Other segment information:			
Depreciation and amortization	1,055	-	1,055
Interest expense	438	-	438
Share in net profit of joint venture	107	-	107
December 31, 2020			
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:

	September 30, 2021 (Unaudited)	December 31, 2020 (Audited)
Cash on hand and in banks	**P 3,276,976,639**	P 4,319,014,811
Short-term placements	**4,177,815,636**	3,242,154,329
	P 7,454,792,275	P 7,561,169,140

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 nine months of 2021 and from 1.6% to 3.8% in the first nine months of 2020. Interest earned amounted to P70.4 million and P97.8 million in the first nine months of 2021 and 2020, 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, 2021 (Unaudited)		December 31, 2020 (Audited)
Trade receivables	19.3	P	**12,453,645,569**	P	14,890,213,702
Advances to suppliers			**5,192,987,985**		5,036,539,368
Advances to related parties	19.5		**-**		2,178,819,411
Advances to officers and employees	19.4		**95,765,280**		44,299,252
Accrued interest receivable			**56,212**		587,867
Other receivables			**350,065,967**		52,781,978
			18,092,521,013		22,203,241,578
Allowance for impairment		(	**196,959,045)**	(	189,441,284)
		P	**17,895,561,968**	P	22,013,800,294

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 impairment using the expected credit loss ("ECL") model adopted by the Group and adequate amounts of allowance for impairment have been recognized in 2021 and 2020 for those receivables found to be impaired (see Note 22.2). A reconciliation of the allowance for impairment is shown below.

		September 30, 2021 (Unaudited)		December 31, 2020 (Audited)
Balance at beginning of period	**P**	**189,441,284**	P	88,686,826
Translation adjustment		**7,196,808**	(	757,590)
Impairment losses		**666,296**		109,087,408
Recoveries	(	**345,343)**	(	7,575,360)
Balance at end of period	**P**	**196,959,045**	P	189,441,284

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

	Notes	September 30, 2021 (Unaudited)	December 31, 2020 (Audited)
At cost:			
Finished goods	16, 19	**P 4,856,329,098**	P 4,351,980,903
Work-in-process	16, 19	**23,502,558,174**	21,071,773,814
Raw materials	16, 19	**4,702,264,537**	3,953,242,460
Packaging materials	16, 19	**412,972,362**	333,083,936
Machinery spare parts, consumables and factory supplies		**312,025,968**	287,281,059
		33,768,150,139	29,997,362,172
At net realizable value:			
Finished goods			
Cost	16, 19	**1,363,994,184**	807,474,886
Allowance for impairment		**(159,679,980)**	(155,596,608)
Packaging materials			
Cost	16, 19	**441,322,176**	413,938,824
Allowance for impairment		**(96,711,164)**	(103,179,904)
		1,548,925,216	962,637,198
		P 35,335,075,355	P 30,959,999,370

WML has a substantial inventory of aged stocks which mature over periods of up to 60 years. The maturing whisky stock inventory amounting to P19.4 billion and P17.0 billion as of September 30, 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 nine months ended September 30, 2021 and 2020 is presented in Note 16.

8. PROPERTY, PLANT AND EQUIPMENT

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

	Notes	September 30, 2021 (Unaudited)	December 31, 2020 (Audited)
Property, plant and equipment	8.1	**P 26,301,900,803**	P 25,465,059,928
Right-of-use assets	8.2	**1,031,505,980**	970,785,552
		P 27,333,406,783	P 26,435,845,480

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.

	September 30, 2021 (Unaudited)	December 31, 2020 (Audited)
Cost	**P 40,775,972,628**	P 38,261,538,031
Accumulated depreciation and amortization	**(14,474,071,825)**	(12,796,478,103)
Net carrying amount	**P 26,301,900,803**	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.

	September 30, 2021 (Unaudited)	December 31, 2020 (Audited)
Balance at beginning of the period, net of accumulated depreciation and and amortization	**P 25,465,059,928**	P 27,383,160,263
Additions during the period	**1,498,487,457**	1,013,759,803
Translation adjustment	**671,929,116**	(195,210,055)
Disposal during the period	**(52,333,741)**	(107,344,016)
Reclassifications during the period	**(18,313,302)**	(961,740,595)
Depreciation and amortization charges for the period	**(1,262,928,655)**	(1,667,565,472)
Balance at the end of the period, net of accumulated depreciation and and amortization	**P 26,301,900,803**	P 25,465,059,928

The amount of depreciation and amortization is allocated as follows:

	Notes	**For the Nine Months Ended**	
		September 30, 2021 (Unaudited)	September 30, 2020 (Unaudited)
Costs of goods sold	16	**P 869,754,004**	P 808,978,303
Selling and distribution expenses	17	**52,091,635**	54,794,607
General and administrative expenses	17	**62,641,444**	126,796,079
		984,487,083	990,568,989
Capitalized to inventories		**278,441,572**	185,867,483
		P 1,262,928,655	P 1,176,436,472

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.

	September 30, 2021 (Unaudited)	December 31, 2020 (Audited)
Cost	P 1,709,501,703	P 1,560,448,676
Accumulated depreciation and amortization	(677,995,723)	(589,663,124)
Net carrying amount	P 1,031,505,980	P 970,785,552

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

	September 30, 2021 (Unaudited)	December 31, 2020 (Audited)
Balance at beginning of the period, net of accumulated amortization	P 970,785,552	P 1,603,476,999
Additions during the period	98,668,687	41,562,280
Amortization during the period	(78,747,617)	(227,434,703)
Translation adjustment	40,799,358	(63,171,043)
Lease modification	-	(383,647,981)
Balance at the end of the period, net of accumulated amortization	P 1,031,505,980	P 970,785,552

The amount of amortization in 2021 and 2020 is allocated as follows:

		For the Nine Months Ended	
	Notes	September 30, 2021 (Unaudited)	September 30, 2020 (Unaudited)
Costs of goods sold	16	P 18,777,194	P 59,709,888
General and administrative expenses	17	59,970,423	3,060,715
		P 78,747,617	P 62,770,603

8.3 Lease Liabilities

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

	September 30, 2021 (Unaudited)	December 31, 2020 (Audited)
Current	P 208,426,481	P 173,763,731
Non-current	1,347,909,963	1,289,130,534
	P 1,556,336,444	P 1,462,894,265

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 movement of lease liabilities is as follows:

	September 30, 2021 (Unaudited)	December 31, 2020 (Audited)
Beginning lease liabilities	P 1,462,894,265	P 2,021,932,115
Translation adjustment	148,112,408	(64,461,783)
Finance charges	(54,670,229)	(494,576,067)
Ending lease liabilities	P 1,556,336,444	P 1,462,894,265

9. INTANGIBLE ASSETS

This account is composed of the following:

	September 30, 2021 (Unaudited)	December 31, 2020 (Audited)
Indefinite useful lives		
Trademarks – net	P 20,078,703,336	P 19,372,584,563
Goodwill	9,420,335,400	8,989,412,323
	29,499,038,736	28,361,996,886
Definite useful lives		
Trademarks – net	2,557,703	3,769,247
	P 29,501,596,439	P 28,365,766,133

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:

	Note	September 30, 2021 (Unaudited)	December 31, 2020 (Audited)
Balance at beginning of the period		**P 3,769,247**	P 5,384,638
Amortization during the period	17	**(1,211,544)**	(1,615,391)
Balance at end of the period		**P 2,557,703**	P 3,769,247

Management believes that both the goodwill and trademarks are not impaired as of September 30, 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:

	September 30, 2021 (Unaudited)	December 31, 2020 (Audited)
Prepaid taxes	**P 666,994,759**	P 720,789,800
Prepaid expenses	**672,076,839**	533,526,212
Deferred input value-added tax ("VAT")	**44,492,859**	41,339,798
Refundable security deposits	**2,796,590**	22,854,313
Other current assets	**50,777,769**	55,467,502
	P 1,437,138,816	P 1,373,977,625

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:

	Notes	September 30, 2021 (Unaudited)	December 31, 2020 (Audited)
Advances to suppliers	19.7	**P 675,502,192**	P 625,294,487
Property mortgage receivable		**649,085,636**	613,935,936
Refundable security deposits	19.2	**41,390,691**	11,026,843
Deferred input VAT		**23,108,175**	24,697,117
Others		**8,702,628**	13,590,793
		P 1,397,789,322	P 1,288,545,176

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 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:

	September 30, 2021 (Unaudited)	December 31, 2020 (Audited)
Acquisition costs	P 2,845,367,065	P 2,845,367,065
Accumulated share in net profit:		
Balance at beginning of the period	448,495,366	178,200,678
Share in net profit for the period	68,593,350	185,108,059
Translation adjustment	28,395,267	85,186,629
Balance at end of the period	545,483,983	448,495,366
	P 3,390,851,048	P 3,293,862,431

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.

	September 30, 2021 (Unaudited)	December 31, 2020 (Audited)
Current:		
Foreign	P 3,266,683,346	P 4,466,729,178
Local	400,000,000	821,666,667
	3,666,683,346	5,288,395,845
Non-current:		
Foreign	23,913,327,900	25,091,948,760
	P 27,580,011,246	P 30,380,344,605

Interest expense on the above loans for the periods ended September 30, 2021 and 2020 amounted to P316.0 million and P338.7 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 DEBT SECURITIES

The outstanding balance of the equity-linked debt securities instrument ("ELS") represents Tranche 2 Conversion which may be converted by the Arran Investment Private Limited ("Arran"), 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 nine months ended September 30, 2021 and 2020 amounted P152.0 million and P52.3 million, respectively, and are presented as part of Interest Expense account under the Costs and Expenses section of the interim consolidated statement of comprehensive income. There was no unpaid interest on the ELS as of September 30, 2021 and December 31, 2020.

There were no related collaterals on the ELS.

14. TRADE AND OTHER PAYABLES

The breakdown of this account is as follows:

	Notes	**September 30, 2021 (Unaudited)**	December 31, 2020 (Audited)
Trade payables	19.1, 19.6	**P 9,150,119,198**	P 8,440,837,078
Accrued expenses		**6,411,774,920**	6,076,818,039
Withholding tax payable		**4,703,325**	10,726,485
Advances from related parties	19.5	**4,059,032**	3,070,715
Output VAT payable		**193,353,928**	485,066,543
Others		**101,018,222**	239,997,394
		P 15,865,028,625	P 15,256,516,254

15. REVENUES AND OTHER INCOME

The details of revenues and other income are shown below.

		For the Nine Months Ended	
	Notes	**September 30, 2021 (Unaudited)**	September 30, 2020 (Unaudited)
Sales	19.3	**P 37,680,190,771**	P 33,800,156,579
Others:			
Unrealized foreign currency gains – net		**342,826,792**	118,025,651
Share in net profit of joint venture	11	**68,593,350**	106,537,761
Other income – net	5, 6	**265,203,635**	442,275,867
		676,623,777	666,839,279
		P 38,356,814,548	P 34,466,995,858

16. COSTS OF GOODS SOLD

The details of costs of goods sold are shown below:

	Notes	For the Nine Months Ended September 30, 2021 (Unaudited)	September 30, 2020 (Unaudited)
Finished goods, beginning	7	**P 5,159,455,789**	P 5,800,242,939
Finished goods purchased	19	**2,467,488,680**	7,598,334,508
Cost of goods manufactured			
Raw and packaging materials, beginning	7	**4,700,265,219**	3,909,543,916
Net purchases	19.1	**21,924,477,153**	12,176,552,482
Raw and packaging materials, end	7	**(5,556,559,075)**	(4,884,659,546)
Raw materials used		**P 21,068,183,297**	P 11,201,436,852
Work-in-process, beginning	7	**21,071,773,814**	20,746,632,386
Direct labor		**1,078,302,922**	900,054,334
Manufacturing overhead:			
Depreciation and amortization	8	**888,531,198**	868,688,191
Outside services	19.6	**266,338,697**	184,827,865
Fuel and lubricants		**242,147,097**	200,536,055
Repairs and maintenance		**234,961,116**	174,957,937
Communication, light, and water		**199,268,618**	197,358,844
Commission		**173,285,242**	137,652,057
Rentals		**159,496,023**	178,176,234
Labor		**106,401,330**	82,438,535
Consumables and supplies		**98,346,992**	37,694,532
Taxes and licenses		**92,656,969**	150,254,560
Insurance		**36,812,736**	45,006,996
Waste disposal		**36,428,521**	42,220,518
Transportation		**29,055,704**	13,393,517
Meals		**18,777,465**	19,836,985
Gasoline and oil		**6,627,027**	7,393,964
Miscellaneous		**79,743,976**	82,700,336
Work-in-process, end	7	**(23,502,558,174)**	(20,290,257,620)
		22,384,580,570	14,981,003,078
Finished goods, end	7	**(6,220,323,282)**	(6,302,156,615)
		P 23,791,201,757	P 22,077,423,910

17. OTHER OPERATING EXPENSES

The details of operating expenses are shown below:

	Notes	For the Nine Months Ended September 30, 2021 (Unaudited)	For the Nine Months Ended September 30, 2020 (Unaudited)
Advertising		**P 1,667,276,268**	P 1,814,248,794
Sales and employee benefits		**1,331,604,024**	1,233,631,185
Freight-out		**283,385,702**	463,346,193
Professional fees and outside services		**289,487,286**	228,666,610
Depreciation and amortization	8	**174,703,502**	184,651,401
Travel and transportation		**175,927,075**	201,529,712
Taxes and licenses		**100,963,994**	97,770,318
Representation		**124,824,405**	178,431,298
Rentals		**85,258,594**	84,335,937
Repairs and maintenance		**55,809,988**	73,664,409
Fuel and oil		**38,412,155**	48,548,767
Insurance		**29,784,383**	29,934,506
Consumables and supplies		**30,631,193**	35,555,701
Utilities		**24,573,402**	26,914,410
Meals		**15,803,217**	22,735,284
Amortization of trademarks	9	**1,211,544**	1,211,544
Other services		**51,060**	117,480,840
Provisions*		**(37,264,000)**	(32,625,000)
Others		**123,284,586**	180,235,074
		P 4,515,728,378	P 4,990,266,983

**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, 2021 (Unaudited)	For the Nine Months Ended September 30, 2020 (Unaudited)
Selling and distribution expenses	**P 3,200,880,197**	P 3,735,753,376
General and administrative expenses	**1,314,848,181**	1,254,513,607
	P 4,515,728,378	P 4,990,266,983

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. The Group declared RCIT in the nine months ended September 30, 2021 and 2020 as RCIT was higher in those periods, 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 optional standard deduction 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.

In UK, an increase in corporation tax rates from 19% to 25% shall take effect on April 1, 2023 by the Royal Assent it 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 deferred tax expense of which P672.4 million pertains principally to intangibles at the consolidation level. This one-time non-cash adjustment was taken up in the interim consolidated financial statements only, does not affect the 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:

	For the Nine Months Ended	
	September 30, 2021 (Unaudited)	September 30, 2020 (Unaudited)
Reported in profit or loss:		
Current tax expense		
RCIT at 19%, 25% and 30%	**P 1,155,060,953**	P 817,504,400
Final tax on interest	**1,787,337**	19,767,653
MCIT	**561,461**	-
	1,157,409,751	837,272,053
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	**321,780,964**	123,035,978
	994,164,964	123,035,978
	P 2,151,574,715	P 960,308,031
Reported in other comprehensive income or loss –		
Deferred tax expense relating to retirement benefit obligation re-measurement	**P 152,439,000**	P 45,540,625

The deferred tax assets and liabilities relate to the following:

	September 30, 2021 (Unaudited)	December 31, 2020 (Audited)
Brand valuation	**(P 2,479,738,161)**	(P 1,807,354,161)
Fair value adjustment	**(778,258,329)**	(280,319,890)
Lease liabilities	**514,178,329**	514,178,329
Right-of-use assets	**(442,772,890)**	(442,772,890)
Short-term temporary differences	**(382,619,942)**	(228,519,008)
Capitalized borrowing costs	**(51,585,429)**	(51,585,429)
Retirement benefit obligation	**100,541,990**	102,807,770
Allowance for impairment	**22,287,708**	22,287,708
Unamortized past service costs	**320,569**	320,569
Net deferred tax liabilities	**(P 3,497,646,155)**	(P 2,170,957,002)

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

	September 30, 2021 (Unaudited)	December 31, 2020 (Audited)
Deferred tax liabilities - net	**(P 3,674,771,942)**	(P 2,315,851,761)
Deferred tax assets - net	**177,125,787**	144,894,759
	(P 3,497,646,155)	(P 2,170,957,002)

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, 2021 and 2020 and the related outstanding balances as of September 30, 2021 and December 31, 2020 are shown below.

Related Party Category	Notes	Amount of Transaction For the Nine Months Ended September 30, 2021	Amount of Transaction For the Nine Months Ended September 30, 2020	Outstanding Receivable (Payable) September 30, 2021	Outstanding Receivable (Payable) December 31, 2020
Ultimate Parent Company:					
Dividends		**P 4,252,534,514**	P 596,182,620	**P -**	P -
Lease of properties	19.2(a)	**11,828,000**	7,804,500	**-**	-
Advances granted	6	**(2,178,819,411)**	-	**-**	2,178,819,411
Related Parties Under Common Ownership:					
Purchase of raw materials	19.1	**1,102,142,430**	1,957,762,676	**(519,318,431)**	(811,977,473)
Purchase of finished goods	19.1	**12,416,664**	11,316,261	**(1,503,568)**	(983,717)
Lease of properties	19.2(b),(c)	**57,691,972**	55,937,070	**-**	(10,429)
Advances for land purchase	19.7	**-**		**622,049,938**	622,049,938
Sale of goods	19.3	**32,536,892**	44,165,398	**259,993,348**	273,229,290
Management services	19.6	**45,000,000**	45,000,000	**(121,000,000)**	(110,000,000)
Refundable deposits	19.2(b),(c)	**(1,205,758)**	127,194	**6,398,775**	7,604,533
Stockholder -					
Advances obtained	19.5	**-**	-	**(3,070,715)**	(3,070,715)
Officers and Employees -					
Advances granted (payment)	19.4	**51,466,028**	(3,502,964)	**95,765,280**	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 nine 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 11).

The related unpaid purchases as of September 30, 2021 and December 31, 2020 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

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 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 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, 2021 and December 31, 2020.

(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 P35.0 million and P34.1 million in rentals for the first nine 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 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 P22.7 million and P21.8 million in rentals for the first nine 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:

	September 30, 2021 (Unaudited)	December 31, 2020 (Audited)
Balance at the beginning of period	**P 44,299,252**	P 33,518,316
Additions	**51,466,028**	14,864,206
Payments	**-**	(4,083,270)
Balance at end of period	**P 95,765,280**	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. 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 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 Costs of Goods Sold account in the interim consolidated statements of comprehensive income. 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 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. 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 September 30, 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 interim 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 Real Estate Spain, SAU, 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 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 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 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. The allotment was fully used up by the end of September 30, 2021.

As of September 30, 2021 and December 31, 2020, the Parent Company had spent P6.12 billion and P5.11 billion, respectively, including trading charges, to purchase a total of 759.20 million shares and 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). As of September 30, 2021, there were 505.92 million shares in treasury amounting to P4.28 billion and presented under Treasury Shares account in the interim consolidated 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 2021 are as follows (see Note 26.1):

Date of Declaration	Date of Stockholders' Record	Payable Date	Dividend per Share	Total
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	1,731,011,836
				P5,057,031,744

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

20.3 Subsidiaries with Non-controlling Interest

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

	September 30, 2021 (Unaudited)	December 31, 2020 (Audited)
DBLC	**P 923,662,750**	P 798,380,685
Boozylife	**(25,033,841)**	(19,869,058)
	P 898,628,909	P 778,511,627

21. EARNINGS PER SHARE

Earnings per share were computed as follows:

	For the Nine Months Ended	
	September 30, 2021 (Unaudited)	Septmber 30, 2020 (Unaudited)
Consolidated net profit attributable to owners of parent company	**P 7,258,971,501**	P 5,869,190,041
Divided by weighted average number of outstanding common shares	**15,787,188,303**	15,910,989,405
Basic and diluted earnings per share	**P 0.46**	P 0.37

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 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, 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, 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:

	September 30, 2021 (Unaudited)	December 31, 2020 (Audited)
Financial assets	**P 554,601,541**	P 400,870,827
Financial liabilities	**(1,176,856,086)**	(3,296,647,884)
	P (622,254,545)	(P 2,895,777,057)

The following table illustrates the sensitivity of the Group's 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 profit before tax	Effect in equity before tax
September 30, 2021	**6.2%**	**(P 38,828,684)**	**(P 29,121,513)**
December 31, 2020	9.5%	(P 275,098,820)	(P 192,569,174)

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 September 30, 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. 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 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 summarized in the following table.

	Notes	**September 30, 2021 (Unaudited)**	December 31, 2020 (Audited)
Cash and cash equivalents	5	**P 7,454,792,275**	P 7,561,169,140
Trade and other receivables – net	6	**12,606,808,703**	16,932,961,674
Property mortgage receivable	10	**649,085,636**	613,935,936
Refundable security deposits	10	**44,187,281**	33,881,156
		P 20,754,873,895	P 25,141,947,906

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 the ultimate 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 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, 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 September 30, 2021 and December 31, 2020 based on contractual undiscounted payments is as follows:

	September 30, 2021 (Unaudited)			
	CURRENT		**NON-CURRENT**	
	Within 6 months	**6 to 12 months**	**1 to 5 years**	**More than 5 years**
Interest-bearing loans	**P 299,009,405**	**P 3,664,844,402**	**P 24,486,440,009**	**P -**
Trade and other payables	**15,591,363,546**	**-**	**-**	**-**
Equity-linked debt securities	**3,443,750,000**	**-**	**-**	**-**
Lease liabilities	**106,870,401**	**409,523,451**	**726,442,209**	**368,170,6124**
	P 19,440,993,352	**P 4,074,367,853**	**P 25,212,882,218**	**P 368,170,612**

	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	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
	P 15,865,646,075	P 8,331,167,223	P 27,243,655,459	P 864,841,167

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 in the succeeding page.

		September 30, 2021 (Unaudited)		December 31, 2020 (Audited)	
	Notes	**Carrying Values**	**Fair Values**	Carrying Values	Fair Values
Financial Assets					
Financial assets at amortized cost:					
Cash and cash equivalents	5	**P 7,454,792,275**	**P 7,454,792,275**	P 7,561,169,140	P 7,561,169,140
Trade and other receivables	6	**12,606,808,703**	**12,606,808,703**	16,932,961,674	16,932,961,674
Property mortgage receivable	10	**649,085,636**	**649,085,636**	613,935,936	613,935,936
Refundable security deposits	10	**44,187,281**	**44,187,281**	33,881,156	33,881,156
		P 20,754,873,895	**P 20,754,873,895**	P 25,141,947,906	P 25,141,947,906
Financial assets at FVTPL		**P -**	**P -**	P 52,551,232	P 52,551,232
Financial Liabilities					
Financial liabilities at amortized cost:					
Interest -bearing loans	12	**P 27,580,011,246**	**P 27,580,011,246**	P 30,380,344,605	P 30,380,344,605
Trade and other payables	14	**15,591,363,546**	**15,591,363,546**	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	8	**1,556,336,444**	**1,556,336,444**	1,462,894,265	1,462,894,265
		P 48,171,461,236	**P 48,171,461,236**	P 49,999,223,730	P 49,999,223,730
Financial liabilities at FVTPL		**P 455,464**	**P 455,464**	**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 September 30, 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 three 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 nil and P52.6 million as of September 30, 2021 and December 31, 2020 respectively, and financial liabilities at FVTPL amounting to P455 thousand as of September 30, 2021. 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 statements of financial position but for which fair value is disclosed.

	September 30, 2021			
	Level 1	**Level 2**	**Level 3**	**Total**
Financial assets:				
Cash and cash equivalents	P 7,454,792,275	P -	P -	P 7,454,792,275
Trade and other receivables	-	-	12,606,808,703	12,606,808,703
Property mortgage receivable	-	-	649,085,636	649,085,636
Refundable security deposits	-	-	44,187,281	44,187,281
	P 7,454,792,275	**P -**	**P 13,300,081,620**	**P 20,754,873,895**
Financial liabilities:				
Interest-bearing loans	P -	P -	P 27,580,011,246	P 27,580,011,246
Trade and other payables	-	-	15,591,363,546	15,591,363,546
Equity-linked debt securities	-	-	3,443,750,000	3,443,750,000
Lease liabilities	-	-	1,556,336,444	1,556,336,444
	P -	**P -**	**P 48,171,461,236**	**P 48,171,461,236**

	December 31, 2020			
	Level 1	Level 2	Level 3	Total
Financial assets:				
Cash and cash equivalents	P 7,561,169,140	P -	P -	P 7,561,169,140
Trade and other receivables	-	-	16,932,961,674	16,932,961,674
Property mortgage receivable	-	-	613,935,936	613,935,936
Refundable security deposits	-	-	33,881,156	33,881,156
	P 7,561,169,140	P -	P 17,580,778,766	P 25,141,947,906
Financial liabilities:				
Interest-bearing loans	P -	P -	P 30,380,344,605	P 30,380,344,605
Trade and other payables	-	-	14,712,234,860	14,712,234,860
Equity-linked debt securities	-	-	3,443,750,000	3,443,750,000
Lease liabilities	-	-	1,462,894,265	1,462,894,265
	P -	P -	P 49,999,223,730	P 49,999,223,730

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:

	September 30, 2021 (Unaudited)	December 31, 2020 (Audited)
Total liabilities	P 53,820,613,126	P 55,087,835,919
Total equity	71,575,573,687	67,364,316,316
Liabilities-to-equity ratio	P 0.75 : 1.00	P 0.82 : 1.00

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. EVENTS AFTER THE END OF THE REPORTING PERIOD

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 National Capital Region ("NCR"), which was under the strictest Enhanced Community Quarantine ("ECQ") for two weeks up to April 11, 2021 and under hard lockdowns again from August 6 to November 4, was put under lesser Alert Level 2 starting November 5. The government's vaccination program is ongoing. The Group has started its vaccination program for its employees in May, and later on to their family members, to help achieve the herd immunity that the government is aiming for.

The situation is better in UK and Spain where restrictions have eased up already and on-trade business opened up; however, there is a recent resurgence of cases which caused the re-imposition of certain restrictions.

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 interim 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)
November 12, 2021