

# 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  
Sep 30, 2021
2. SEC Identification Number  
142312
3. BIR Tax Identification No.  
000-083-856-000
4. Exact name of issuer as specified in its charter  
GINEBRA SAN MIGUEL INC.
5. Province, country or other jurisdiction of incorporation or organization  
Philippines
6. Industry Classification Code(SEC Use Only)
7. Address of principal office  
3rd and 6th Floors, San Miguel Properties Centre, St. Francis Street, Ortigas Center,  
Mandaluyong City  
Postal Code  
1550
8. Issuer's telephone number, including area code  
(+632) 8841-5100
9. Former name or former address, and former fiscal year, if changed since last report  
N/A
10. Securities registered pursuant to Sections 8 and 12 of the SRC or Sections 4 and 8 of the RSA

Title of Each Class	Number of Shares of Common Stock Outstanding and Amount of Debt Outstanding
COMMON STOCK	286,327,841

11. Are any or all of registrant's securities listed on a Stock Exchange?  
Yes          No  
If yes, state the name of such stock exchange and the classes of securities listed therein:  
The 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 SRC 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 that 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

*The Exchange does not warrant and holds no responsibility for the veracity of the facts and representations contained in all corporate disclosures, including financial reports. All data contained herein are prepared and submitted by the disclosing party to the Exchange, and are disseminated solely for purposes of information. Any questions on the data contained herein should be addressed directly to the Corporate Information Officer of the disclosing party.*



## Ginebra San Miguel, Inc. GSMI

### PSE Disclosure Form 17-2 - Quarterly Report *References: SRC Rule 17 and Sections 17.2 and 17.8 of the Revised Disclosure Rules*

For the period ended	Sep 30, 2021
Currency (indicate units, if applicable)	Php (in thousands)

#### Balance Sheet

	Period Ended	Fiscal Year Ended (Audited)
	Sep 30, 2021	Dec 31, 2020
Current Assets	13,389,001	10,874,127
Total Assets	18,318,976	16,054,046
Current Liabilities	6,722,403	5,720,307
Total Liabilities	7,517,912	6,601,987
Retained Earnings/(Deficit)	11,966,090	9,583,730
Stockholders' Equity	10,801,064	9,452,059
Stockholders' Equity - Parent	10,873,316	9,655,632
Book Value per Share	37.72	29.62

**Income Statement**

	Current Year (3 Months)	Previous Year (3 Months)	Current Year-To-Date	Previous Year-To-Date
Gross Revenue	10,492,123	10,500,407	30,720,283	25,343,225
Gross Expense	9,027,605	9,197,542	26,641,818	22,233,153
Non-Operating Income	12,491	119,415	152,741	228,166
Non-Operating Expense	34,701	47,410	28,123	117,294
Income/(Loss) Before Tax	1,442,308	1,374,870	4,203,083	3,220,944
Income Tax Expense	359,116	419,221	1,032,774	1,008,710
Net Income/(Loss) After Tax	1,083,192	955,649	3,170,309	2,212,234
Net Income Attributable to Parent Equity Holder	1,012,157	816,799	3,032,457	2,057,033
Earnings/(Loss) Per Share (Basic)	3.78	3.29	11.07	7.6
Earnings/(Loss) Per Share (Diluted)	3.78	3.29	11.07	7.6

	Current Year (Trailing 12 months)	Previous Year (Trailing 12 months)
Earnings/(Loss) Per Share (Basic)	12.97	8.81
Earnings/(Loss) Per Share (Diluted)	12.97	8.81

**Other Relevant Information**

Amended to correct item 1 to "For the quarterly period ended Sep 30, 2021".

**Filed on behalf by:**

<b>Name</b>	Francis Joseph Cruz
<b>Designation</b>	General Counsel and Assistant Corporate Secretary

# COVER SHEET

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S. E. C. Registration Number

G I N E B R A S A N M I G U E L

I N C .

(Company's Full Name)

3<sup>rd</sup> a n d 6<sup>th</sup> F l o o r s , S a n

M i g u e l P r o p e r t i e s

C e n t r e , S t . F r a n c i s

S t r e e t , O r t i g a s

C e n t e r , M a n d a l u y o n g

C i t y

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

Cynthia M. Baroy

Contact Person

Number

(632) 8841-5100

Company Telephone

1 2

Month

3 1

Day

SEC FORM 17-Q (3<sup>rd</sup> Qtr 2021)

FORM TYPE

Month

Day

Annual Meeting

Secondary License Type, If Applicable

Dept. Requiring this Doc.  
Number/Section

Amended Articles

Total No. of Stockholders  
Foreign

Total Amount of Borrowings

Domestic

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 **142312**
3. BIR Tax Identification No. **000-083-856-000**
4. Exact name of issuer as specified in its charter: **GINEBRA SAN MIGUEL INC.**

**PHILIPPINES**

5. Province, country or other jurisdiction of incorporation or organization:
6. Industry Classification Code:  (SEC use only)

**3<sup>RD</sup> and 6<sup>TH</sup> FLOORS, SAN MIGUEL PROPERTIES CENTRE,  
ST. FRANCIS STREET, ORTIGAS CENTER  
MANDALUYONG CITY**

7. Address of issuer's principal office

**1550**  
Postal Code

8. Issuer's telephone number, including area code  
**(632) 8841-5100**

9. Former name, former address and former fiscal year, if changed since last report  
**N.A.**

10. Securities registered pursuant to Sections 8 and 12 of the Code, or Sections 4 and 8 of the RSA

**Outstanding Capital Stock and Amount of Debt  
Outstanding as of September 30, 2021**

**COMMON SHARES  
PREFERRED SHARES**

**286,327,841  
-  
286,327,841**

**TOTAL LIABILITIES**

**Php 7,517,911,792**

11. Are any or all of the securities listed on a Stock Exchange?

Yes [ / ] No [ ]

If yes, state name of such Stock Exchange and the class/es of securities listed therein.

**THE PHILIPPINE STOCK EXCHANGE, INC. - Common**

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 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 90 days

Yes [ / ] No [ ]

## PART I – FINANCIAL INFORMATION

### Item 1. Financial Statements.

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

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

The information required by Part III, Paragraph (A)(2)(b) of “Annex C, as amended” is attached hereto as **Annex “B”**.

## PART II – OTHER INFORMATION

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

NONE

## SIGNATURES

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

Issuer **GINEBRA SAN MIGUEL INC.**

Signature and Title

  
**Cynthia M. Baroy**  
VP and Chief Finance Officer

Date November 12, 2021

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

		2021	2020
	Note	Unaudited	Audited
<b>ASSETS</b>			
<b>Current Assets</b>			
Cash and cash equivalents	7, 8	P5,081,851	P2,819,574
Trade and other receivables - net	4, 7, 8	887,652	953,698
Inventories		6,090,036	5,946,809
Prepaid expenses and other current assets	4, 7, 8	1,329,462	1,154,046
<b>Total Current Assets</b>		<b>13,389,001</b>	<b>10,874,127</b>
<b>Noncurrent Assets</b>			
Investments in joint ventures		-	4,451
Property, plant and equipment - net	3	4,077,988	4,221,595
Right-of-use assets - net		188,130	156,597
Goodwill		126,863	126,863
Deferred tax assets - net	2	456,413	582,807
Other noncurrent assets - net	4, 7, 8	80,581	87,606
<b>Total Noncurrent Assets</b>		<b>4,929,975</b>	<b>5,179,919</b>
		<b>P18,318,976</b>	<b>P16,054,046</b>
<b>LIABILITIES AND EQUITY</b>			
<b>Current Liabilities</b>			
Accounts payable and accrued expenses	4, 7, 8	P5,889,302	P5,146,148
Income and other taxes payable		608,203	377,018
Current maturities of long-term debt - net of debt issue costs	7, 8	165,417	165,417
Lease liabilities - current portion	4, 7, 8	59,481	31,724
<b>Total Current Liabilities</b>		<b>6,722,403</b>	<b>5,720,307</b>
<b>Noncurrent Liabilities</b>			
Retirement liabilities		404,797	404,797
Long-term debt - net of debt of issue costs	7, 8	248,449	330,847
Lease liabilities - net of current portion	4, 7, 8	142,263	146,036
<b>Total Noncurrent Liabilities</b>		<b>795,509</b>	<b>881,680</b>
<b>Total Liabilities</b>		<b>7,517,912</b>	<b>6,601,987</b>
<b>Equity</b>			
Capital stock		399,063	399,063
Additional paid-in capital		2,539,454	2,539,454
Equity reserves		(433,570)	(400,215)
Retained earnings:			
Appropriated		2,500,000	2,500,000
Unappropriated	6	9,466,090	7,083,730
Treasury stock		(3,669,973)	(2,669,973)
<b>Total Equity</b>		<b>10,801,064</b>	<b>9,452,059</b>
		<b>P18,318,976</b>	<b>P16,054,046</b>

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

CERTIFIED CORRECT:

  
**CYNTHIA M. BAROY**  
VP and Chief Finance Officer



**GINEBRA SAN MIGUEL INC. AND SUBSIDIARIES**  
**CONSOLIDATED STATEMENTS OF INCOME**  
**FOR THE PERIODS ENDED SEPTEMBER 30, 2021 AND 2020**  
(In Thousands, Except Per Share Data)

	Note	For the Quarter Ended			
		2021 Unaudited	2020 Unaudited	2021 Unaudited	2020 Unaudited
SALES	4	P30,720,283	P25,343,225	P10,492,123	P10,500,407
COST OF SALES		22,727,669	18,429,299	7,645,258	7,736,457
GROSS PROFIT		7,992,614	6,913,926	2,846,865	2,763,950
SELLING AND MARKETING EXPENSES		(2,135,320)	(1,926,125)	(801,762)	(751,282)
GENERAL AND ADMINISTRATIVE EXPENSES		(1,778,829)	(1,877,729)	(580,585)	(709,803)
INTEREST EXPENSE AND OTHER FINANCING CHARGES		(28,123)	(104,493)	(8,707)	(35,595)
GAIN (LOSS) ON DISPOSAL / RETIREMENT OF PROPERTY AND EQUIPMENT		5,293	(12,801)	1,400	(11,815)
INTEREST INCOME		28,719	17,882	11,091	13,535
OTHER INCOME (CHARGES) - Net		118,729	210,284	(25,994)	105,880
INCOME BEFORE INCOME TAX		4,203,083	3,220,944	1,442,308	1,374,870
INCOME TAX EXPENSE	2	1,032,774	1,008,710	359,116	419,221
NET INCOME		3,170,309	P2,212,234	P1,083,192	P955,649
Basic and diluted earnings per share	5	P11.07	P7.60	P3.78	P3.29

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

CERTIFIED CORRECT:

  
**CYNTHIA M. BAROY**  
VP and Chief Finance Officer

**GINEBRA SAN MIGUEL INC. AND SUBSIDIARIES**  
**CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME**  
**FOR THE PERIODS ENDED SEPTEMBER 30, 2021 AND 2020**  
(In Thousands)

	<i>For the Quarter Ended</i>			
	2021	2020	2021	2020
	Unaudited	Unaudited	Unaudited	Unaudited
<b>NET INCOME</b>	<b>P3,170,309</b>	<b>P2,212,234</b>	<b>P1,083,192</b>	<b>P955,649</b>
<b>OTHER COMPREHENSIVE INCOME (LOSS)</b>				
Item that may be reclassified to profit or loss				
Share in other comprehensive income (loss) of joint ventures	(4,451)	(54,498)	-	(14,146)
Item that will not be reclassified to profit or loss				
Equity reserve for retirement plan - net of tax	(28,904)	-	-	-
<b>OTHER COMPREHENSIVE INCOME (LOSS)</b>	<b>(33,355)</b>	<b>(54,498)</b>	<b>-</b>	<b>(14,146)</b>
<b>TOTAL COMPREHENSIVE INCOME - Net of tax</b>	<b>P3,136,954</b>	<b>P2,157,736</b>	<b>P1,083,192</b>	<b>P941,503</b>

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

**CERTIFIED CORRECT:**

  
**CYNTHIA M. BAROY**  
VP and Chief Finance Officer

**GINEBRA SAN MIGUEL INC. AND SUBSIDIARIES**  
**CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY**  
**FOR THE PERIODS ENDED SEPTEMBER 30, 2021 AND 2020**  
(In Thousands)

	Note	Capital Stock		Additional Paid-in Capital	Equity Reserves			Retained Earnings		Treasury Stocks		Total
		Common	Preferred		Reserve for Retirement Plan Adjustments	Reserve for Cumulative Translation		Appropriated	Unappropriated	Common	Preferred	
<b>As of January 1, 2021 (Audited)</b>		<b>P345,625</b>	<b>P53,438</b>	<b>P2,539,454</b>	<b>(P404,666)</b>	<b>(28,904)</b>	<b>(4,451)</b>	<b>P2,500,000</b>	<b>P7,083,730</b>	<b>(P1,947,198)</b>	<b>(P722,775)</b>	<b>P9,452,059</b>
Share in other comprehensive income of joint ventures		-	-	-	-	-	-	-	3,170,309	-	-	(4,451)
Equity reserve for retirement plan		-	-	-	(28,904)	-	-	-	-	-	-	(28,904)
Net income		-	-	-	-	-	-	-	3,170,309	-	-	3,170,309
Total comprehensive income for the period		-	-	-	(28,904)	(4,451)	-	-	3,170,309	-	-	3,136,954
Redemption of preferred shares		-	-	-	-	-	-	-	-	-	(1,000,000)	(1,000,000)
Cash dividends and distributions:		-	-	-	-	-	-	-	(787,403)	-	-	(787,403)
Common	6	-	-	-	-	-	-	-	(546)	-	-	(546)
Preferred		-	-	-	-	-	-	-	-	-	-	-
<b>As of September 30, 2021 (Unaudited)</b>		<b>P345,625</b>	<b>P53,438</b>	<b>P2,539,454</b>	<b>(P433,570)</b>	<b>P -</b>	<b>P2,500,000</b>	<b>P9,466,090</b>	<b>(P1,947,198)</b>	<b>(P1,722,775)</b>		<b>P10,801,064</b>
<b>As of January 1, 2020 (Audited)</b>		<b>P345,625</b>	<b>P53,438</b>	<b>P2,539,454</b>	<b>(P369,433)</b>	<b>P57,963</b>	<b>P2,500,000</b>	<b>P4,662,727</b>	<b>(P1,947,198)</b>	<b>(P722,775)</b>		<b>P7,119,801</b>
Share in other comprehensive income of joint ventures		-	-	-	-	(54,498)	-	-	2,212,234	-	-	(54,498)
Net income		-	-	-	-	-	-	-	2,212,234	-	-	2,212,234
Total comprehensive income for the period		-	-	-	-	(54,498)	-	-	2,212,234	-	-	2,157,736
Cash dividends and distributions:		-	-	-	-	-	-	-	(214,746)	-	-	(214,746)
Common	6	-	-	-	-	-	-	-	(36,885)	-	-	(36,885)
Preferred		-	-	-	-	-	-	-	-	-	-	-
<b>As of September 30, 2020 (Unaudited)</b>		<b>P345,625</b>	<b>P53,438</b>	<b>P2,539,454</b>	<b>(P369,433)</b>	<b>P3,465</b>	<b>P2,500,000</b>	<b>P5,623,330</b>	<b>(P1,947,198)</b>	<b>(P722,775)</b>		<b>P9,025,906</b>

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

CERTIFIED CORRECT:

CYNTHIA M. BAROY  
VP and Chief Finance Officer





**GINEBRA SAN MIGUEL INC. AND SUBSIDIARIES**  
**CONSOLIDATED STATEMENTS OF CASH FLOWS**  
**FOR THE PERIODS ENDED SEPTEMBER 30, 2021 AND 2020**  
(In Thousands)

	2021	2020
	Unaudited	Unaudited
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Income before income tax	P4,203,083	P3,220,944
Adjustments for:		
Depreciation and amortization	510,036	541,200
Net derivative loss (gain)	124,524	(70,901)
Retirement expense	68,646	64,281
Provision for impairment loss	56,754	184,500
Interest expense and other financing charges	28,123	104,493
Net unrealized foreign exchange (gain) loss	(1,919)	1,703
(Gain) loss on disposal / retirement of property and equipment - net	(5,293)	12,801
Interest income	(28,719)	(17,882)
Operating income before working capital changes	4,955,235	4,041,139
Decrease (increase) in:		
Trade and other receivables	11,491	76,640
Inventories	(148,002)	2,226,084
Prepaid taxes and other current assets	(521,028)	(518,435)
Increase in:		
Trade and other payables	631,682	804,007
Other taxes payable	175,231	191,109
Cash generated from operations	5,104,609	6,820,544
Interest received	26,487	26,516
Interest and other financing charges paid	(19,048)	(90,225)
Contribution to retirement plan	(68,646)	(63,298)
Income taxes paid	(589,079)	(571,650)
Net cash flows provided by operating activities	4,454,323	6,121,887
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>		
Proceeds from sale of property, plant and equipment	6,081	435
Increase in other noncurrent assets	(25,061)	(426)
Additions to property, plant and equipment	(279,491)	(216,191)
Net cash flows used in investing activities	(298,471)	(216,182)
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>		
Proceeds from short-term borrowings	-	1,664,200
Payments of:		
Short-term borrowings	-	(3,183,200)
Lease liabilities	(48,687)	(65,910)
Long-term borrowings	(83,333)	(882,353)
Cash dividends	(763,531)	(245,607)
Redemption of preferred shares	(1,000,000)	-
Net cash flows used in financing activities	(1,895,551)	(2,712,870)
<b>EFFECT OF EXCHANGE RATE CHANGES ON CASH AND CASH EQUIVALENTS</b>	1,976	(3,372)
<b>NET INCREASE IN CASH AND CASH EQUIVALENTS</b>	2,262,277	3,189,463
<b>CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR</b>	2,819,574	354,131
<b>CASH AND CASH EQUIVALENTS AT END OF PERIOD</b>	P5,081,851	P3,543,594

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


CERTIFIED CORRECT:

  
CYNTHIA M. BAROY  
VP and Chief Finance Officer

**GINEBRA SAN MIGUEL INC. AND SUBSIDIARIES**  
**TRADE AND OTHER RECEIVABLES**  
**SEPTEMBER 30, 2021 (UNAUDITED)**  
(In Thousands)

TYPE OF ACCOUNTS RECEIVABLE	TOTAL	Current	< 30 days past due	30 - 60 days past due	60 - 90 days past due	Over 90 days past due
Trade Receivables	P655,596	P622,326	P16,427	P3,229	P1,990	P11,624
Non-trade Receivables	886,783	152,238	10,890	907	9,601	713,147
<b>Total</b>	<b>1,542,379</b>	<b>774,564</b>	<b>27,317</b>	<b>4,136</b>	<b>11,591</b>	<b>724,771</b>
Less: Allowance for doubtful accounts	(654,727)	-	-	-	-	(654,727)
<b>NET RECEIVABLES</b>	<b>P887,652</b>	<b>P774,564</b>	<b>P27,317</b>	<b>P4,136</b>	<b>P11,591</b>	<b>P70,044</b>

CERTIFIED CORRECT:

  
**CYNTHIA M. BAROY**  
VP and Chief Finance Officer



**GINEBRA SAN MIGUEL INC. AND SUBSIDIARIES**  
**SELECTED NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**  
 (Amounts in Thousands, Except Per Share Data)

**1. Summary of Significant Accounting and Financial Reporting Policies**

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

The consolidated financial statements were approved and authorized for issue in accordance with a resolution by the Board of Directors (BOD) on November 10, 2021.

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

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

Adoption of Amended Standards

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

*Amended Standards Adopted in 2021*

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

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

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

Earlier application is permitted.

- Interest Rate Benchmark Reform - Phase 2 (Amendments to PFRS 9, *Financial Instruments*, PAS 39, *Financial Instruments: Recognition and Measurement*, PFRS 7, *Financial Instruments: Disclosures*, PFRS 4, *Insurance Contracts*, and PFRS 16, *Leases*). To ensure that financial statements best reflect the economic effects of interest rate benchmark reforms, the Phase 2 amendments were issued and focus was made on the accounting once a new benchmark rate is in place. The reliefs allow companies not to recognize significant modification gains or losses on financial instruments and mitigate the risk of discontinuations of existing hedging relationships because of changes required by reforms. The amendments address issues that might



affect financial reporting during the reform in the following key areas:

- *Practical Expedient for Particular Changes to Contractual Cash Flows.* As a practical expedient, a company will account for a change in the basis for determining the contractual cash flows that is required by the reform by updating the effective interest rate of the financial instrument. If there are other changes to the basis for determining the contractual cash flows, then a company first applies the practical expedient to the changes required by the reform and then applies other applicable requirements of PFRS 9 to other changes. A similar practical expedient applies to insurers applying PAS 39 and lessees for lease modifications required by a reform.
- *Relief from Specific Hedge Accounting Requirements.* The amendments enable and require companies to continue hedge accounting in circumstances when changes to hedged items and hedging instruments arise as a result of changes required by the reform. A company is required to amend the formal designation of hedging relationships to reflect the changes required by the reform. Reliefs are also provided for amounts accumulated in the cash flow hedge reserve, then separately identifiable requirement, groups of items designated as hedged items and retrospective effectiveness assessment under PAS 39.
- *Disclosure Requirements.* To enable users of financial statements to understand the effect of reforms on a company's financial instruments and risk management strategy, additional disclosures are required on the following: (i) how transition to alternative benchmark rates are being managed, (ii) quantitative information about financial instruments indexed to rates yet to transition due to benchmark reform at the end of the reporting period, and (ii) the extent to which changes to the risk management strategy have occurred due to the risks identified in the transition.

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

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

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

#### *Standards Issued But Not Yet Adopted*

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

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

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



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

For the sale of items that are not part of a company's ordinary activities, the amendments require the company to disclose separately the sales proceeds and related production cost recognized in profit or loss and to specify the line items in which such proceeds and costs are included in the statement of comprehensive income. This disclosure is not required if such proceeds and cost are presented separately in the statement of comprehensive income.

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

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

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

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

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

- **Reference to the Conceptual Framework** (Amendment to PFRS 3, *Business Combinations*). The amendments are as follows:
  - updated PFRS 3 so that it now refers to the 2018 Conceptual Framework;
  - added a requirement that for transactions and other events within the scope of PAS



37 or IFRIC 21, *Levies*, an acquirer applies PAS 37 or IFRIC 21 instead of the Conceptual Framework to identify the liabilities it has assumed in a business combination; and

- added an explicit statement that an acquirer does not recognize contingent assets acquired in a business combination.

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

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

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

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

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

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

The amendments are effective for annual reporting periods beginning on or after January 1, 2023. Earlier application is permitted. The amendments apply prospectively to changes in accounting estimates and changes in accounting

policies occurring on or after the beginning of the first annual reporting period in which the entity applies the amendments.

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

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

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

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

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

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

	Increase (decrease)
<b>ASSET</b>	
Deferred tax asset	(P97,323)
	(P97,323)
<b>LIABILITY AND EQUITY</b>	
Income and other taxes payable	(P103,838)
Equity reserves	(28,904)
Retained earnings	35,419
	(P97,323)
<b>INCOME TAX EXPENSE</b>	
Current	(P103,838)
Deferred	68,419
	(P35,419)
<b>NET INCOME</b>	P35,419



### 3. Property, Plant and Equipment

Property, plant and equipment consist of:

September 30, 2021 and December 31, 2020

Cost	Land and Land Improvements	Buildings and Improvements	Transportation Equipment	Machinery and Equipment	Furniture, Fixtures and Other Equipment	Leasehold Improvements	Capital Projects in Progress	Total
January 1, 2020 (Audited)	P792,450	P2,174,030	P354,213	P8,476,073	P937,134	P164,278	P167,180	P13,065,358
Additions	120,000	30,164	26,837	46,753	47,137	15,164	125,095	411,150
Disposals / Retirement	(2,937)	(9,496)	(17,486)	(38,098)	(463,522)	(10)	-	(531,549)
Reclassifications	80,768	65,919	3,298	45,736	3,258	(71,023)	(123,530)	4,426
December 31, 2020 (Audited)	990,281	2,260,617	366,862	8,530,464	524,007	108,409	168,745	12,949,385
Additions	74,452	18,465	14,363	31,889	16,664	3,898	210,163	369,894
Disposals / Retirement	-	-	(9,127)	(31,568)	(559)	-	-	(41,254)
Reclassifications	64,010	15,511	-	31,599	1,512	(48,627)	(138,442)	(74,437)
<b>September 30, 2021 (Unaudited)</b>	<b>1,128,743</b>	<b>2,294,593</b>	<b>372,098</b>	<b>8,562,384</b>	<b>541,624</b>	<b>63,680</b>	<b>240,466</b>	<b>13,203,588</b>
<b>Accumulated Depreciation and Amortization</b>								
January 1, 2020 (Audited)	210,808	1,183,294	225,942	5,840,431	798,834	57,312	-	8,316,621
Depreciation and amortization	8,663	83,423	40,420	415,989	72,001	9,032	-	629,528
Disposals / Retirement	(2,937)	(7,530)	(15,995)	(35,967)	(463,520)	(10)	-	(525,959)
Reclassifications	(31,798)	393	-	-	(5)	31,410	-	-
December 31, 2020 (Audited)	184,736	1,259,580	250,367	6,220,453	407,310	97,744	-	8,420,190
Depreciation and amortization	9,147	61,969	29,587	286,365	47,709	3,495	-	438,272
Disposals / Retirement	-	-	(8,392)	(31,567)	(503)	-	-	(40,462)
Reclassifications	85,153	(881)	197	197	(92)	(84,377)	-	-
<b>September 30, 2021 (Unaudited)</b>	<b>279,036</b>	<b>1,320,668</b>	<b>271,562</b>	<b>6,475,448</b>	<b>454,424</b>	<b>16,862</b>	<b>-</b>	<b>8,818,000</b>
<b>Accumulated Impairment Losses</b>								
December 31, 2020	-	-	-	307,600	-	-	-	307,600
<b>and September 30, 2021</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>307,600</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>307,600</b>
<b>Carrying Amount</b>								
December 31, 2020 (Audited)	P805,545	P1,001,037	P116,495	P2,002,411	P116,697	P10,665	P168,745	P4,221,595
<b>September 30, 2021 (Unaudited)</b>	<b>P849,707</b>	<b>P973,925</b>	<b>P100,536</b>	<b>P1,779,336</b>	<b>P87,200</b>	<b>P46,818</b>	<b>P240,466</b>	<b>P4,077,988</b>

September 30, 2020

Cost	Land and Land Improvements	Buildings and Improvements	Transportation Equipment	Machinery and Equipment	Furniture, Fixtures and Other Equipment	Leasehold Improvements	Capital Projects in Progress	Total
January 1, 2020 (Audited)	P792,450	P2,174,030	P354,213	P8,476,073	P937,134	P164,278	P167,180	P13,065,358
Additions	120,000	21,666	7,805	16,237	40,173	1,938	40,373	248,192
Disposals / Retirement	(2,937)	(227)	(13,629)	(20,293)	(9,444)	(10)	-	(46,540)
Reclassifications	8,988	7,471	3,298	22,692	3,258	4,768	(50,475)	-
September 30, 2020 (Unaudited)	918,501	2,202,940	351,687	8,494,709	971,121	170,974	157,078	13,267,010
Accumulated Depreciation and Amortization								
January 1, 2020 (Audited)	210,808	1,183,294	225,942	5,840,431	798,834	57,312	-	8,316,621
Depreciation and amortization	6,120	58,964	30,131	297,603	53,453	6,414	-	452,685
Disposals / Retirement	(2,937)	(177)	(12,873)	(19,186)	(9,444)	(10)	-	(44,627)
Reclassifications	387	(393)	-	-	6	-	-	-
September 30, 2020 (Unaudited)	214,378	1,241,688	243,200	6,118,848	842,849	63,716	-	8,724,679
Accumulated Impairment Losses								
September 30, 2020	-	-	-	307,600	-	-	-	307,600
Carrying Amount								
September 30, 2020 (Unaudited)	P704,123	P961,252	P108,487	P2,068,261	P128,272	P107,258	P157,078	P4,234,731

Depreciation and amortization charged to operations amounted to P438,273 and P452,685 for the periods ended September 30, 2021 and 2020, respectively.

#### 4. Related Party Disclosure

The Group, certain subsidiaries, joint ventures and entities under common control purchase products and services from one another in the normal course of business. GSML requires approval of the BOD for related party transactions amounting to at least ten percent (10%) of the consolidated total assets based on its latest audited financial statements.

Amounts owed by/owed to related parties are collectible/will be settled in cash. An assessment is undertaken at each financial year by examining the financial position of the related party and the market in which the related party operates.

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

	Period	Revenue from Related Parties	Purchases from Related Parties	Amounts Owed by Related Parties	Amounts Owed to Related Parties	Terms	Conditions
Ultimate Parent Company*	September 30, 2021 December 31, 2020	P - -	P - -	P - 6	P - -	On demand; non-interest bearing	Unsecured; no impairment
Intermediate Parent Company**	September 30, 2021 December 31, 2020	11,727 6,255	163,205 477,748	3,006 4,699	41,698 48,066	On demand; non-interest bearing	Unsecured; no impairment
Parent Company***	September 30, 2021 December 31, 2020	125 150	- -	- 5	- -	On demand; non-interest bearing	Unsecured; no impairment
Under Common Control	September 30, 2021 December 31, 2020	256,063 387,786	3,489,367 6,038,212	63,409 83,476	1,041,650 1,386,739	On demand; non-interest bearing	Unsecured; no impairment
Joint Venture	September 30, 2021 December 31, 2020	675 -	335,495 496,873	621,770 622,953	3,320 75,632	On demand; interest bearing	Unsecured; with impairment
Retirement Plan	September 30, 2021 December 31, 2020	- -	- -	- -	24,939 -	On demand; non-interest bearing	Unsecured; no impairment
Associate of the Intermediate Parent Company	September 30, 2021 December 31, 2020	481 644	- -	378 721	- -	On-demand; non-interest bearing	Unsecured; no impairment
Others	September 30, 2021 December 31, 2020	528 899	- -	35 1,565	- -	On demand; non-interest bearing	Unsecured; no impairment
<b>Total</b>	<b>September 30, 2021</b>	<b>P269,599</b>	<b>P3,988,067</b>	<b>P688,598</b>	<b>P1,111,607</b>		
<b>Total</b>	<b>December 31, 2020</b>	<b>P395,734</b>	<b>P7,012,833</b>	<b>P713,425</b>	<b>P1,510,437</b>		

\* Top Frontier Investment Holdings, Inc. (TF) is the Ultimate Parent Company of the Group.

\*\* San Miguel Corporation (SMC) is the Intermediate Parent Company of the Group.

\*\*\* San Miguel Food and Beverage, Inc. (SMFB) is the Parent Company of the Group.

- Amounts owed by related parties consist of current and noncurrent receivables and deposits.
- The amounts owed by joint venture pertains to receivables from Thai San Miguel Liquor Company Limited (TSML) and are included as part of "Non-trade receivable receivables from related parties" under "Trade and other receivables - net" account in the consolidated statement of financial position. Allowance for impairment losses pertaining to these receivables amounted to P540,216 as at December 31, 2020.
- The amounts owed by Associate of the Intermediate Parent Company pertains to receivables from Bank of Commerce (BOC) from sale of goods which were included as "Trade receivable from related parties" under "Trade and other receivable - net" in the consolidated statement of financial position.
- Amounts owed to related parties consist of trade payables, lease liabilities and management fees.



## 5. Basic and Diluted Earnings Per Share (EPS)

Basic and Diluted EPS is computed as follows:

	September 30	
	2021	2020
Net income	P3,170,309	P2,212,234
Less: Dividends on preferred shares for the period	-	36,885
Net income available to common shares (a)	3,170,309	2,175,349
Weighted average number of common shares outstanding (in thousands) (b)	286,328	286,328
Basic and Diluted Earnings Per Share (a/b)	P11.07	P7.60

## 6. Dividends

The Board of Directors (BOD) approved the declaration and payment of the following cash dividends to common and preferred stockholders as follows:

### 2021

Class of Shares	Date of Declaration	Date of Record	Date of Payment	Dividend Per Share
Common	March 10, 2021	March 25, 2021	April 8, 2021	P0.250
	May 5, 2021	May 21, 2021	June 3, 2021	1.250
	August 4, 2021	August 19, 2021	September 2, 2021	1.250

### 2020

Class of Shares	Date of Declaration	Date of Record	Date of Payment	Dividend Per Share
Common	March 11, 2020	March 27, 2020	April 15, 2020	P0.250
	May 27, 2020	June 15, 2020	June 25, 2020	0.250
	August 5, 2020	August 24, 2020	September 3, 2020	0.250
Preferred	March 11, 2020	March 27, 2020	April 15, 2020	0.375
	May 27, 2020	June 15, 2020	June 25, 2020	0.375
	August 5, 2020	August 24, 2020	September 3, 2020	0.375

As approved by the BOD of GSMI on December 1, 2020, GSMI redeemed all 32,786,885 preferred shares held by SMC at a redemption price of P30.50 per share, plus all accumulated unpaid cash dividends, on January 4, 2021. The said preferred shares were not listed on Philippine Stock Exchange.

In addition, on December 1, 2020, the BOD declared cash dividends to all preferred shareholders of record as of December 18, 2020 amounting to P0.375 per preferred share. Cash dividends paid on January 4, 2021 were pro-rated.

## 7. Financial Risk and Capital Management Objectives and Policies

### Objectives and Policies

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

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

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

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

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

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

The BOD constituted the Audit and Risk Oversight Committee (the "Committee") to, among others, enhance its oversight capability over the Group's financial reporting, internal control system, internal and external audit processes, and compliance with applicable laws and regulations; and be responsible for the oversight of the Group's enterprise risk management system to ensure its functionality and effectiveness.

The Committee also has the responsibility to assist the BOD in ensuring that there is an effective and integrated risk management process in place to guide the BOD in arriving at well-informed decisions, having taken into consideration risks related to significant business activities, plans and opportunities. In relation to this, the Committee has the following duties and responsibilities, among others: a.) develop a formal enterprise risk management plan which contains common language or register of risks, well-defined risk management goals, objectives and oversight, uniform processes of assessing risks and developing strategies to manage prioritized risks, designing and implementing risk management strategies, and continuing assessments to improve risk strategies, processes and measures; b.) oversee the implementation of the enterprise risk management plan; c.) evaluate the risk management plan to ensure its continued relevance, comprehensiveness and effectiveness; d.) advise the BOD on its risk appetite levels and risk tolerance limits; and e.) review at least annually the Group's risk appetite levels and risk tolerance limits based on changes and developments in the business, the regulatory framework, the external economic and business environment, and when major events occur that are considered to have major impacts on the Group.

The Committee is assisted in its oversight role by Internal Audit. Internal Audit undertakes both regular and special reviews of risk management controls and procedures, the results of which are reported to the Committee.

#### Interest Rate Risk

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



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

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

The management of interest rate risk is also supplemented by monitoring the sensitivity of the Group's financial instruments to various standard and non-standard interest rate scenarios.

#### Interest Rate Risk Table

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

##### Interest Rate Risk

<b>September 30, 2021</b>	<b>&lt;1 year</b>	<b>1-2 years</b>	<b>&gt;2-3 years</b>	<b>Total</b>
<b>Fixed rate</b>				
Philippine peso-denominated	P166,667	P166,667	P83,333	P416,667
Interest rate	4.2105%	4.2105%	4.2105%	-
	P166,667	P166,667	P83,333	P416,667

<b>December 31, 2020</b>	<b>&lt;1 year</b>	<b>1-2 years</b>	<b>&gt;2-3 years</b>	<b>Total</b>
<b>Fixed rate</b>				
Philippine peso-denominated	P166,667	P166,667	P166,666	P500,000
Interest rate	4.2105%	4.2105%	4.2105%	-
	P166,667	P166,667	P166,666	P500,000

##### Foreign Currency Risk

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

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

	<b>September 30, 2021</b>		<b>December 31, 2020</b>	
	<b>US Dollar</b>	<b>Peso Equivalent</b>	<b>US Dollar</b>	<b>Peso Equivalent</b>
<b>Assets</b>				
Cash and cash equivalents	US\$1,039	P52,971	US\$178	P8,557
Trade and other receivables	34	1,738	24	1,176
Foreign currency-denominated monetary assets	US\$1,073	P54,709	US\$202	P9,733

The Group reported net gains (losses) on foreign exchange amounting to P1,919 and (P1,703) for the periods ended September 30, 2021 and 2020, respectively, with the translation of its foreign currency-denominated assets. These mainly resulted from the movements of the Philippine peso against the United States (US) dollar as shown in the following table:

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

The management of foreign currency risk is also supplemented by monitoring the sensitivity of the Group's financial instruments to various foreign currency exchange rate scenarios.

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

	P1 Decrease in the US Dollar Exchange Rate		P1 Increase in the US Dollar Exchange Rate	
	Effect on Income before Income Tax	Effect on Equity	Effect on Income before Income Tax	Effect on Equity
<b>September 30, 2021</b>				
Cash and cash equivalents	(P1,039)	(P779)	P1,039	P779
Trade and other receivables	(34)	(26)	34	26
	<b>(P1,073)</b>	<b>(P805)</b>	<b>P1,073</b>	<b>P805</b>

	P1 Decrease in the US Dollar Exchange Rate		P1 Increase in the US Dollar Exchange Rate	
	Effect on Income before Income Tax	Effect on Equity	Effect on Income before Income Tax	Effect on Equity
<b>December 31, 2020</b>				
Cash and cash equivalents	(P178)	(P125)	P178	P125
Trade and other receivables	(24)	(17)	24	17
	<b>(P202)</b>	<b>(P141)</b>	<b>P202</b>	<b>P141</b>

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.

#### Commodity Price Risk

Commodity price risk is the risk that future cash flows from a financial instrument will fluctuate because of changes in commodity prices.

The Group, through San Miguel Corporation (SMC), enters into various commodity derivatives to manage its price risks on strategic commodities. Commodity hedging allows stability in prices, thus offsetting the risk of volatile market fluctuations. Through hedging, prices of commodities are fixed at levels acceptable to the Group, thus protecting raw material cost and preserving margins. For hedging transactions, if prices go down, hedge positions may show marked-to-market losses; however, any loss in the marked-to-market position is offset by the resulting lower physical raw material cost.

SMC enters into commodity derivative transactions on behalf of the Group to reduce cost by optimizing purchasing synergies within the SMC Group and managing inventory levels of common materials.

*Commodity Forwards.* The Group enters into forward purchases of various commodities. The prices of the commodity forwards are fixed either through direct agreement with suppliers or by reference to a relevant commodity price index.



### Liquidity Risk

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

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

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

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

September 30, 2021	Carrying Amount	Contractual Cash Flow	1 year or less	>1 year - 2 years	>2 years - 5 years	Over 5 years
<b>Financial Assets</b>						
Cash and cash equivalents	P5,081,851	P5,081,851	P5,081,851	P -	P -	P -
Trade and other receivables - net	887,652	887,652	887,652	-	-	-
Derivative assets (included under "Prepaid expenses and other current assets" account)	392	392	392	-	-	-
Noncurrent receivables and deposits (included under "Other noncurrent assets - net" account)	493	493	-	493	-	-
<b>Financial Liabilities</b>						
Accounts payable and accrued expenses (excluding derivative liabilities, deferred income and dividends payable)	5,775,469	5,775,469	5,775,469	-	-	-
Derivative liabilities (included under "Accounts payable and accrued expenses" account)	102,880	102,880	102,880	-	-	-
Long-term debt (including current maturities)	413,866	438,773	180,848	173,733	84,192	-
Lease liabilities	201,744	307,404	74,270	48,068	78,048	107,018

December 31, 2020	Carrying Amount	Contractual Cash Flow	1 year or less	>1 year - 2 years	>2 years - 5 years	Over 5 years
<b>Financial Assets</b>						
Cash and cash equivalents	P2,819,574	P2,819,574	P2,819,574	P -	P -	P -
Trade and other receivables - net	953,698	953,698	953,698	-	-	-
Derivative assets (included under "Prepaid expenses and other current assets" account)	26,404	26,404	26,404	-	-	-
Noncurrent receivables and deposits (included under "Other noncurrent assets - net" account)	493	493	-	493	-	-
<b>Financial Liabilities</b>						
Accounts payable and accrued expenses (excluding derivative liabilities, deferred income and dividends payable)	5,145,038	5,145,038	5,145,038	-	-	-
Derivative liabilities (included under "Accounts payable and accrued expenses" account)	218	218	218	-	-	-
Long-term debt (including current maturities)	496,264	537,154	186,169	179,055	171,930	-
Lease liabilities	177,760	258,167	44,054	28,725	55,788	129,600

### Credit Risk

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

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

### Trade and Other Receivables and Noncurrent Receivables

The exposure to credit risk is influenced mainly by the individual characteristics of each customer. However, management also considers the factors that may influence the credit risk of the Group's customer base.

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

### Credit Quality

In monitoring and controlling credit extended to counterparty, the Group adopts a comprehensive credit rating system based on financial and non-financial assessments of its customers. Financial factors being considered comprised of the financial standing of the customer while the non-financial aspects include but are not limited to the assessment of the customer's nature of business, management profile, industry background, payment habit and both present and potential business dealings with the Group.

The credit quality of financial assets is being managed by the Group using internal credit ratings. Credit quality of the financial assets was determined as follows:



- High grade includes deposits or placements to reputable banks and companies with good credit standing. High grade financial assets include cash and cash equivalents and derivative assets.
- Standard grade pertains to receivables from counterparties with satisfactory financial capability and credit standing based on historical data, current conditions and the Group's view of forward-looking information over the expected lives of the receivables. Standard grade financial assets include trade and other receivables and non-current receivables and deposits.

Receivables with high probability of delinquency and default were fully provided with allowance for impairment losses.

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

	September 30, 2021	December 31, 2020
Cash and cash equivalents (excluding cash on hand)	P5,080,389	P2,818,041
Trade and other receivables - net	887,652	953,698
Derivative assets	392	26,404
Noncurrent receivables and deposits	493	493
	<b>P5,968,926</b>	<b>P3,798,636</b>

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

	2021				
	Financial Assets at Amortized Cost			Financial Assets at FVPL	Total
	12-Month ECL	Lifetime ECL not Credit Impaired	Lifetime ECL Credit Impaired		
Cash and cash equivalents (excluding cash on hand)	P5,080,389	P -	P -	P -	P5,080,389
Trade and other receivables	887,652	-	654,727	-	1,542,379
Derivative assets	-	-	-	392	392
Noncurrent receivables and deposits	-	493	-	-	493

	2020				
	Financial Assets at Amortized Cost			Financial Assets at FVPL	Total
	12-Month ECL	Lifetime ECL not Credit Impaired	Lifetime ECL Credit Impaired		
Cash and cash equivalents (excluding cash on hand)	P2,818,041	P -	P -	P -	P2,818,041
Trade and other receivables	953,698	-	690,536	-	1,644,234
Derivative assets	-	-	-	26,404	26,404
Noncurrent receivables and deposits	-	493	-	-	493

The aging of receivables is as follows:

<b>September 30, 2021</b>	<b>Trade (Third Parties)</b>	<b>Non-trade (Third Parties)</b>	<b>Trade and Non-trade (Related Parties)</b>	<b>Total</b>
Current	P619,811	P133,643	P21,110	P774,564
Past due:				
1 - 30 days	14,612	10,372	2,333	27,317
31 - 60 days	1,641	893	1,602	4,136
61 - 90 days	1,615	9,586	390	11,591
Over 90 days	8,110	54,228	662,433	724,771
	<b>P645,789</b>	<b>P208,722</b>	<b>P687,868</b>	<b>P1,542,379</b>

<b>December 31, 2020</b>	<b>Trade (Third Parties)</b>	<b>Non-trade (Third Parties)</b>	<b>Trade and Non-trade (Related Parties)</b>	<b>Total</b>
Current	P569,555	P58,258	P36,655	P664,468
Past due:				
1 - 30 days	60,128	13,531	7,428	81,087
31 - 60 days	266	29,855	1,396	31,517
61 - 90 days	730	5,400	1,385	7,515
Over 90 days	9,563	184,232	665,852	859,647
	<b>P640,242</b>	<b>P291,276</b>	<b>P712,716</b>	<b>P1,644,234</b>

Various collaterals for trade receivables such as bank guarantees, cash bond, time deposit and real estate mortgages are held by the Group for certain credit limits.

The Group believes that neither past due nor impaired and unimpaired amounts that are past due by more than 30 days are still collectible based on historical payment behavior and analyses of the underlying customer credit ratings.

Receivables written-off amounted to P90,403 and P212,196 as of September 30, 2021 and December 31, 2020, respectively.

The Group's cash and cash equivalents and derivative assets are placed with reputable entities with high quality external credit ratings.

The Group's exposure to credit risk arises from default of counterparty. Generally, the maximum credit risk exposure of trade and other receivables and noncurrent receivables and deposits is its carrying amount without considering collaterals or credit enhancements, if any. The Group has no significant concentration of credit risk since the Group deals with a large number of homogenous counterparties.

The Group does not execute any credit guarantee in favor of any counterparty.

#### Capital Management

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

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



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

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

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

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## 8. Financial Assets and Financial Liabilities

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

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

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

### *Financial Assets*

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

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

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

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

The Group considers the contractual terms of the instrument in assessing whether the contractual cash flows are solely payments of principal and interest. For purposes of this assessment, "Principal" is defined as the fair value of the financial asset on initial recognition. "Interest" is defined as consideration for the time value of money and for the credit risk associated with the principal amount outstanding during a particular period of time for other basic lending risks and costs (e.g. liquidity risk and administrative costs), as well as profit margin. The assessment includes whether the financial asset contains a contractual term that could change the timing or amount of contractual cash flows such



that it would not meet this condition. The Group considers the following in making the assessment:

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

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

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

The Group has no financial assets at FVOCI as of September 30, 2021 and December 31, 2020.

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

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

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

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

Cash includes cash on hand and in banks. Cash equivalents are short-term, highly liquid investments that are readily convertible to known amounts of cash and are subject to an insignificant risk of changes in value.

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

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

The Group carries financial assets at FVPL using their fair values. Attributable transaction costs are recognized in the consolidated statements of income as incurred. Changes in fair value and realized gains or losses are recognized in the consolidated statements of income. Fair value changes from derivatives accounted for as part of an effective cash flow hedge are recognized in other comprehensive income. Any interest earned from investment in debt instrument designated as at FVPL is recognized in the consolidated statements of income. Any dividend income from investment in equity instrument is recognized in the consolidated statements of income when the right to receive payment has been established, unless the dividend clearly represents a recovery of the part of the cost of the investment.

The Group's derivative assets that are not designated as cash flow hedge are classified under this category.

#### *Financial Liabilities*

The Group determines the classification of its financial liabilities, at initial recognition, in the following categories: financial liabilities at FVPL and other financial liabilities. All financial liabilities are recognized initially at fair value and, in the case of loans and borrowings, net of directly attributable transaction costs.

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

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

The Group's derivative liabilities that are not designated as cash flow hedge are classified under this category.

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

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

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



#### Derecognition of Financial Assets and Financial Liabilities

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

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

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

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

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

#### Impairment of Financial Assets

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

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

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

When determining whether the credit risk of a financial asset has increased significantly since initial recognition and when estimating ECLs, the Group considers reasonable and supportable information that is relevant and available without undue cost or effort. This includes both quantitative and qualitative information and analysis, based on the Group’s historical experience and informed credit assessment and including forward-looking information.

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



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

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

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

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

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

#### Classification of Financial Instruments between Liability and Equity

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

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

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

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

#### Offsetting Financial Instruments

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

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

	September 30, 2021		December 31, 2020	
	Carrying Amount	Fair Value	Carrying Amount	Fair Value
<b>Financial Assets</b>				
Cash and cash equivalents	P5,081,851	P5,081,851	P2,819,674	P2,819,674
Trade and other receivables - net	887,652	887,652	953,698	953,698
Derivative assets (included under "Prepaid expenses and other current assets" account)	392	392	26,404	26,404
Noncurrent receivables and deposits (included under "Other noncurrent assets - net" account)	493	493	493	493
<b>Financial Liabilities</b>				
Accounts payable and accrued expenses (excluding derivative liabilities, deferred rental income and dividends payable)	5,775,469	5,775,469	5,145,038	5,145,038
Derivative liabilities (included under "Accounts payable and accrued expenses" account)	102,880	102,880	218	218
Long-term debt (including current maturities)	413,866	428,371	496,264	537,154
Lease liabilities	201,744	201,744	177,760	177,760

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

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



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

*Notes Payable and Accounts Payable and Accrued Expenses.* The carrying amount of notes payable and accounts payable and accrued expenses approximates fair value due to the relatively short-term maturities of these financial instruments.

*Long-term Debt and Lease Liabilities.* The fair value of interest-bearing fixed-rate loans is based on the discounted value of expected future cash flows using the applicable market rates for similar types of instruments as of reporting date. Discount rates used for Philippine peso-denominated loans are 1.13% to 2.21% and 1.11% to 2.08% as of September 30, 2021 and December 31, 2020, respectively.

The fair value of lease liabilities has been categorized as Level 2 in the fair value hierarchy.

#### Derivative Financial Instruments

Derivative financial instruments are initially recognized at fair value on the date the derivative contract is entered into and are subsequently remeasured at fair value. Derivatives are carried as financial assets when the fair value is positive and as financial liabilities when the fair value is negative. Changes in fair value of derivatives that are not designated as hedging instruments are recognized in the consolidated statements of income.

#### *Embedded Derivatives*

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

An embedded derivative is separated from the host contract and accounted for as a derivative if the host contract is not a financial asset and all of the following conditions are met:

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

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

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

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

The Group has embedded derivatives as of September 30, 2021 and December 31, 2020.

#### Derivative Instruments not Designated as Hedges

The Group enters into certain derivatives as economic hedges of certain underlying exposures. These include embedded derivatives found in host contracts, which are not designated as accounting hedges. Changes in fair value of these instruments are accounted for directly in the consolidated statements of income. Details are as follows:



#### *Embedded Currency Forwards*

The total outstanding notional amount of currency forwards embedded in non-financial contracts amounted to US\$49,540, US\$44,036 and US\$29,664 as of September 30, June 30, 2021 and December 31, 2020, respectively. These non-financial contracts consist mainly of foreign currency denominated purchase orders and sales agreements. The embedded forwards are not clearly and closely related to their respective host contracts. The net positive (negative) fair value of these embedded currency forwards amounted to (P102,488), (P16,451) and P26,186 as of September 30, June 30, 2021 and December 31, 2020, respectively.

The Group recognized marked-to-market gains(losses) from embedded derivatives amounting to (P124,524), P70,901, (P18,620) and P28,422 for the periods ended September 30, 2021 and 2020 and June 30, 2021 and 2020, respectively.

#### Fair Value Measurements

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

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

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

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

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

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

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

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

#### Fair Value Hierarchy

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

The Group's derivative assets and derivative liabilities amounting to P392, P102,880, respectively as of September 30, 2021, and P26,404 and P218, respectively as of December 31, 2020, are valued based on Level 2. The Group has no financial instruments valued based on Level 1 and Level 3. During the period, there were no transfers between Level 1 and Level 2 fair value measurements, and no transfers into and out of Level 3 fair value measurements.

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#### **9. Other Matters**

- a. There are no unusual items as to nature and amount affecting assets, liabilities, equity, net income or cash flows, except those stated in Management's Discussion and Analysis of Financial Position and Financial Performance.
- b. There were no material changes in estimates of amounts reported in prior financial years.
- c. There were no known trends, demands, commitments, events or uncertainties that will have a material impact on the Group's liquidity.
- d. There were no known trends, events or uncertainties that have had or that are reasonably expected to have a favorable or unfavorable impact on net sales or revenues or income from continuing operation.
- e. There were no known events that will trigger direct or contingent financial obligation that is material to the Group, including any default or acceleration of an obligation and there were no changes in contingent liabilities and contingent assets since the last annual reporting date. No material contingencies and any other events or transactions exist that are material to an understanding of the current interim period.
- f. The effects of seasonality or cyclicity on the interim operations of the Group's businesses are not material.
- g. There were no material off-statements of financial position transactions, arrangements, obligations (including contingent obligations), and other relationships of the Group with unconsolidated entities or other persons created during the reporting period, except for the outstanding derivative transactions entered by the Group as of September 30, 2021.
- h. The Group's material commitments for capital expenditure projects have been approved during the current year but are still ongoing and not yet completed as of September 30, 2021. These consist of construction, acquisition, upgrade or repair of fixed assets needed for normal operations of the business. The said projects will be carried forward to next quarter until its completion. The fund to be used for these projects will come from available cash, short and long-term loans.

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**10. Events after Reporting Date**

On November 10, 2021, the BOD declared regular and special cash dividends to all common shareholders of record as of November 25, 2021 amounting to P0.25 and P1.00 per common share, respectively. Cash dividends for common shares, both regular and special, are payable on December 9, 2021.



**GINEBRA SAN MIGUEL INC. AND SUBSIDIARIES****MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL POSITION AND FINANCIAL PERFORMANCE**

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

**I. FINANCIAL PERFORMANCE****2021 vs. 2020**

Consolidated revenues for the first nine months of 2021 of P30,720 million was higher than last year by 21% which was mainly driven by volume growth led by the Parent Company's flagship brand, Ginebra San Miguel. Likewise, gross profit grew by 16% from last year driven by price increase, higher usage of second-hand bottles and lower alcohol cost.

Interest expense and other financing charges decreased by 73% due to savings on settled short-term and long-term loans. On the other hand, interest income increased by 61% as a result of higher short-term placements compared to same period last year.

Other income dropped by 44% due to the impact of Peso against USD exchange rate on marked to market losses.

The Group's consolidated net income of P3,170 million grew by 43% from a year ago.

**2020 vs. 2019**

The Group sustained its volume rebound, recording an overall jump of 33% in the third quarter, registering revenues of P25,343 million, 18% higher than a year ago. Gross profit improved by 17% on account of the price increase which cushioned the increases in excise taxes and material costs.

Interest and other financing charges dropped by 17% driven by the significant decline in interest-bearing liabilities. Similarly, the interest income was also down by 28% on account of higher prior year recognition of interest income from Thailand joint venture.

Several damaged trade assets such as pallets and shells were retired and disposed resulting to a loss of P12 million. In contrast, the 42% increase on other income was primarily due to higher income on tolling and scrap sales.

## II. FINANCIAL POSITION

### 2021 vs. 2020

Higher sales collection brought the rise in cash and cash equivalents to P5,082 million, 80% higher than a year ago. Prepaid expenses and other current assets similarly grew by 15% as a result of the increase in prepaid excise taxes attributable to the increase in finished goods inventory.

The Group discontinued recognizing its share in Thailand investment since the cumulative losses already exceeded the cost of investment.

Deferred tax assets reduced by 22% from last year due to the decrease in income tax rate from 30% to 25% as a result of the implementation of CREATE Law.

Accounts payable and accrued expenses increased by P743 million due to higher trade payables and derivative liabilities. Income and other taxes payable rose by 61% as a result of higher 3<sup>rd</sup> quarter taxable income.

Long term debt - net of debt issue costs decreased by P82 million due to scheduled loan payment.

Preferred shares buy back caused the increase in treasury stock. At the end of the three quarters, the Group sustained its good financial position, with P1,349 million upturn in Stockholders' equity.

### 2020 vs. 2019

Cash and cash equivalents balance of P3,544 million grew by P3,189 million from previous year due to improved operating income and collection of receivables - which in turn, decreased the Group's trade and other receivables by 17%.

The growth in demand of core products, Ginebra San Miguel and Vino Kulafu, decreased the inventories by 36%.

Prepaid and other current assets were up by 30%, which was mainly attributed to higher excise tax prepayments.

Investment in joint ventures declined by 94% due to the effect of exchange rate fluctuations which in turn affected the cumulative translation adjustment presented under equity reserves.

Accounts payable and accrued expenses increased by 20% as obligations to internal and external suppliers also increased on account of higher production and sales volumes.

Significant increase in income tax payable is brought about by higher taxable income.

Further, as the cash balance remained strong, this enabled the settlement of notes payable and long-term debt as of reporting date.



**Equity**

The increase in equity is due to:

	September 30	
	2021	2020
	<i>(In Millions)</i>	
Income during the period	P3,170	P2,212
Other comprehensive loss	(33)	(54)
Cash dividends	(788)	(252)
Redemption of preferred shares	(1,000)	-
	P1,349	P1,906

**III. SOURCES AND USES OF CASH**

A brief summary of cash flow movements is shown below:

	September 30	
	2021	2020
	<i>(In Millions)</i>	
Net cash flows provided by operating activities	P4,454	P6,122
Net cash flows used in investing activities	(298)	(216)
Net cash flows used in financing activities	(1,896)	(2,713)

Net cash flows provided by operating activities consist of income before income tax for the period and changes in noncash current assets and certain current liabilities, including net movement in inventory level.

Net cash flows used in investing activities include the following:

	September 30	
	2021	2020
	<i>(In Millions)</i>	
Proceeds from sale of property, plant and equipment	P6	P -
Decrease in other noncurrent assets	(25)	-
Additions to property, plant and equipment	(279)	(216)

Components of net cash flows used in financing activities are as follows:

	September 30	
	2021	2020
	<i>(In Millions)</i>	
Proceeds from:		
Short-term borrowings	P-	P1,664
Payments of:		
Short-term borrowings	-	(3,183)
Lease liabilities	(49)	(66)
Long-term borrowings	(83)	(882)
Cash dividends	(764)	(246)
Redemption of preferred shares	(1,000)	-

The effect of exchange rate changes on cash and cash equivalents amounted to P2.0 million and (P3.4) million for the periods ended September 30, 2021 and 2020, respectively.

#### IV. KEY PERFORMANCE INDICATORS

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

KPI	September 30, 2021	December 31, 2020
Liquidity: Current Ratio	1.99	1.90
Solvency: Debt to Equity Ratio	0.70	0.70
Asset to Equity Ratio	1.70	1.70
Profitability: Return on Average Equity	43%	33%
Interest Rate Coverage Ratio	149.36	33.48

KPI	Period Ended September 30	
	2021	2020
Operating Efficiency: Volume Growth	11%	3%
Revenue Growth	21%	18%
Operating Margin	13%	12%

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

KPI	Formula
Current Ratio	$\frac{\text{Current Assets}}{\text{Current Liabilities}}$
Debt to Equity Ratio	$\frac{\text{Total Liabilities (Current + Noncurrent)}}{\text{Equity}}$
Asset to Equity Ratio	$\frac{\text{Total Assets (Current + Noncurrent)}}{\text{Equity}}$
Return on Average Equity	$\frac{\text{Net Income*}}{\text{Average Equity}}$
Interest Rate Coverage Ratio	$\frac{\text{Earnings Before Interests and Taxes}}{\text{Interest Expense and Other Financing Charges}}$
Volume Growth	$\left( \frac{\text{Sum of All Businesses' Volume}}{\text{Prior Period Volume}} \right) - 1$
Revenue Growth	$\left( \frac{\text{Current Period Net Sales}}{\text{Prior Period Net Sales}} \right) - 1$
Operating Margin	$\frac{\text{Income from Operating Activities}}{\text{Net Sales}}$

\*Annualized for quarterly reporting