SEC Number 0000086335
File Number_______

Monde Nissin Corporation
(Company's Full Name)

Felix Reyes St., Barangay Balibago, City of Santa Rosa, Laguna
(Company's Address)

(632) 7759 7595
Telephone Number

September 30, 2021
(Quarter Ending)
(month & day)

Form 17-Q
Form Type

_________N/A__________
Designation (If applicable)

30 September 2021
Period Date Ended

Issuer of Securities under SEC-MSRD No. 27, Series of 2021
(Secondary License Type and File Number)

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 **0000086335**

3. BIR Tax Identification No. **000-417-352-000**

4. Exact name of issuer as specified in its charter: **Monde Nissin Corporation**

5. Province, country or other jurisdiction of incorporation or organization: **Philippines**

6. Industry Classification Code: ____________ (SEC Use Only)

7. Address of issuer's principal office Postal Code
   Felix Reyes St., Barangay Balibago, City of Santa Rosa, Laguna **4026**

8. Issuer's telephone number, including area code
   (632) 7759 7595

9. Former name, former address and former fiscal year, if changed since last report
   Not applicable

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

Title of each Class	Number of shares of common stock outstanding and amount of debt outstanding
Common	**17,968,611,496**

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

    Yes [✓] No [ ]

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

    The common shares are listed on the Philippine Stock Exchange.

12. Indicate by check mark whether the registrant:

(a) has filed all reports required to be filed since it became listed on June 1, 2021 in accordance with Section 17 of the SRC, SRC Rule 17, Sections 11 of the RSA, RSA Rule 11(a)-1, and Sections 26 and 141 of the Corporation Code of the Philippines

Yes [✓] No [ ]

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

Yes [✓] No [ ]

PART I--FINANCIAL INFORMATION

Item 1. Financial Statements.

a.	Unaudited Interim Consolidated Statements of Financial Position as at September 30, 2021 with Comparative Audited Figures as at December 31, 2020
b.	Unaudited Interim Consolidated Statements of Comprehensive Income for the Quarters and Nine Months Ended September 30, 2021 and 2020
c.	Unaudited Interim Consolidated Statements of Changes in Equity for the Nine Months Ended September 30, 2021 and 2020
d.	Unaudited Interim Consolidated Statements of Cash Flows for the Nine Months Ended September 30, 2021 and 2020
e.	Notes to Unaudited Interim Condensed Consolidated Financial Statements

MONDE NISSIN CORPORATION AND SUBSIDIARIES

UNAUDITED INTERIM CONSOLIDATED STATEMENTS OF FINANCIAL POSITION

(with Comparative Audited Figures as at December 31, 2020)

	September 30, 2021 (Unaudited)	December 31, 2020 (Audited)
ASSETS		
Current Assets		
Cash and cash equivalents (Note 5)	**₱23,592,434,128**	₱7,093,014,862
Financial assets at fair value through profit or loss (FVTPL) (Note 20)	**1,903,647,179**	–
Trade and other receivables (Note 6)	**6,542,123,394**	6,456,718,430
Inventories (Note 7)	**7,531,825,468**	6,073,003,451
Prepayments and other current assets (Note 8)	**1,669,982,782**	972,252,627
Total Current Assets	**41,240,012,951**	20,594,989,370
Noncurrent Assets		
Intangible assets (Note 10)	**35,579,795,168**	33,600,331,015
Property, plant and equipment (Note 9)	**29,109,200,274**	26,636,573,782
Investments in associates and joint ventures	**1,109,195,809**	1,024,068,245
Deferred tax assets - net (Note 19)	**680,727,781**	843,075,203
Noncurrent receivables (Note 18)	**664,678,357**	655,521,471
Other noncurrent assets (Note 11)	**1,554,273,330**	1,047,857,077
Total Noncurrent Assets	**68,697,870,719**	63,807,426,793
	₱109,937,883,670	₱84,402,416,163
LIABILITIES AND EQUITY		
Current Liabilities		
Accounts payable and other current liabilities (Notes 12 and 18)	**₱9,863,047,669**	₱10,140,676,184
Dividends payable (Note 14)	**8,549,323,840**	–
Acceptances and trust receipts payable (Note 7)	**2,085,334,988**	605,902,034
Current portion of loans payable (Note 13)	**7,370,555,168**	9,559,593,645
Refund liabilities (Note 12)	**245,482,692**	279,696,147
Current portion of lease liabilities	**93,270,191**	88,072,967
Income tax payable	**77,451,847**	282,397,364
Total Current Liabilities	**28,284,466,395**	20,956,338,341
Noncurrent Liabilities		
Deferred tax liabilities - net (Note 19)	**5,829,940,406**	4,199,918,067
Loans payable (Note 13)	**5,259,012,133**	19,986,408,011
Lease liabilities	**2,655,896,799**	2,674,958,536
Pension liability	**559,331,348**	481,480,886
Convertible note (Note 13)	**–**	7,027,163,502
Derivative liability (Note 20)	**–**	2,513,886,182
Other noncurrent liabilities	**19,484,481**	22,225,774
Total Noncurrent Liabilities	**14,323,665,167**	36,906,040,958
Total Liabilities	**42,608,131,562**	57,862,379,299
Equity		
Capital stock (Note 14)	**8,984,305,748**	6,570,000,000
Additional paid-in capital (Note 14)	**46,516,488,820**	–
Retained earnings (Note 14):		
Appropriated	**4,355,336,000**	11,155,336,000
Unappropriated	**11,434,386,166**	12,497,957,136
Fair value reserve of financial assets at FVOCI	**(235,130,244)**	(235,130,244)
Remeasurement losses on pension liability	**(327,433,763)**	(289,888,680)
Equity reserve (Note 14)	**(622,335,202)**	(89,762,438)
Cumulative translation adjustments (Note 14)	**(2,914,179,327)**	(4,366,784,166)
Equity Attributable to Equity Holders of the Parent Company	**67,191,438,198**	25,241,727,608
Non-controlling Interests (Notes 4 and 14)	**138,313,910**	1,298,309,256
Total Equity	**67,329,752,108**	26,540,036,864
	₱109,937,883,670	₱84,402,416,163

See accompanying Notes to Unaudited Interim Condensed Consolidated Financial Statements.

MONDE NISSIN CORPORATION AND SUBSIDIARIES

UNAUDITED INTERIM CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME

	Quarters Ended September 30		Nine Months Ended September 30	
	2021	2020	**2021**	2020
NET SALES (Note 15)	**₱17,689,842,760**	₱16,999,864,925	**₱51,448,393,859**	₱50,359,278,899
COST OF GOODS SOLD (Note 15)	**10,717,233,795**	10,022,357,333	**31,851,823,427**	30,247,950,565
GROSS PROFIT	**6,972,608,965**	6,977,507,592	**19,596,570,432**	20,111,328,334
SALES, GENERAL AND ADMINISTRATIVE EXPENSES (Note 16)	**3,721,422,862**	3,041,197,740	**11,043,834,325**	8,815,778,347
	3,251,186,103	3,936,309,852	**8,552,736,107**	11,295,549,987
OTHER INCOME (EXPENSES)				
Foreign exchange gain (loss) - net (Notes 4 and 13)	**122,273,834**	263,905,556	**389,821,027**	1,067,815,462
Reversal of impairment loss on property, plant and equipment - net (Note 9)	**101,190,287**	–	**101,190,287**	–
Reversal of provision for expected credit losses - net (Notes 6 and 18)	**76,185,587**	–	**90,918,014**	–
Share in net earnings (losses) from associates and joint ventures	**18,216,966**	(72,296,547)	**25,127,564**	(120,904,921)
Market valuation gain on financial instruments at FVTPL	**9,683,578**	–	**11,358,202**	–
Miscellaneous income (Note 17)	**21,790,973**	56,206,705	**98,883,713**	126,978,220
	349,341,225	247,815,714	**717,298,807**	1,073,888,761
INCOME BEFORE FINANCE INCOME (EXPENSES)	**3,600,527,328**	4,184,125,566	**9,270,034,914**	12,369,438,748
FINANCE INCOME (EXPENSES)				
Interest expense (Notes 13 and 17)	**(133,846,845)**	(317,218,243)	**(1,441,488,996)**	(1,349,737,630)
Interest income (Note 17)	**55,167,545**	23,357,800	**80,027,919**	92,358,501
Derivative gain (loss) (Note 20)	**(4,554,394)**	62,401,680	**(2,258,075,057)**	318,516,949
Loss on convertible note redemption (Note 13)	**–**	–	**(1,579,324,482)**	–
	(83,233,694)	(231,458,763)	**(5,198,860,616)**	(938,862,180)
INCOME BEFORE INCOME TAX	**3,517,293,634**	3,952,666,803	**4,071,174,298**	11,430,576,568
PROVISION FOR INCOME TAX				
Current	**177,620,509**	1,125,810,525	**431,948,133**	2,838,828,340
Deferred	**497,483,506**	19,033,985	**1,312,441,405**	146,662,369
	675,104,015	1,144,844,510	**1,744,389,538**	2,985,490,709
NET INCOME	**2,842,189,619**	2,807,822,293	**2,326,784,760**	8,445,085,859
NET INCOME ATTRIBUTABLE TO:				
Equity holders of the Parent Company	**₱2,837,637,002**	₱2,651,854,838	**₱2,196,852,870**	₱7,906,068,572
Non-controlling interests	**4,552,617**	155,967,455	**129,931,890**	539,017,287
	₱2,842,189,619	₱2,807,822,293	**₱2,326,784,760**	₱8,445,085,859
Earnings per Share (EPS) (Note 14)				
Basic, income attributable to equity holders of the parent	**₱0.158**	₱0.202	**₱0.139**	₱0.602
Diluted, income attributable to equity holders of the parent	**0.158**	0.179	**0.139**	0.553

(Forward)

	Quarters Ended September 30		Nine Months Ended September 30	
	2021	2020	**2021**	2020
NET INCOME	**₱2,842,189,619**	₱2,807,822,293	**₱2,326,784,760**	₱8,445,085,859
OTHER COMPREHENSIVE INCOME (LOSS)				
Other comprehensive income (loss) to be reclassified to profit and loss in subsequent periods:				
Exchange gains (losses) on foreign currency translation (including effective portion of the net investment hedge) (Notes 14 and 20)	**465,328,227**	167,220,993	**1,452,604,839**	(2,611,662,728)
Other comprehensive loss not to be reclassified to profit and loss in subsequent periods:				
Remeasurement loss on defined benefit plans	**(11,002,889)**	(2,389,938)	**(53,635,833)**	(31,036,091)
Income tax effect	**3,300,867**	716,981	**16,090,750**	9,310,827
	(7,702,022)	(1,672,957)	**(37,545,083)**	(21,725,264)
Other comprehensive income (loss) - net of tax	**457,626,205**	165,548,036	**1,415,059,756**	(2,633,387,992)
TOTAL COMPREHENSIVE INCOME	**₱3,299,815,824**	₱2,973,370,329	**₱3,741,844,516**	₱5,811,697,867
Total comprehensive income attributable to:				
Equity holders of the Parent Company	**₱3,295,263,207**	2,817,402,874	**₱3,611,912,626**	₱5,280,701,503
Non-controlling interests	**4,552,617**	155,967,455	**129,931,890**	530,996,364
	₱3,299,815,824	₱2,973,370,329	**₱3,741,844,516**	₱5,811,697,867

See accompanying Notes to Unaudited Interim Condensed Consolidated Financial Statements.

MONDE NISSIN CORPORATION AND SUBSIDIARIES

UNAUDITED INTERIM CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY

FOR THE NINE MONTHS ENDED SEPTEMBER 30, 2021 AND 2020

	Equity Attributable to Equity Holders of the Parent Company										
	Capital Stock (Note 14)	Additional Paid-in Capital (Note 14)	Retained Earnings (Note 14) Appropriated	Retained Earnings (Note 14) Unappropriated	Fair Value Reserve of Financial Assets at FVOCI	Remeasurement Losses on Pension Liability	Equity Reserve (Note 14)	Cumulative Translation Adjustments (Note 14)	Total	Non-controlling Interests (Notes 4 and 14)	Total Equity
Balance as at January 1, 2021	₱6,570,000,000	₱–	₱11,155,336,000	₱12,497,957,136	(₱235,130,244)	(₱289,888,680)	(₱89,762,438)	(₱4,366,784,166)	₱25,241,727,608	₱1,298,309,256	₱26,540,036,864
Net income	–	–	–	2,196,852,870	–	–	–	–	2,196,852,870	129,931,890	2,326,784,760
Other comprehensive income (loss), net of tax	–	–	–	–	–	(37,545,083)	–	1,452,604,839	1,415,059,756	–	1,415,059,756
Total comprehensive income (loss)	–	–	–	2,196,852,870	–	(37,545,083)	–	1,452,604,839	3,611,912,626	129,931,890	3,741,844,516
Issuance of shares (Note 14)	2,414,305,748	46,516,488,820	–	–	–	–	–	–	48,930,794,568	–	48,930,794,568
Acquisition during the period (Note 4)	–	–	–	–	–	–	(532,572,764)	–	(532,572,764)	(1,289,927,236)	(1,822,500,000)
Release of appropriation (Note 14)	–	–	(6,800,000,000)	6,800,000,000	–	–	–	–	–	–	–
Dividends (Note 14)	–	–	–	(10,060,423,840)	–	–	–	–	(10,060,423,840)	–	(10,060,423,840)
Balance as at September 30, 2021	₱8,984,305,748	₱46,516,488,820	₱4,355,336,000	₱11,434,386,166	(₱235,130,244)	(₱327,433,763)	(₱622,335,202)	(₱2,914,179,327)	₱67,191,438,198	₱138,313,910	₱67,329,752,108
Balance as at January 1, 2020	₱6,570,000,000	₱–	₱8,961,452,000	₱9,847,540,651	(₱235,130,244)	(₱62,425,778)	(₱89,762,438)	(₱3,266,356,789)	₱21,725,317,402	₱1,496,688,476	₱23,222,005,878
Net income	–	–	–	7,906,068,572	–	–	–	–	7,906,068,572	539,017,287	8,445,085,859
Other comprehensive loss, net of tax	–	–	–	–	–	(13,704,341)	–	(2,611,662,728)	(2,625,367,069)	(8,020,923)	(2,633,387,992)
Total comprehensive income (loss)	–	–	–	7,906,068,572	–	(13,704,341)	–	(2,611,662,728)	5,280,701,503	530,996,364	5,811,697,867
Acquisition during the period	–	–	–	–	–	–	–	–	–	94,823,202	94,823,202
Balance as at September 30, 2020	₱6,570,000,000	₱–	₱8,961,452,000	₱17,753,609,223	(₱235,130,244)	(₱76,130,119)	(₱89,762,438)	(₱5,878,019,517)	₱27,006,018,905	₱2,122,508,042	₱29,128,526,947

See accompanying Notes to Unaudited Interim Condensed Consolidated Financial Statements.

MONDE NISSIN CORPORATION AND SUBSIDIARIES

UNAUDITED INTERIM CONSOLIDATED STATEMENTS OF CASH FLOWS
FOR THE NINE MONTHS ENDED SEPTEMBER 30, 2021 AND 2020

	2021 (Unaudited)	2020 (Unaudited)
CASH FLOWS FROM OPERATING ACTIVITIES		
Income before income tax	**₱4,071,174,298**	₱11,430,576,568
Adjustments to reconcile income before income tax to net cash flows:		
Derivative loss (gain) (Note 20)	**2,258,075,057**	(318,516,949)
Depreciation and amortization (Notes 9, 10, 15, 16 and 17)	**1,843,733,704**	1,612,655,134
Loss on convertible note redemption (Note 13)	**1,579,324,482**	–
Interest expense (Notes 13, 17 and 20)	**1,441,488,996**	1,349,737,630
Unrealized foreign exchange gain – net	**(298,113,632)**	(691,249,836)
Reversal of impairment loss on property, plant and equipment - net (Note 9)	**(101,190,287)**	–
Interest income (Note 17)	**(80,027,919)**	(92,358,501)
Movement in pension liability	**26,857,646**	(3,899,771)
Share in net (earnings) losses from associates and joint venture	**(25,127,564)**	120,904,921
Market valuation gain on financial instruments at FVTPL	**(11,358,202)**	(2,146,486)
Gain on sale of property, plant and equipment	**(2,421,476)**	(2,426,211)
Bargain purchase	**–**	(18,249,360)
Working capital adjustments:		
Decrease (increase) in:		
Inventories	**(1,458,822,017)**	(28,411,646)
Prepayments and other current assets	**(481,925,972)**	(10,218,309)
Trade and other receivables	**(227,962,786)**	157,828,530
Increase (decrease) in:		
Acceptance and trust receipts payable	**1,479,432,954**	(2,329,102,372)
Accounts payable and other current liabilities	**(490,728,671)**	(1,769,962,153)
Refund liabilities	**(34,213,455)**	39,552,248
Net cash generated from operations	**9,488,195,156**	9,444,713,437
Income tax paid	**(636,893,650)**	(2,505,736,907)
Interest received	**71,987,852**	93,394,590
Net cash flows from operating activities	**8,923,289,358**	7,032,371,120
CASH FLOWS FROM INVESTING ACTIVITIES		
Additions to:		
Financial assets at FVTPL (Note 20)	**(6,400,000,000)**	81,069,914
Property, plant and equipment (Notes 9 and 21)	**(3,559,895,777)**	(2,606,022,981)
Intangible assets (Note 10)	**(92,783,635)**	(686,771)
Investments in associates and joint ventures (Note 4)	**(30,000,000)**	(86,699,642)
Noncurrent receivables	**–**	(150,040,672)
Proceeds from:		
Termination of financial assets at FVTPL	**4,507,711,023**	–
Sale of property, plant and equipment (Note 9)	**42,536,824**	113,889,544
Decrease (increase) in other noncurrent assets	**(506,416,253)**	111,059,056
Acquisition of a subsidiary, net of cash acquired	**–**	(16,915,384)
Net cash used in investing activities	**(6,038,847,818)**	(2,554,346,936)
CASH FLOWS FROM FINANCING ACTIVITIES		
Proceeds from (payments for):		
Loans (Note 13)	**(17,160,775,791)**	(2,998,888,804)
Convertible note (Note 13)	**(13,432,039,141)**	–
Interest	**(1,341,045,220)**	(481,029,155)
Principal portion of lease liabilities	**(278,475,374)**	(597,596,786)
Derivatives	**–**	262,820
Issuance of capital stock, net of transaction cost (Note 14)	**48,930,794,568**	–
Acquisition of non-controlling interest (Note 4)	**(1,822,500,000)**	–
Dividends paid (Note 14)	**(1,511,100,000)**	–
Decrease in other noncurrent liabilities	**(2,741,293)**	(305,314)
Net cash used in financing activities	**13,382,117,749**	(4,077,557,239)
NET INCREASE IN CASH AND CASH EQUIVALENTS	**16,266,559,289**	400,466,945
EFFECT OF FOREIGN EXCHANGE RATE CHANGES ON CASH AND CASH EQUIVALENTS	**232,859,977**	82,996,521
CASH AND CASH EQUIVALENTS AT BEGINNING OF PERIOD	**7,093,014,862**	10,499,291,065
CASH AND CASH EQUIVALENTS AT END OF PERIOD	**₱23,592,434,128**	₱10,982,754,531

See accompanying Notes to Unaudited Interim Condensed Consolidated Financial Statements.

NOTES TO UNAUDITED INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

1. General Information

Monde Nissin Corporation (the Parent Company or MNC) was incorporated and registered with the Philippine Securities and Exchange Commission (SEC) on May 23, 1979 primarily to engage in manufacturing, processing, baking, packaging, servicing, repacking, assembling, importing, exporting, buying, selling, trading or otherwise dealing in all kinds of goods, wares and merchandises, which are or may become articles of commerce such as but not limited to candies, confectionaries, biscuits, cakes and other foods, drugs and cosmetics. The Parent Company and its subsidiaries are collectively referred to as the "Group" (see Note 4).

On March 1, 2021, at least a majority of the members of the Board of Directors (BOD) of the Parent Company and stockholders representing at least two-thirds (2/3) of the outstanding capital stock of the Parent Company approved certain amendments to the Parent Company's Articles of Incorporation (AOI) including the following: (a) include "noodles" in the articles of commerce that the Parent Company may manufacture, process, service, package, re-package, import, export, buy, sell, trade, or otherwise deal in; (b) amend the term of corporate existence from 50 years to a "perpetual corporate term unless the SEC issues a certificate providing otherwise"; (c) increase the number of directors of the Parent Company from 7 to 9; and (d) authorized number of shares, as amended, shall be 20,400,000,000 common shares with a par value of ₱0.50 per share, from the current par value of ₱1.00 per share. These amendments in the Parent Company's AOI was approved by the SEC on April 7, 2021.

On April 20, 2021 and April 21, 2021, the SEC and Philippine Stock Exchange, Inc. (PSE), respectively, approved the application of the Parent Company for the listing of up to 17,968,611,496 common shares on the Main Board of the PSE.

On June 1, 2021, the Parent Company completed its IPO and was listed in the PSE under the stock symbol "Monde". As a public company, it is covered by the Revised Securities Regulation Code (SRC) Rule 68.

The Parent Company's registered office address is at Felix Reyes St., Barangay Balibago, City of Santa Rosa, Laguna.

2. Basis of Preparation and Changes to Group's Accounting Policies

Basis of Preparation

The unaudited interim condensed consolidated financial statements have been prepared in accordance with Philippine Accounting Standards (PAS) 34, *Interim Financial Reporting*.

The unaudited interim condensed consolidated financial statements have been prepared on a historical cost basis, except for financial assets at fair value through profit or loss (FVTPL), financial assets at fair value through other comprehensive income (FVOCI) and derivative financial instruments that have been measured at fair value. The unaudited interim condensed consolidated financial statements are presented in Philippine peso, which is the Parent Company's functional and presentation currency. All values are rounded to the nearest peso, except when otherwise indicated.

Selected explanatory notes are included to explain events and transactions that are significant to the understanding of the changes in financial position and performance of the Group since the last annual consolidated financial statements as at and for the year ended December 31, 2020. The unaudited interim condensed consolidated financial statements do not include all the information and disclosures required in the annual financial statements and should be read in conjunction with the Group's annual consolidated financial statements as at and for the year ended December 31, 2020.

Basis of Consolidation
The unaudited interim condensed consolidated financial statements comprise the financial statements of the Parent Company and its subsidiaries as at September 30, 2021. The financial statements of the subsidiaries are prepared for the same reporting period as the Parent Company using consistent accounting policies.

Changes in Accounting Policies and Disclosures
The accounting policies adopted in the preparation of the interim condensed consolidated financial statements are consistent with those followed in the preparation of the Group's annual consolidated financial statements as at and for the year ended December 31, 2020, except for the adoption of amendments effective beginning January 1, 2021, which did not have any significant impact on the Group's financial position or performance, unless otherwise indicated:

- Amendments to PFRS 9, PFRS 7, PFRS 4 and PFRS 16, *Interest Rate Benchmark Reform – Phase 2.* The amendments provide temporary reliefs which address the financial reporting effects when an interbank offered rate is replaced with an alternative nearly risk-free interest rate. The adoption of the amendments did not have any significant impact on the Group's financial position or performance.

- Amendments to IFRS 16, *COVID-19-related Rent Concessions.* The amendments provide relief to lessees from applying the IFRS 16 requirement on lease modifications to rent concessions arising as a direct consequence of the COVID-19 pandemic. The adoption of the amendments did not have any significant impact on the Group's financial position or performance.

3. Significant Accounting Judgment, Estimates and Assumptions

The preparation of the unaudited interim condensed consolidated financial statements requires management to make judgments, estimates and assumptions that affect the reported amounts of revenues, costs and expenses, assets and liabilities, and the disclosure of contingent liabilities, at the end of the reporting period. However, uncertainty about these assumptions and estimates could result in outcomes that require a material adjustment to the carrying amount of the asset or liability affected in future periods.

Assessment for ECL on Trade Receivables. The Group uses a provision matrix to calculate ECLs for trade receivables. The provision rates are based on days past due for groupings of various customer segments that have similar loss patterns (i.e., by geography, customer type and rating, and coverage by letters of credit and other forms of credit insurance).

The provision matrix is initially based on the Group's historical observed default rates. The Group calibrates the matrix to adjust the historical credit loss experience with forward-looking information on macro-economic factors. At every financial reporting date, the historical observed default rates are updated and changes in the forward-looking estimates are analyzed.

The assessment of the correlation between historical observed default rates, forecast economic conditions and ECLs is a significant estimate. The amount of ECLs is sensitive to changes in circumstances and of forecast economic conditions. The Group's historical credit loss experience and forecast of economic conditions may also not be representative of customer's actual default in the future.

The COVID-19 pandemic did not have a significant impact on the collectability of the Group's trade receivables in 2021 and 2020. The customers' payment terms were not extended due to the pandemic. The percentage of overdue trade receivables as at September 30, 2021 decreased as compared to December 31, 2020. However, considering the evolving nature of this pandemic, the Group will continue to monitor the situation. Uncertainties in market trends and economic conditions may persist due to COVID-19 pandemic, which may impact actual results and differ materially from the estimates of ECL.

In 2021, the Group recognized reversal of provision for ECL on trade receivables amounting to ₱13,548,686 as a result of reassessment of ECL. Allowance for ECL on trade receivables amounted to ₱53,055,713 and ₱67,574,988 as at September 30, 2021 and December 31, 2020, respectively. The carrying amount of trade and other receivables amounted to ₱6,542,123,394 and ₱6,456,718,430 as at September 30, 2021 and December 31, 2020, respectively (see Note 6).

Impairment of Non-Financial Assets with Indefinite Useful Life (Goodwill, Brand and Trademark). The Group performed its annual impairment test in December and when circumstances indicate that the carrying value may be impaired. The Group's impairment test for goodwill and intangible assets with indefinite lives is based on value-in-use calculations. The key assumptions used to determine the recoverable amount for the different cash generating units were disclosed in the annual consolidated financial statements for the years ended September 30, 2021 and December 31, 2020.

As at September 30, 2021, management assessed that:

- there have been no significant changes in the assets and liabilities making up the CGUs since December 31, 2020;
- the most recent recoverable amount calculation resulted in an amount that exceeded the carrying amount of the unit by a substantial margin; and
- the likelihood that a current recoverable amount determination would be less than the current carrying amount of the unit is remote.

Recognition of Deferred Taxes. The Group's assessment on the recognition of deferred tax assets on nondeductible temporary differences is based on the forecasted taxable income of the following reporting periods over which the deductible temporary differences can be utilized. This forecast is based on the Group's past results and future expectations on revenues and expenses.

Net deferred tax assets recognized in the consolidated financial statements amounted to ₱680,727,781 and ₱843,075,203 as at September 30, 2021 and December 31, 2020, respectively (see Note 19).

Assessment of Impairment of Property, plant and equipment. The Group assess impairment of property, plant and equipment whenever events or changes in circumstances indicate that the carrying amount of an asset may not be recoverable. The factors that the Group consider important, which could trigger an impairment review include the following:

- Significant under-performance relative to expected historical or projected future operating results;
- Significant changes in the manner of use of the acquired assets or the strategy for overall business; and

- Significant negative industry and economic trends.

a. Parent Company

In 2021, the Parent Company determined that the actual performance of certain property, plant and equipment in MNC below the estimated or planned outputs is an indicator of impairment resulting to additional impairment loss of ₱12,631,750.

The Parent Company determined that the VIU of these impaired property, plant and equipment, assets are zero since these assets pertain to discontinued product lines with no expected future cashflows. Management assessed that any scrap value (FVLCD) is not material.

b. MNTH

In 2021, the management reassessed the recoverable amount of MNTH's buildings and plant machinery and fixtures as a result of business turnaround of biscuit operations from operating loss to operating profit.

The Group estimated the assets' recoverable amount based on VIU calculation using cash flow projection from financial budgets approved by management covering a 5-year period. The following describes each key assumption on which management has based its cash flow projections to undertake impairment testing:

i. Long-term growth rate – The long-term growth rate used was 1.00% based on published industry research.

ii. Discount rate – The pre-tax discount rate, which is derived from MNTH's weighted average cost of capital (WACC), is 8.81% based weight of debt and equity for food industry under emerging market.

Based on the assumptions above, MNTH reversed accumulated impairment loss amounting to ₱113,822,037 for the nine months ended September 30, 2021.

There are no impairment indicators identified on other property, plant and equipment of the Group. Net reversal of impairment loss on property, plant and equipment amounted to ₱101,190,287 and nil for the nine months ended September 30, 2021 and 2020, respectively. Accumulated impairment losses amounted to ₱2,672,433,719 and ₱2,837,528,410 as at September 31, 2021 and December 31, 2020, respectively. The carrying value of the Group's property, plant and equipment amounted to ₱29,109,200,274 and ₱26,636,573,782 at September 31, 2021 and December 31, 2020, respectively (see Note 9).

Estimation of Legal contingencies and Regulatory Assessments. As at September 30, 2021 and December 31, 2020, the Group is involved in various legal proceedings and regulatory assessments, and management believes that these proceedings will not have a material effect on the consolidated financial statements. Disclosure of additional details beyond the present disclosures may seriously prejudice the Group's position and negotiating strategy.

The Group, in consultation with its external and internal legal and tax counsels, believes that its position on these assessments is consistent with relevant laws and believe that these proceedings will not have a material adverse effect on the consolidated financial statements. However, it is possible that future results of operations could be materially affected by changes in the estimates or the effectiveness of management's strategies relating to these proceedings. As at September 30, 2021 and December 31, 2020, management has assessed that the probable cash outflow to settle these assessments is not material.

As allowed by PAS 37, *Provisions, Contingent Liabilities, and Contingent Assets*, no further disclosures were provided as this might prejudice the Group's position on this matter.

4. Subsidiaries, Significant Acquisitions and Disposals, and Segment Information

The unaudited interim condensed consolidated financial statements comprise the financial statements of the Parent Company and the following subsidiaries, which are prepared for the same reporting period as at September 30, 2021 and December 31, 2020, are set out below:

			Percentage of Ownership			
		Country of	**September 30, 2021**		December 31, 2020	
Subsidiaries	Principal Activity	Incorporation	**Direct**	**Indirect**	Direct	Indirect
MNSPL	Investment/sales	Singapore	**100.00**	**–**	100.00	–
MNUKL	Investment holding	United Kingdom	**–**	**100.00**	–	100.00
Marlow Foods Limited	Manufacturing, Sales, and Marketing	United Kingdom	**–**	**100.00**	–	100.00
Quorn Smart Life GmbH	Sales, and Marketing	Germany	**–**	**100.00**	–	100.00
Quorn Foods Inc	Sales, and Marketing	United States of America	**–**	**100.00**	–	100.00
Cauldron Foods Ltd*	Sales, and Marketing	United Kingdom	**–**	**100.00**	–	100.00
Quorn Foods Italy SRL**	Sales, and Marketing	Italy	**–**	**100.00**	–	100.00
Quorn Foods Sweden	Sales, and Marketing	Sweden	**–**	**100.00**	–	100.00
MNNZ	Distribution of food related goods	New Zealand	**–**	**100.00**	–	100.00
MNHTL***	Investment company	Thailand	**–**	**6.50**	–	6.50
MIL	Manufacture of seasonings	Thailand	**–**	**100.00**	–	100.00
MNTH***	Manufacture and distribution of bread and cookies	Thailand	**–**	**56.40**	–	56.40
MNIIL	Investment company	British Virgin Islands	**100.00**	**–**	100.00	–
MNHTL***	Investment company	Thailand	**–**	**93.50**	–	93.50
MNTH***	Manufacture and distribution of bread and cookies	Thailand	**–**	**43.60**	–	43.60
KBT International Holdings, Inc. (KBT)	Investment company	Philippines	**95.69**	**–**	95.69	–
MNAC*	Manufacture, process, and distribution of industrial coconut and agricultural products	Philippines	**90.91**	**–**	90.91	–
SFC****	Manufacture and process of bread	Philippines	**80.00**	**–**	80.00	–
AFPFI	Manufacturing, importing, exporting, selling and distribution of breads; Purchasing or registering intellectual properties	Philippines	**–**	**80.00**	–	80.00
Monde M.Y. San Corporation (MMYSC)	Manufacture, process, and export of biscuits	Philippines	**100.00**	**–**	60.00	–

**Dormant*
***In dissolution*
****The Group effectively owns 100%*
*****80% owned and accounted as a subsidiary effective September 7, 2020.*

a. Purchase of Minority Shareholder's Equity of MMYSC

On January 28, 2021, the Parent Company purchased from My Crackers, Inc. (MCI) the latter's 4,500,000 common shares in MMYSC representing 40% of the outstanding capital stock of MMYSC for ₱1,822,500,000. This increased the Parent Company's ownership interest from 60% in 2020 to 100% in 2021. This resulted in the reduction of the Group's non-controlling interest related to MMYSC amounting of ₱1,289,927,236 and increase in equity reserve of ₱532,572,764 as at January 28, 2021 (see Note 14).

b. Investment in MNSPL

In May 2020, the BOD approved the reduction in its share capital in MNSPL by 113,000,000 shares in the amount of ₱2,810,893,481 (GBP43,812,001). MNSPL repatriated the outstanding balance of ₱345,218,965 (GBP5,000,000) to the Parent Company in September 2021.

On September 20, 2021, the BOD approved to subscribe additional 42,924,533 ordinary shares of MNSPL at an aggregate subscription price of ₱3,079,246,500 (GBP45,000,0000) payable in several tranches on or before March 31, 2022.

On September 27, 2021, the Parent Company paid ₱410,238,000 (GBP6,000,000) representing 3,924,533 shares. As a result, the Parent Company's shares in MNSPL increased from 474,250,257 to 478,174,790 shares.

c. Investment in CHTI

On August 19, 2021, the BOD approved the additional subscription of the Parent Company of 60,000 shares in CHTI to maintain its ownership interest of 20% for a total subscription price of ₱60,000,000. The Parent Company initially paid up ₱30,000,000 in August 2021.

d. Segment Information

For management purposes, the Group is organized into business units based on its products and has 2 reportable segments, as follows:

- Asia-Pacific Branded Food & Beverage (APAC BFB) manufactures and distributes a diverse mix of biscuits, bakery products, beverages, instant noodles and pasta.
- Meat Alternative manufactures and distributes a variety of meat alternative brands and products to the retail trade and food service customers in the UK, US, Europe and Asia-Pacific.

In the consumer goods industry, results of operations generally follow seasonality of consumer buying patterns and the Group's sales are affected accordingly. In the Philippines, most food and beverage products, including those of the Group, experience increased sales from October to December related to the Christmas and New Year's season. Seasonality during certain events also affect the Group's sales (e.g. calamities, COVID-19 pandemic, etc.). In addition, seasonality varies across product types as some of the Group's products have distinct seasonality. The Group believes that diversity of its product mix reduces the specific seasonality impact of certain products in its portfolio and concluded that this is not "highly seasonal" in accordance with PAS 34.

No operating segments have been aggregated to form the above reportable operating segments.

The Chief Executive Officer is the Chief Operating Decision Maker and monitors the operating results of its business units separately for the purpose of making decisions about resource allocation and performance assessment. Segment performance is evaluated based on profit or loss and is measured consistently with profit or loss in the consolidated financial statements.

The following tables present the financial information of each of the operating segments in accordance with PFRSs. Inter-segment revenues, and finance income and expenses are eliminated upon consolidation and reflected in the "Eliminations" column.

	September 30, 2021 (Unaudited)			
	APAC BFB	**Meat Alternative**	**Eliminations**	**Consolidated**
Net sales - third parties	**₱40,316,293,126**	**₱11,132,100,733**	**₱–**	**₱51,448,393,859**
Costs and expenses	**(31,365,256,478)**	**(9,686,667,570)**	**–**	**(41,051,924,048)**
Depreciation and amortization	**(1,359,652,689)**	**(484,081,015)**	**–**	**(1,843,733,704)**
Finance income	**980,083,399**	**683,646**	**(900,739,126)**	**80,027,919**
Finance expense	**(5,241,955,298)**	**(937,672,363)**	**900,739,126**	**(5,278,888,535)**
Foreign exchange gain (loss) - net	**396,359,852**	**(6,538,825)**	**–**	**389,821,027**
Reversal of impairment loss – net	**101,190,287**	**–**	**–**	**101,190,287**
Share in net earnings from associates and joint venture	**25,127,564**	**–**	**–**	**25,127,564**
Other income	**201,159,929**	**–**	**–**	**201,159,929**
Income before income tax	**4,053,349,692**	**17,824,606**	**–**	**4,071,174,298**
Provision for (benefit from) income tax	**419,132,589**	**1,325,256,949**	**–**	**1,744,389,538**
Net income	**₱3,634,217,103**	**(₱1,307,432,343)**	**₱–**	**₱2,326,784,760**
Other information				
Total assets	**₱56,756,632,957**	**₱74,963,663,995**	**(₱21,782,413,282)**	**₱109,937,883,670**
Total liabilities	**₱25,942,054,655**	**₱38,448,490,189**	**(₱21,782,413,282)**	**₱42,608,131,562**
Investment in associates and joint venture	**₱1,109,195,809**	**₱–**	**₱–**	**₱1,109,195,809**
Capital expenditures	**₱2,498,969,176**	**₱1,060,926,601**	**₱–**	**₱3,559,895,777**
Noncash expenses (income) other than depreciation and amortization:				
Reversal of provision for ECL-net	**(₱90,918,014)**	**₱–**	**₱–**	**(₱90,918,014)**
Inventory obsolescence	**16,735,882**	**–**	**–**	**16,735,882**
	(₱74,182,132)	**₱–**	**₱–**	**(₱74,182,132)**

	September 30, 2020 (Unaudited)			
	APAC BFB	Meat Alternative	Eliminations	Consolidated
Net sales - third parties	₱39,308,442,243	₱11,050,836,656	₱–	₱50,359,278,899
Costs and expenses	(28,146,928,265)	(9,304,145,513)	–	(37,451,073,778)
Depreciation and amortization	(1,209,615,588)	(403,039,546)	–	(1,612,655,134)
Finance income	1,202,360,642	5,131,348	(796,616,540)	410,875,450
Finance expense	(1,151,073,490)	(995,280,680)	796,616,540	(1,349,737,630)
Foreign exchange gain – net	1,062,276,697	5,538,765	–	1,067,815,462
Share in net losses from associates and joint venture	(120,904,921)	–	–	(120,904,921)
Other income	126,978,220	–	–	126,978,220
Income before income tax	11,071,535,538	359,041,030	–	11,430,576,568
Provision for income tax	2,900,242,151	85,248,558	–	2,985,490,709
Net income	₱8,171,293,387	₱273,792,472	₱–	₱8,445,085,859

Other information

	December 31, 2020 (Audited)			
	APAC BFB	Meat Alternative	Eliminations	Consolidated
Total assets	₱54,462,662,369	₱49,251,201,442	(₱19,311,447,648)	₱84,402,416,163
Total liabilities	₱43,373,262,402	₱33,800,564,545	(₱19,311,447,648)	₱57,862,379,299
Investment in associates and joint venture	₱1,024,068,245	₱–	₱–	₱1,024,068,245

	September 30, 2020 (Unaudited)			
	APAC BFB	Meat Alternative	Eliminations	Consolidated
Capital expenditures	₱1,131,914,181	₱1,474,108,800	₱–	₱2,606,022,981
Noncash expenses other than depreciation and amortization:				
Provision for ECL	₱140,384,048	₱6,362,641	₱–	₱146,746,689
Inventory obsolescence	20,746,033	–	–	20,746,033
	₱161,130,081	₱6,362,641	₱–	₱167,492,722

Geographic Information
The Group operates in the Philippines, Thailand, New Zealand, Singapore, and the United Kingdom.

The following table shows the distribution of the Group's consolidated revenues to external customers by geographical market, regardless of where the goods were produced:

	September 30, 2021 (Unaudited)	September 30, 2020 (Unaudited)
Domestic	**₱37,555,742,110**	₱37,314,635,035
Foreign	**13,892,651,749**	13,044,643,864
	₱51,448,393,859	₱50,359,278,899

The Group has no customer which contributes 10% or more of the consolidated revenues of the Group.

The table below shows the Group's carrying amount of non-current assets per geographic location, excluding noncurrent receivables, other noncurrent assets (advances to employees and withholding tax receivables), and deferred tax assets.

	September 30, 2021 (Unaudited)	December 31, 2020 (Audited)
Domestic:		
Property, plant and equipment (see Note 9)	**₱16,402,368,194**	₱15,161,639,267
Investments in associates and joint ventures	**1,109,195,809**	1,024,068,245
Intangible assets (see Note 10)	**644,686,552**	648,473,927
Other noncurrent assets (see Note 11)	**1,189,461,030**	944,163,187
Total	**19,345,711,585**	17,778,344,626
Foreign:		
Property, plant and equipment (see Note 9)	**12,706,832,080**	11,474,934,515
Intangible assets (see Note 10)	**34,935,108,616**	32,951,857,088
Other noncurrent assets (see Note 11)	**289,451,074**	13,825,099
	47,931,391,770	44,440,616,702
	₱67,277,103,355	₱62,218,961,328

5. Cash and Cash Equivalents

	September 30, 2021 (Unaudited)	December 31, 2020 (Audited)
Cash on hand and in banks	**₱4,736,817,377**	₱3,620,373,627
Cash equivalents	**18,855,616,751**	3,472,641,235
	₱23,592,434,128	₱7,093,014,862

Cash in banks earn interest at the respective bank deposit rates. Cash equivalents are short-term deposits made for varying periods of one month up to three months depending on the immediate cash requirements and earn interest at the respective short-term deposit rates.

6. Trade and Other Receivables

	September 30, 2021 (Unaudited)	December 31, 2020 (Audited)
Trade receivables:		
Non-related parties	**₱6,463,816,908**	₱6,414,106,257
Related parties (see Note 18)	**43,634,149**	58,397,406
Nontrade receivables	**49,642,279**	36,106,738
Other receivables	**38,085,771**	15,683,017
	6,595,179,107	6,524,293,418
Allowance for ECL	**(53,055,713)**	(67,574,988)
	₱6,542,123,394	₱6,456,718,430

Trade receivables pertain to receivables from sale of goods which are noninterest-bearing and are generally on 30-60 days' terms.

Nontrade receivables comprise of various receivables from employees. These are noninterest-bearing and normally settled through salary deductions.

Movements in the allowance for ECL follow:

	September 30, 2021 (Unaudited)	December 31, 2020 (Audited)
Balance at January 1	**₱67,574,988**	₱368,806,669
(Reversal of) provision for ECL	**(13,548,686)**	98,543,597
Write-off	**(1,966,315)**	(399,701,804)
Currency translation adjustments	**995,726**	(73,474)
Balance at end of period	**₱53,055,713**	₱67,574,988

Reversal of provision for ECL for the nine months ended September 30, 2021 is attributable to the lower percentage of overdue receivables.

7. Inventories

	September 30, 2021 (Unaudited)	December 31, 2020 (Audited)
At cost:		
Raw materials	**₱91,035,054**	₱120,274,930
Finished goods	**85,185,678**	85,659,389
Packaging and other materials	**33,188,892**	14,580,150
Work in-process	**6,383,874**	5,177,053
In-transit	**–**	124,561,072
	215,793,498	350,252,594

(Forward)

	September 30, 2021 (Unaudited)	December 31, 2020 (Audited)
At NRV:		
Finished goods	**₱3,254,643,050**	₱2,528,917,689
Raw materials	**2,036,269,095**	1,677,530,472
Work in-process	**1,253,682,304**	823,835,137
Packaging and other materials	**771,437,521**	692,467,559
	7,316,031,970	5,722,750,857
	₱7,531,825,468	₱6,073,003,451

The costs of inventories carried at NRV are as follows:

	September 30, 2021 (Unaudited)	December 31, 2020 (Audited)
Finished goods	**₱3,421,283,607**	₱2,692,978,588
Raw materials	**2,131,622,269**	1,744,292,778
Work in-process	**1,278,859,724**	852,404,691
Packaging and other materials	**797,437,387**	732,301,223
	₱7,629,202,987	₱6,021,977,280

Provision for inventory obsolescence amounted to ₱16,735,882 and ₱20,746,033 for the nine months ended September 30, 2021 and 2020, respectively.

The cost of inventories recognized under "Cost of goods sold" account amounted to ₱31,851,823,427 and ₱30,247,950,565 for the nine months ended September 30, 2021 and 2020, respectively.

The carrying value of the Group's right of return assets amounted to nil as at September 30, 2021 and December 31, 2020.

Under the terms of the agreements covering liabilities under trust receipts totaling ₱2,085,334,988 and ₱605,902,034 as at September 30, 2021 and December 31, 2020, respectively, certain inventories which approximate the trust receipts payable, have been released to the Group under trust receipt agreement with the banks. The Group is accountable to these banks for the trusteed merchandise or their sales proceeds.

8. Prepayments and Other Current Assets

	September 30, 2021 (Unaudited)	December 31, 2020 (Audited)
Creditable withholding tax (CWT) and other credits	**₱717,755,412**	₱16,020,863
Prepayments	**484,894,828**	239,836,976
Input VAT	**149,492,626**	364,711,525
Deferred input VAT	**269,382,152**	335,950,379
Other current assets	**52,060,713**	19,335,833
	1,673,585,731	975,855,576
Allowance for non-recoverability of other current assets	**(3,602,949)**	(3,602,949)
	₱1,669,982,782	₱972,252,627

As at September 30, 2021, the CWT and other credits include the overpayment of 2020 income tax due to CREATE Act.

9. Property, Plant and Equipment

	September 30, 2021															
	Land	Land Improvements	Buildings	Building Improvements	Leasehold Improvements	Plant Machinery and Fixtures	Office Furniture and Equipment	Transportation Equipment	Computer and Communications Equipment	Machineries Under Installation	Construction In-progress	ROU Land	ROU Building	ROU Leasehold Improvements	ROU Others	Total
Cost																
Balance at January 1, 2021	₱456,118,622	₱5,576,957	₱8,613,001,967	₱1,643,601,881	₱145,198,401	₱30,313,880,194	₱362,439,721	₱115,322,579	₱234,304,037	₱1,863,900,842	₱3,933,033,885	₱2,835,139,481	₱397,170,402	₱42,697,047	₱289,829,348	₱51,251,215,364
Additions	–	–	564,005,944	4,323,290	2,587,279	178,758,234	11,908,952	6,482,379	24,556,814	1,055,101,571	1,712,171,314	–	–	–	119,530,738	3,679,426,515
Disposals	–	–	(440,000)	–	–	(454,845,229)	(3,264,400)	(3,261,652)	(485,367)	–	–	–	(49,887,578)	–	–	(512,184,226)
Reclassifications	–	–	357,489,578	144,053,519	1,500,000	1,582,309,330	43,502,659	–	20,081,111	(1,175,300,303)	(973,635,894)	–	–	–	–	–
Foreign currency translation adjustments	(6,238,832)	(305,687)	495,056,826	(2,264,237)	(1,089,090)	(111,124,433)	(11,732,707)	5,921,643	(14,970,437)	20,534,959	(14,098,868)	–	–	–	–	359,689,137
Balance at September 30, 2021	449,879,790	5,271,270	10,029,114,315	1,789,714,453	148,196,590	31,508,978,096	402,854,225	124,464,949	263,486,158	1,764,237,069	4,657,470,437	2,835,139,481	347,282,824	42,697,047	409,360,086	54,778,146,790
Accumulated Depreciation																
Balance at January 1, 2021	–	3,690,191	3,761,226,346	778,906,822	90,692,720	16,326,942,470	274,737,576	67,337,564	161,725,805	–	–	131,000,345	104,565,032	10,431,354	65,856,947	21,777,113,172
Depreciation (see Notes 15 and 16)	–	203,166	325,579,811	74,679,630	5,700,338	1,131,147,234	34,055,771	11,001,840	30,107,501	–	–	64,775,360	30,008,647	7,889,989	75,630,671	1,790,779,958
Disposals	–	–	(330,000)	–	–	(454,426,197)	(3,258,986)	(3,234,360)	(79,648)	–	–	–	(10,739,687)	–	–	(472,068,878)
Reclassifications	–	–	10,821,804	(10,821,804)	–	(19,931,736)	19,931,736	–	–	–	–	–	–	–	–	–
Foreign currency translation adjustments	–	(208,305)	(14,679,038)	(9,089,068)	–	(71,021,559)	(3,080,419)	(64,007)	(1,169,059)	–	–	–	–	–	–	(99,311,455)
Balance at September 30, 2021	–	3,685,052	4,082,618,923	833,675,580	96,393,058	16,912,710,212	322,385,678	75,041,037	190,584,599	–	–	195,775,705	123,833,992	18,321,343	141,487,618	22,996,512,797
Accumulated Impairment Loss																
Balance at January 1, 2021	–	–	694,312,917	104,167,063	966,759	1,343,317,959	–	–	36,047	543,683,187	151,044,478	–	–	–	–	2,837,528,410
(Reversal of) provision for impairment loss – net	–	–	(4,267,047)	–	–	(109,554,990)	–	–	–	12,631,750	–	–	–	–	–	(101,190,287)
Foreign currency translation adjustments	–	–	(33,499,404)	–	–	(30,405,000)	–	–	–	–	–	–	–	–	–	(63,904,404)
Balance at September 30, 2021	–	–	656,546,466	104,167,063	966,759	1,203,357,969	–	–	36,047	556,314,937	151,044,478	–	–	–	–	2,672,433,719
Net Book Value	₱449,879,790	₱1,586,218	₱5,289,948,926	₱851,871,810	₱50,836,773	₱13,392,909,915	₱80,468,547	₱49,423,912	₱72,865,512	₱1,207,922,132	₱4,506,425,959	₱2,639,363,776	₱223,448,832	₱24,375,704	₱267,872,468	₱29,109,200,274

	December 31, 2020															
	Land	Land Improvements	Buildings	Building Improvements	Leasehold Improvements	Plant Machinery and Fixtures	Office Furniture and Equipment	Transportation Equipment	Computer and Communications Equipment	Machineries Under Installation	Construction In-progress	ROU Land	ROU Building	ROU Leasehold Improvements	ROU Others	Total
Cost																
Balance at January 1, 2020	₱470,301,100	₱5,891,398	₱7,916,782,885	₱1,631,739,739	₱145,003,401	₱25,896,529,322	₱313,768,181	₱102,407,723	₱186,911,649	₱1,211,889,800	₱5,587,261,201	₱1,764,382,111	₱276,024,703	₱39,301,349	₱87,082,713	₱45,635,277,275
Additions	–	–	551,684,298	6,721,799	195,000	108,679,681	30,997,953	7,753,303	35,584,926	725,759,903	2,286,098,002	1,086,130,071	135,483,126	3,395,698	36,721,454	5,015,205,214
Acquisition of a subsidiary	–	–	457,348,539	–	–	396,585,604	12,282,073	6,510,000	2,538,325	69,554,461	–	(15,372,701)	–	–	166,025,181	1,095,471,482
Disposals	–	–	(21,323,586)	–	–	(10,583,143)	(3,383,585)	(9,836,607)	(5,002,017)	–	–	–	(14,337,427)	–	–	(64,466,365)
Reclassifications	–	–	43,911,703	7,469,421	–	3,994,147,648	11,370,180	8,554,000	2,016,649	(113,320,952)	(3,954,148,649)	–	–	–	–	–
Foreign currency translation adjustments	(14,182,478)	(314,441)	(335,401,872)	(2,329,078)	–	(71,478,918)	(2,595,081)	(65,840)	12,254,505	(29,982,370)	13,823,331	–	–	–	–	(430,272,242)
Balance at December 31, 2020	456,118,622	5,576,957	8,613,001,967	1,643,601,881	145,198,401	30,313,880,194	362,439,721	115,322,579	234,304,037	1,863,900,842	3,933,033,885	2,835,139,481	397,170,402	42,697,047	289,829,348	51,251,215,364
Accumulated Depreciation																
Balance at January 1, 2020	–	3,603,080	3,458,531,211	663,694,915	75,306,086	14,858,205,566	236,871,856	59,333,612	138,088,935	–	–	60,588,762	52,861,717	5,309,455	34,854,453	19,647,249,648
Depreciation (see Notes 15 and 16)	–	278,353	345,435,087	116,167,062	15,386,634	1,507,036,011	43,225,734	15,088,864	30,010,798	–	–	70,411,583	57,835,821	5,121,899	31,002,494	2,237,000,340
Disposals	–	–	–	–	–	(10,007,439)	(2,902,553)	(7,032,619)	(4,962,602)	–	–	–	(6,132,506)	–	–	(31,037,719)
Foreign currency translation adjustments	–	(191,242)	(42,739,952)	(955,155)	–	(28,291,668)	(2,457,461)	(52,293)	(1,411,326)	–	–	–	–	–	–	(76,099,097)
Balance at December 31, 2020	–	3,690,191	3,761,226,346	778,906,822	90,692,720	16,326,942,470	274,737,576	67,337,564	161,725,805	–	–	131,000,345	104,565,032	10,431,354	65,856,947	21,777,113,172
Accumulated Impairment Loss																
Balance at January 1, 2020	–	–	191,334,766	–	966,759	1,044,599,687	–	–	36,047	530,350,542	99,921,018	–	–	–	–	1,867,208,819
Impairment loss	–	–	511,873,038	104,167,063	–	333,342,006	–	–	–	13,332,645	51,123,460	–	–	–	–	1,013,838,212
Foreign currency translation adjustments	–	–	(8,894,887)	–	–	(34,623,734)	–	–	–	–	–	–	–	–	–	(43,518,621)
Balance at December 31, 2020	–	–	694,312,917	104,167,063	966,759	1,343,317,959	–	–	36,047	543,683,187	151,044,478	–	–	–	–	2,837,528,410
Net Book Value	₱456,118,622	₱1,886,766	₱4,157,462,704	₱760,527,996	₱53,538,922	₱12,643,619,765	₱87,702,145	₱47,985,015	₱72,542,185	₱1,320,217,655	₱3,781,989,407	₱2,704,139,136	₱292,605,370	₱32,265,693	₱223,972,401	₱26,636,573,782

In 2021, MNTH reversed accumulated impairment loss amounting to ₱113,822,037 as a result of business turnaround of biscuit operations from operating loss to operating profit. In addition, the Parent Company recognized additional impairment loss of ₱12,631,750 on machinery under installation.

The Group acquired property, plant and equipment and recognized depreciation expense amounting to ₱2,606,022,981 and ₱1,562,838,279 for the nine months ended September 30, 2020, respectively.

There are no idle property, plant and equipment nor property, plant and equipment used as collateral as at September 30, 2021 and December 31, 2020.

The Group has capital commitments for acquisitions of machineries and building expansions amounting to ₱2,625,559,533 and ₱1,624,822,028 as at September 30, 2021 and December 31, 2020, respectively.

10. Intangible Assets

	2021						
	Goodwill	**Brand**	**Distribution Rights**	**License**	**Trademarks**	**Software**	**Total**
Cost							
Balance at January 1, 2021	**₱15,851,354,400**	**₱17,224,877,419**	**₱727,560,000**	**₱–**	**₱17,870,838**	**₱272,741,602**	**₱34,094,404,259**
Additions	**–**	**–**	**–**	**34,639,200**	**371,146**	**57,773,289**	**92,783,635**
Foreign currency translation adjustments	**933,305,557**	**1,008,869,235**	**–**	**–**	**(1,405,096)**	**(2,016,172)**	**1,938,753,524**
Balance at September 30, 2021	**16,784,659,957**	**18,233,746,654**	**727,560,000**	**34,639,200**	**16,836,888**	**328,498,719**	**36,125,941,418**
Accumulated Amortization							
Balance at January 1, 2021	**–**	**40,604,600**	**233,425,500**	**–**	**2,601,673**	**127,299,473**	**403,931,246**
Amortization (see Note 17)	**–**	**–**	**27,283,500**	**–**	**167,425**	**25,502,821**	**52,953,746**
Foreign currency translation adjustments	**–**	**2,390,742**	**–**	**–**	**(1,365,663)**	**(1,905,819)**	**(880,740)**
Balance at September 30, 2021	**–**	**42,995,342**	**260,709,000**	**–**	**1,403,435**	**150,896,475**	**456,004,252**
Accumulated Impairment Loss	**–**	**90,141,998**	**–**	**–**	**–**	**–**	**90,141,998**
Net Book Value	**₱16,784,659,957**	**₱18,100,609,314**	**₱466,851,000**	**₱34,639,200**	**₱15,433,453**	**₱177,602,244**	**₱35,579,795,168**

	2020					
	Goodwill	Brand	Distribution Rights	Trademarks	Software	Total
Cost						
Balance at January 1, 2020	₱16,187,353,231	₱17,588,079,889	₱727,560,000	₱3,483,386	₱259,762,333	₱34,766,238,839
Additions	–	–	–	–	14,351,835	14,351,835
Acquisition of a subsidiary	–	–	–	14,459,000	261,800	14,720,800
Foreign currency translation adjustments	(335,998,831)	(363,202,470)	–	(71,548)	(1,634,366)	(700,907,215)
Balance at December 31, 2020	15,851,354,400	17,224,877,419	727,560,000	17,870,838	272,741,602	34,094,404,259
Accumulated Amortization						
Balance at January 1, 2020	–	41,465,290	197,047,500	2,173,561	99,027,579	339,713,930
Amortization (see Note 17)	–	–	36,378,000	428,112	29,511,848	66,317,960
Foreign currency translation adjustments	–	(860,690)	–	–	(1,239,954)	(2,100,644)
Balance at December 31, 2020	–	40,604,600	233,425,500	2,601,673	127,299,473	403,931,246
Accumulated Impairment Loss	–	90,141,998	–	–	–	90,141,998
Net Book Value	₱15,851,354,400	₱17,094,130,821	₱494,134,500	₱15,269,165	₱145,442,129	₱33,600,331,015

In 2021, the Group acquired intellectual property license with indefinite useful life amounting to ₱34,639,200. This pertains to acquisition of know-how and other intellectual property from a third party.

Amortization of the intangible assets for the nine months ended September 30, 2021 and 2020 amounted to ₱52,953,746 and ₱49,816,855, respectively (see Note 17).

Goodwill, brand, trademark and license with indefinite useful life per entity are as follows:

	September 30, 2021 (Unaudited)				December 31, 2020 (Audited)		
	Goodwill	**Brand**	**Trademark**	**License**	Goodwill	Brand	Trademark
MNUKL	**₱16,784,659,957**	**₱18,100,609,314**	**₱–**	**₱–**	₱15,851,354,400	₱17,094,130,821	₱–
MNC	**–**	**–**	**14,459,000**	**34,639,200**	–	–	14,459,000
Total	**₱16,784,659,957**	**₱18,100,609,314**	**₱14,459,000**	**₱34,639,200**	₱15,851,354,400	₱17,094,130,821	₱14,459,000

The Group performs its annual impairment test every year-end.

11. Other Noncurrent Assets

	September 30, 2021 (Unaudited)	December 31, 2020 (Audited)
Deferred input VAT for amortization	**₱468,510,988**	₱279,133,013
Advances to suppliers and contractors	**982,617,651**	637,524,324
Refundable and other deposits	**72,761,931**	75,805,823
Advances to employees	**66,610,358**	42,524,141
Withholding tax receivables	**8,750,868**	47,344,650
Others	**10,808,230**	21,311,822
	1,610,060,026	1,103,643,773
Less allowance for advances to suppliers and contractors	**55,786,696**	55,786,696
	₱1,554,273,330	₱1,047,857,077

12. Accounts Payable and Other Current Liabilities and Refund Liabilities

Accounts Payable and Other Current Liabilities

	September 30, 2021 (Unaudited)	December 31, 2020 (Audited)
Trade payables		
Non-related parties	**₱4,764,644,373**	₱4,648,497,052
Related parties (see Note 18)	**23,413,003**	35,708,765
Nontrade payables	**1,852,506,309**	2,449,581,739
Accruals for:		
Advertising and promotions	**1,200,449,904**	936,724,458
Selling, general and administrative expenses	**445,458,606**	337,168,684
Trade spend	**305,021,749**	235,041,191
Personnel costs	**221,958,570**	436,262,880
Freight	**90,236,818**	63,786,546
Interest	**67,809,310**	166,287,725
Other accruals	**51,861,436**	228,241,544
Statutory payables	**621,717,714**	400,828,394
Others	**217,969,877**	202,547,206
	₱9,863,047,669	₱10,140,676,184

Refund Liabilities

As at September 30, 2021 and December 31, 2020, the Group's refund liabilities consist of the following:

	September 30, 2021 (Unaudited)	December 31, 2020 (Audited)
Refund liabilities:		
Arising from rights of return	**₱154,472,436**	₱166,969,747
Arising from retrospective volume rebates	**91,010,256**	112,726,400
	₱245,482,692	₱279,696,147

13. Loans Payable and Convertible Note

Loans Payable

	September 30, 2021 (Unaudited)	December 31, 2020 (Audited)
Parent Company	**₱5,696,262,220**	₱22,325,000,000
MNUKL	**7,048,018,886**	7,302,376,400
SFC	**−**	110,000,000
	12,744,281,106	29,737,376,400
Current portion	**(7,370,555,168)**	(9,559,593,645)
Unamortized debt issue costs	**(114,713,805)**	(191,374,744)
	₱5,259,012,133	₱19,986,408,011

Details of the Group's loans are as follows:

			September 30, 2021 (Unaudited)		December 31, 2020 (Audited)	
Description	Maturities	Interest Rates	**US$/£ Balances**	**Php Equivalent**	US$/£ Balances	Php Equivalent
Parent						
₱18,700,000,000 Floating Rate Corporate Notes (FRCNs)	December 2022	Higher of (a) 3-day average of the 3-month BVAL + 75 bps per annum or (b) the BSP overnight borrowing rate + 30 bps per annum effective April 5, 2021; Effective after December 31, 2021, the interest will be the higher of (a) 3-day average of the 3-month BVAL + 75 bps per annum or (b) the overnight deposit facility rate.	**$–**	**₱5,000,000**	$–	₱8,736,666,667
₱9,000,000,000 FRCN	October 2021	Average 3-month BVAL rate + 100 bps or BSP RRP rate + 25 bps, whichever is higher	**–**	**–**	–	5,486,666,667
₱4,550,000,000 FRCN	November 2023	Average 3-month BVAL rate + 125 bps	**–**	**941,666,666**	–	1,001,666,666
₱7,100,000,000 Fixed Rate Note (FXCN)	October 2023	4.50% until October 2020 and 3.75% thereafter until maturity	**–**	**4,749,595,554**	–	7,100,000,000
Total Parent Company loan				**5,696,262,220**		22,325,000,000
MNUKL						
£113,000,000 term loan	March 2024	Margin and LIBOR	**£102,999,500**	**7,048,018,886**	£113,000,000	7,302,376,400
SFC						
₱110,000,000 short term loan	January 2021	Floating between 5.00% to 5.25%		**–**		110,000,000
				₱12,744,281,106		₱29,737,376,400

a. *Parent Company*

In May 2021, the Parent Company and a major financial institution amended the rate from 3-day average of the 3-Month BVAL + 75 bps (subject to floor rate of the BSP overnight borrowing rate) to the higher of (a) 3-day average of the 3-month BVAL + 75 bps per annum or (b) the BSP overnight borrowing rate + 30bps per annum effective April 5, 2021. Effective after December 31, 2021, the interest will be the higher of (a) 3-day average of the 3-month BVAL + 75 bps per annum or (b) the overnight deposit facility rate. The remaining balance of the loan's principal after January 4, 2021 shall be paid in full at maturity date of December 29, 2022.

In September 2021, the Parent Company repaid its loan amounting to ₱9,873,206,239 as part of the change in use of IPO approved by BOD last August 2021 (see Note 22).

b. *MNUKL Loan*

MNUKL has an outstanding unsecured loans payable amounting to ₱7,458,585,086 (£102,999,500) and ₱7,302,376,400 (£113,000,000) as at September 30, 2021 and December 31, 2020, respectively. Interest rate is based on Margin and LIBOR.

c. *SFC*

In 2020, SFC obtained additional unsecured short-term loan from a financial institution amounting to ₱110,000,000 with floating interest between 5% to 5.25% per annum and is payable monthly. This loan was fully settled by SFC in January 2021.

The Group is obligated to perform certain covenants with respect to maintaining specified debt-to-equity, gross leverage and minimum debt service cover ratios, as set in the agreements with creditors. As at September 30, 2021 and December 31, 2020, the Group is in compliance with these covenants.

For the nine months ended September 30, 2021 and 2020, interest expense related to the loans amounted to ₱424,424,135 and ₱918,787,511, respectively (see Note 17).

<u>Convertible Note</u>

On February 5, 2019, the Parent Company and Arran Investment Pte. Ltd. (Arran or Investor), a company incorporated in the Republic of Singapore, entered into a Subscription Agreement wherein the Parent Company agreed to issue a Convertible Note with a face amount of ₱9,122,684,658 and convertible at the option of the holder upon the occurrence of a contingent event into 494,516,100 shares as adjusted for the stock split in September 2019 representing 7.00% of the issued and outstanding shares of the Parent Company on a fully-diluted basis (6.44% of the issued and outstanding shares of the Group in 2021 as a result of the issuance of Parent Company's common shares to MCI (see Note 14). On April 12, 2019, the Parent Company issued to Arran the Convertible Note subject to certain terms and conditions, including the redemption features which result in the treatment of the Convertible Note as a USD-denominated instrument with a principal amount of $174,810,958. The Convertible Note is mandatorily redeemable at the Philippine peso equivalent of the redemption amount computed based on a formula after five years from its issue date. In addition, the Convertible Note has an optional redemption feature exercisable by the holder upon the happening of the same contingent event for the conversion feature. The Parent Company also entered into an Investor Rights Agreement on April 12, 2019 that gave certain rights to the Investor pending redemption of the Convertible Note.

When establishing the accounting treatment for the Convertible Note, the Group classifies such instrument's components separately as financial liabilities, financial assets, or equity instruments in accordance with PAS 32, *Financial Instrument: Presentation*. The Convertible Note is assessed to be a hybrid instrument containing a host financial liability component and derivative components for the equity conversion and redemption options. The equity conversion and redemption options were identified as embedded derivatives and were separated and accounted for separately from the host contract on issuance date of the Convertible Note.

Shown below are the movements in the value of the host liability:

	September 30, 2021 (Unaudited)	December 31, 2020 (Audited)
Host liability:		
Beginning balance	**₱7,027,163,502**	₱7,257,979,719
Accretion of interest (see Note 17)	**746,999,024**	406,994,503
Foreign exchange loss (gain)	**(73,445,498)**	(580,435,191)
Amortization of debt issue cost	**20,987,957**	47,624,471
Payments of cash variable interest	**(113,738,703)**	(105,000,000)
Redemption	**(7,607,966,282)**	–
	₱–	₱7,027,163,502

Cash variable interest is an amount equal to the amount of the dividends received by the Parent Company's shareholder that the Investor would have received if the Convertible Note was converted into shares prior to the declaration of such dividend. In September 2021, the Parent Company settled the unpaid cash variable interest amounting to ₱588,474,159 based on the dividend declaration approved by the Parent Company's BOD on March 1, 2021 at ₱1.19 per share to holders of record or beneficial owners as of the date of declaration (see Note 14)

Accretion of interest on Convertible Note amounted to ₱340,368,920 for the nine months ended September 30, 2020 (see Note 17).

On March 1, 2021, at least a majority of the members of the BOD of the Parent Company and stockholders representing at least two-thirds (2/3) of the outstanding capital stock of the Parent Company approved certain amendments to the Parent Company's Articles of Incorporation including the removal of certain rights and entitlements of the Investor from the Parent Company's Articles of Incorporation which are further disclosed in Note 14.

On June 3, 2021, the Parent Company fully settled the Convertible Note. The Parent Company paid the listing redemption of ₱13,351,934,700. This resulted to loss on redemption of convertible note amounting to ₱1,579,324,482 for the nine months ended September 30, 2021.

The movement in unamortized debt issue costs of loans payable and Convertible Note is as follows:

	September 30, 2021 (Unaudited)	December 31, 2020 (Audited)
Loans Payable		
Balance at January 1	**₱191,374,744**	(₱94,243,252)
Amortization during the period (see Note 17)	**(83,981,244)**	122,614,027
Foreign currency translation adjustments	**7,320,305**	(2,062,315)
Additions during the period	–	165,066,284
Total *(Carried Forward)*	**₱114,713,805**	₱191,374,744

	September 30, 2021 (Unaudited)	December 31, 2020 (Audited)
Total *(Brought Forward)*	**₱114,713,805**	₱191,374,744
Convertible Note		
Balance at January 1	**₱173,928,860**	₱221,553,331
Amortization during the period (see Note 17)	**(20,987,957)**	(47,624,471)
Redemption of convertible note	**(152,940,903)**	–
	–	173,928,860
	₱114,713,805	₱365,303,604

14. **Equity**

Capital Stock and Additional Paid-in Capital (APIC)
The details of the Parent Company's common stock as at September 30, 2021 and December 31, 2020 follows:

	September30, 2021 (Unaudited)	December 31, 2020 (Audited)
Authorized number of shares	**20,400,000,000**	12,000,000,000
Par value per share	**₱0.50**	₱1
Issued and outstanding common shares:		
Balance at January 1	**6,570,000,000**	6,570,000,000
Issuance to MCI	**614,305,748**	–
Reduction in par	**7,184,305,748**	–
Issuance during IPO	**3,600,000,000**	–
Balance at end of period	**17,968,611,496**	6,570,000,000

The details of the Parent Company's additional paid-in capital as at September 30, 2021 and December 31, 2020 follows:

	September 30, 2021 (Unaudited)	December 31, 2020 (Audited)
Balance at January 1	**₱–**	₱–
Additions		
Issuance of common shares to MCI	**1,204,039,266**	–
Issuance of common shares during IPO	**46,800,000,000**	–
Share issuance costs		
Issuance of common shares to MCI	**(3,375,000)**	–
Issuance of common shares during IPO	**(1,484,175,446)**	–
Balance at end of period	**₱46,516,488,820**	₱–

On January 11, 2021, the Parent Company entered into an agreement with MCI for the subscription of the Parent Company's 614,305,748 common shares at a subscription price of ₱2.96 per share or a total subscription price of ₱1,818,345,014 which was fully settled on January 29, 2021.

On April 20, 2021, the SEC favorably considered, subject to certain conditions, the amended registration statement filed by the Parent Company covering the registration of 17,968,611,496 common shares to be listed and traded on the Main Board of the Philippine Stock Exchange, Inc. (PSE) with a par value of ₱0.50 per shares in relation to the Parent Company's initial public offering.

On April 21, 2021, the BOD of the PSE approved, subject to certain conditions, the application of the Parent Company for the listing of up to 17,968,611,496 common shares on the Main Board of the PSE.

On June 1, 2021, the Parent Company completed its IPO and was listed in the PSE under the stock symbol "Monde". The Parent Company issued 3,600,000,000 common shares for a total consideration of ₱48,600,000,000.

Amendment of AOI

On March 1, 2021, at least a majority of the members of the BOD of the Parent Company and stockholders representing at least two-thirds (2/3) of the outstanding capital stock of the Parent Company approved certain amendments to the Parent Company's Articles of Incorporation including the following:

a. amending the authorized capital stock of the Parent Company (without increasing or decreasing the same) such that the authorized number of shares, as amended, shall be:
   i) 20,400,000,000 common shares with a par value of ₱0.50 per share, from the current par value of ₱1.00 per share; and
   ii) 3,600,000,000 Preferred Shares classified into:

Class of Preferred Shares	No. of shares	Par value	Amount
Non-voting "A"	400,000,000	₱1.00	₱400,000,000
Non-voting "B"	800,000,000	1.00	800,000,000
Voting "C"	2,400,000,000	0.25	600,000,000
Total	3,600,000,000		₱1,800,000,000

Said preferred shares' issue value, dividend rate and the terms and conditions of their redemption shall be determined by the BOD at the time of their respective issuances. Furthermore, they shall be cumulative and non-participating as to dividends and non-convertible into common shares. Said preferred shares shall also enjoy preference in assets in the event of liquidation of the Parent Company and in the payment of dividends as against common shares; however, they shall not enjoy any pre-emptive rights to any issue of shares (whether common or preferred).

These amendments on the Parent Company's AOI was approved by the SEC on April 7, 2021.

There have been no issuances of preferred stock as at September 30, 2021.

Retained Earnings

Parent Company

On January 22, 2021, the BOD approved cash dividends declaration of ₱0.23 per share or ₱1,511,100,000 on all outstanding shares (i.e.,6,570,000,000 common shares) or ₱0.23 per share payable on or before March 31, 2021 to holders of record or beneficial owners as of the date of declaration.

On March 1, 2021, the Parent Company's BOD approved the reversal of the appropriated retained earnings amounting to ₱6,800,000,000. On the same date, the Parent Company's BOD declared cash dividends in the total amount of ₱8,549,323,840 on all outstanding shares or ₱1.19 per share to holders of record or beneficial owners as of the date of declaration payable on or before December 31, 2021.

Restriction on Retained Earnings
As at September 30, 2021 and December 31, 2020, undistributed retained earnings of subsidiaries amounting to ₱11,470,870,288 and ₱12,177,213,308, respectively, are not available for dividend declaration until the actual declaration of the subsidiaries. Further, the undistributed retained earnings include appropriated retained earnings of MMYSC and MIL amounting to ₱1,555,337,760 as at September 30, 2021 and December 31, 2020.

Equity Reserve

	September 30, 2021 (Unaudited)	December 31, 2020 (Audited)
MMYSC (see Note 4)	**(₱532,572,764)**	₱–
MNTH	**(115,391,054)**	(115,391,054)
MNAC	**(7,732,696)**	(7,732,696)
KBT	**33,361,312**	33,361,312
	(₱622,335,202)	(₱89,762,438)

Cumulative Translation Adjustments

	September 30, 2021 (Unaudited)	December 31, 2020 (Audited)
MNSPL	**₱2,425,383,552**	₱4,046,231,894
MNIIL	**185,900,278**	186,341,768
MNTH	**204,486,410**	68,095,679
MIL	**98,409,087**	66,114,825
	₱2,914,179,327	₱4,366,784,166

Cumulative translation adjustments are attributable to equity holders of the Parent Company as at September 30, 2021 and December 31, 2020.

Changes on Dividend Policy
On March 12, 2021, the Parent Company's BOD approved to adopt and maintain an annual dividend payment ratio of 60% of the preceding fiscal year's net income after tax, subject to the requirements of applicable laws and regulations, capital expenditure requirements, compliance with the Parent Company's loan covenants, and other circumstances which restrict the payment of dividends.

Earnings per Share
The following reflects the income and share data used in the basic and diluted EPS computation:

Basic EPS

	Quarters Ended September 30		**Nine Months Ended September 30**	
	2021 (Unaudited)	2020 (Unaudited)	**2021** (Unaudited)	2020 (Unaudited)
Net income attributable to equity holders of the parent	**₱2,837,637,002**	₱2,651,854,838	**₱2,196,852,870**	₱7,906,068,572
Number of stocks:				
Common stocks outstanding at January 1	**6,570,000,000**	6,570,000,000	**6,570,000,000**	6,570,000,000
Effect of common stock issuance to MCI	**614,305,748**	–	**546,049,554**	–
Effect of reduction in par	**7,184,305,748**	6,570,000,000	**7,116,049,554**	6,570,000,000
Effect of common stock issuance during IPO	**3,600,000,000**	–	**1,600,000,000**	–

(Forward)

	Quarters Ended September 30		Nine Months Ended September 30	
	2021 (Unaudited)	2020 (Unaudited)	**2021** (Unaudited)	2020 (Unaudited)
Weighted average number of common shares	**₱17,968,611,496**	₱13,140,000,000	**₱15,832,099,108**	₱13,140,000,000
Basic EPS	**₱0.158**	₱0.202	**₱0.139**	₱0.602

The number of common shares has been adjusted for the effect of the reduction in par value approved by the SEC on April 7, 2021 as discussed above.

Diluted EPS

	Quarters Ended September 30		Nine Months Ended September 30	
	2021 (Unaudited)	2020 (Unaudited)	**2021** (Unaudited)	2020 (Unaudited)
Net income attributable to equity holders of the parent	**₱2,837,637,002**	₱2,651,854,838	**₱2,196,852,870**	₱7,906,068,572
Adjustments, net of tax:				
Unrealized foreign exchange gain (see Note 13)	–	(144,161,731)	–	(390,671,586)
Accretion of interest (see Note 17)	–	81,722,267	–	238,258,244
Derivative loss (gain) (see Note 20)	–	(73,106,471)	–	32,543,189
Accretion of debt issue cost (see Note 17)	–	8,290,660	–	24,871,979
	2,837,637,002	2,524,599,563	**2,196,852,870**	7,811,070,398
Weighted average number of common shares	**17,968,611,496**	13,140,000,000	**15,832,099,108**	13,140,000,000
Effects of dilution from Convertible Note (see Note 13)	–	989,032,200*	–	989,032,200*
Weighted average number of common shares adjusted for the effects of dilution	**17,968,611,496**	14,129,032,200	**15,832,099,108**	14,129,032,200
Diluted EPS	**₱0.158****	₱0.179	**₱0.139****	₱0.553

**Adjusted for the effect of the reduction in par value.*
***Potentially dilutive shares were redeemed in June 2021, hence, basic EPS equals diluted EPS.*

15. Net Sales and Cost of Goods Sold

Net Sales by Geography and Operating Segment

	September 30, 2021 (Unaudited)	September 30, 2020 (Unaudited)
APAC BFB		
Philippines	**₱37,555,742,110**	₱37,314,635,035
Other countries	**2,760,551,016**	1,993,807,208
	40,316,293,126	39,308,442,243
Meat Alternative		
United Kingdom	**8,604,926,260**	8,361,145,224
United States	**996,808,960**	1,058,743,296
Other countries	**1,530,365,513**	1,630,948,136
	11,132,100,733	11,050,836,656
	₱51,448,393,859	₱50,359,278,899

All revenues are recognized at a point in time.

Cost of Goods Sold

	September 30, 2021 (Unaudited)	September 30, 2020 (Unaudited)
Direct materials	**₱24,459,566,549**	₱22,211,768,871
Direct labor (see Note 17)	**2,157,949,599**	2,030,712,355
Manufacturing overhead		
(see Notes 9, 10 and 17)	**6,140,269,048**	6,057,437,821
Total manufacturing costs	**32,757,785,196**	30,299,919,047
Inventory movements (see Note 7):		
Finished goods	**(215,858,624)**	(14,386,295)
Work in-process	**(690,103,145)**	(37,582,187)
	₱31,851,823,427	₱30,247,950,565

16. **Sales, General and Administrative Expenses**

	September 30, 2021 (Unaudited)	September 30, 2020 (Unaudited)
Advertising and promotional expenses	**₱3,151,096,226**	₱1,842,900,813
Salaries, wages and employee benefits	**2,627,093,887**	2,385,484,428
Transportation and delivery	**1,912,663,196**	1,813,439,628
Outside services	**1,292,748,344**	640,406,128
Research and development	**340,737,155**	124,718,064
Depreciation and amortization		
(see Notes 9 and 10)	**336,597,093**	285,002,604
Taxes and licenses	**213,173,112**	228,951,235
Repairs and maintenance	**162,831,050**	234,445,262
Insurance	**171,955,489**	117,817,755
Dealer support	**149,615,410**	83,899,008
Fringe benefit tax	**72,510,250**	55,112,295
Light, water, and telecommunication	**65,185,483**	45,124,845
Warehouse supplies	**51,260,620**	47,391,951
Entertainment, amusement and recreation	**38,958,011**	57,142,106
Rent	**16,179,701**	9,562,121
Project costs	**–**	172,663,508
Provision for ECL (see Note 6)	**–**	146,746,689
Others	**441,229,298**	524,969,907
	₱11,043,834,325	₱8,815,778,347

17. **Interest Income and Expense, Depreciation and Amortization Expense, Personnel Costs and Miscellaneous Income**

Interest Income

	September 30, 2021 (Unaudited)	September 30, 2020 (Unaudited)
Cash and cash equivalents	**₱73,350,958**	₱85,925,229
Noncurrent receivables	**6,676,961**	6,433,272
	₱80,027,919	₱92,358,501

Interest Expense

	September 30, 2021 (Unaudited)	September 30, 2020 (Unaudited)
Accretion of interest on convertible note (see Note 13)	**₱746,999,024**	₱340,368,920
Interest on loans payable (see Note 13)	**424,424,135**	918,787,511
Interest expense on lease liabilities	**145,080,123**	109,597,731
Amortization of debt issue costs (see Note 13):		
Loans payable	**83,981,244**	(112,529,407)
Convertible Note	**20,987,957**	35,531,398
Acceptance and trust receipts payable	**20,016,513**	34,514,284
Others	−	23,467,193
	₱1,441,488,996	₱1,349,737,630

Depreciation and Amortization Expense

	September 30, 2021 (Unaudited)	September 30, 2020 (Unaudited)
Property, plant and equipment (see Note 9)	**₱1,790,779,958**	₱1,562,838,279
Intangible assets (see Note 10)	**52,953,746**	49,816,855
	₱1,843,733,704	₱1,612,655,134

	September 30, 2021 (Unaudited)	September 30, 2020 (Unaudited)
Cost of goods sold (see Note 15)	**₱1,507,136,611**	₱1,327,652,530
Sales, general and administrative expense (see Note 16)	**336,597,093**	285,002,604
	₱1,843,733,704	₱1,612,655,134

Miscellaneous Income

Miscellaneous income mainly comprises of service fees charged by the Parent Company primarily for reimbursement of share of principals in common expenses and other miscellaneous items which are recorded under the "Miscellaneous income" account in the consolidated statements of comprehensive income.

18. Related Party Transactions

Parties are considered to be related if one party has the ability, directly, or indirectly, to control the other party or exercise significant influence over the other party in making financial and operating decisions. Parties are also considered to be related if they are subject to common control.

The following are the significant transactions with related parties:

Nature	Period ended	Volume of Transactions	Outstanding Balance	Terms	Conditions
Associates and joint ventures					
Monde Land, Inc. (MLI)					
Rent expense	**September 30, 2021**	**₱47,256,864**	**₱–**	15 days;	Unsecured
	December 31, 2020	49,856,400	–	noninterest-bearing	
	September 30, 2020	46,991,205	–		
Monde Malee Beverages Corporation (MMBC)					
Miscellaneous income	**September 30, 2021**	**5,124,792**	**33,879,427**	30 days;	Unsecured;
	December 31, 2020	52,164,990	58,397,406	noninterest-bearing	no impairment
	September 30, 2020	–	–		
Trade purchases, net	**September 30, 2021**	**46,956,138**	**(8,287,780)**	30 days;	Unsecured
	December 31, 2020	83,352,863	(12,562,460)	noninterest-bearing	
	September 30, 2020	66,431,565	(24,666,155)		
YCE Group Pte. Ltd. (YCE)					
Advances and interest income	**September 30, 2021**	**5,412,211**	**–**	Interest-bearing;	Unsecured
	December 31, 2020	8,930,086	–		
	September 30, 2020	8,930,086	8,930,086		
Calaca Harvest Terminal Inc. (CHTI)					
Transportation and delivery expense and wheat handling fees	**September 30, 2021**	**188,193,866**	**(13,874,987)**	15 days;	Unsecured
	December 31, 2020	105,665,220	(23,146,305)	noninterest-bearing	
	September 30, 2020	79,604,006	(10,875,553)		
Advances	**September 30, 2021**	**9,754,722**	**9,754,722**	On demand;	Unsecured
	December 31, 2020	–	–	noninterest-bearing	
	September 30, 2020	–	–		
Common shareholders					
PT. Nissin Biscuit Indonesia					
Trade purchases, net	**September 30, 2021**	**13,905,282**	**(1,250,236)**	45 days;	Unsecured
	December 31, 2020	57,993,292	–	noninterest-bearing	
	September 30, 2020	43,022,679	(6,936,964)		
MNSG Holdings Pte. Ltd.					
Loans receivable	**September 30, 2021**	**–**	**164,678,357**	2 years;	Unsecured
	December 31, 2020	155,521,471	155,521,471	interest-bearing	
	September 30, 2020	150,040,672	150,040,672		
Trade and other receivables (see Note 6)	**September 30, 2021**		**₱43,634,149**		
	December 31, 2020		58,397,406		
	September 30, 2020		–		
Noncurrent receivables	**September 30, 2021**		**164,678,357**		
	December 31, 2020		155,521,471		
	September 30, 2020		158,970,758		
Trade payables (see Note 12)	**September 30, 2021**		**(23,413,003)**		
	December 31, 2020		(35,708,765)		
	September 30, 2020		(42,478,672)		

In 2021, the Parent Company partially reversed provision for ECL amounting to ₱77,369,328 as a result of settlement of advances to YCE impaired in the previous periods.

These transactions with related parties will be settled through cash.

19. **Income Tax**

Deferred Income Tax

The components of the Group's net deferred tax assets and net deferred tax liabilities are as follow:

	September 30, 2021 (Unaudited)	December 31, 2020 (Audited)
Deferred tax assets – net		
Allowance for impairment loss	**₱320,557,428**	₱380,879,389
Pension liability	**115,861,777**	123,252,079
Refund liabilities	**61,370,673**	83,908,844
Unrealized foreign exchange gain	**(48,340,276)**	(161,189,205)
Allowance for inventory obsolescence	**32,181,478**	36,498,508
Gain on loan modification	**(7,774,618)**	(46,694,270)
Right-of-use assets and lease liabilities	**20,344,338**	8,022,824
Unrealized profits from intercompany sales	**18,242,860**	30,139,355
Advances from customers	**8,944,403**	5,890,274
Allowance for ECL	**6,714,048**	12,602,362
Unamortized past service cost	**6,088,349**	8,450,668
Excess of the tax base over the carrying amounts of non-monetary assets	**3,490,785**	2,969,824
Excess of MCIT over RCIT	**118,251,517**	–
Derivative liability	**–**	197,327,883
Interest accretion and cash variable interest on convertible note	**–**	154,490,840
Others	**24,795,019**	6,525,828
	680,727,781	843,075,203
Deferred tax liabilities – net		
Brand	**(4,525,158,016)**	(3,255,599,730)
Property, plant and equipment	**(1,144,326,963)**	(654,687,338)
Interest income	**(231,886,079)**	(283,760,530)
NOLCO	**77,853,616**	–
Others	**(6,422,964)**	(5,870,469)
	(5,829,940,406)	(4,199,918,067)
	(₱5,149,212,625)	(₱3,356,842,864)

Corporate Recovery and Tax Incentives for Enterprises (CREATE) Act

President Rodrigo Duterte signed into law on March 26, 2021 the Corporate Recovery and Tax Incentives for Enterprises (CREATE) Act to attract more investments and maintain fiscal prudence and stability in the Philippines. Republic Act (RA) 11534 or the CREATE Act introduces reforms to the corporate income tax and incentives systems. It takes effect 15 days after its complete publication in the Official Gazette or in a newspaper of general circulation or April 11, 2021.

As clarified by the Philippine Financial Reporting Standards Council in its Philippine Interpretations Committee Q&A No. 2020-07, the CREATE Act was not considered substantively enacted as at December 31, 2020 even though some of the provisions have retroactive effect to July 1, 2020. The passage of the CREATE Act into law on March 26, 2021 is considered as a non-adjusting subsequent event. Accordingly, current and deferred taxes are computed and measured using the applicable income tax rates for financial reporting purposes as follows:

	September 30, 2021	December 31, 2020
Regular corporate income tax	**25%**	30%
Minimum corporate income tax	**1%**	2%

Applying the provisions of the CREATE Act, the Parent Company and its Philippine subsidiaries would have been subjected to lower regular corporate income tax rate of 25% effective July 1, 2020. As a result of this change in tax rate, the Parent Company's net deferred tax assets decreased by ₱132,551,421.

The above impact are reflected in the consolidated financial statements as at September 30, 2021.

MNUKL
The U.K. government has announced an increase in corporate income tax rate from 19% to 25% to be implemented with effect from April 2023. While Marlow Foods Limited is largely insulated from this increase by virtue of the tax reductions afforded by its patent box, MNUKL will be required to record a one-off increase in its deferred tax liability, which is principally associated with the carrying value of its brands, with a consequent one-off non-cash tax charge to net profit in the first quarter of 2021.

The U.K. government has also announced the introduction of super capital allowances of 130% for qualifying capital expenditure for two years from April 2021 which could further reduce MNUKL's current tax liability and at the same time increase its deferred tax liability. The value of deferred tax liability is dependent on a number of factors and any impact would be recorded in the fourth quarter of 2021.

As a result of the change in tax rate in U.K., the Group adjusted its deferred tax liability on its Quorn and Cauldron brand by ₱1,028,084,125 to reflect the expected tax rate as of September 30, 2021.

MNUKL also reflected impact of the super capital allowance for qualifying capital expenditures as at September 30, 2021.

20. Financial Risk Management Objectives and Policies

The Group's principal financial instruments comprise cash and cash equivalents, trade and other receivables, loans receivable, noncurrent receivables, withholding tax receivables and advances to employees. The main purpose of these financial instruments is to fund the Group's operations. The Group has various other financial instruments such as accounts payable and other current liabilities, acceptance and trust receipts payable, and loan payable, which arise directly from its operations.

Set out below, is an overview of financial assets and financial liabilities held by the Group as at September 30, 2021 and December 31, 2020:

	September 30, 2021 (Unaudited)	December 31, 2020 (Audited)
Financial Assets		
Cash and cash equivalents	**₱23,592,434,128**	₱7,093,014,862
Financial assets at FVTPL	**1,903,647,179**	–
Trade and other receivables	**6,542,123,394**	6,456,718,430
Noncurrent receivables	**664,678,357**	655,521,471
Withholding tax receivables*	**8,750,868**	47,344,650
Advances to employees*	**66,610,358**	42,524,141
	32,778,244,284	14,295,123,554

(Forward)

	September 30, 2021 (Unaudited)	December 31, 2020 (Audited)
Financial Liabilities		
Accounts payable and other current liabilities**	**₱9,241,329,955**	₱9,739,847,790
Dividends payable	**8,549,323,840**	−
Loans payable***	**12,629,567,301**	29,546,001,656
Acceptance and trust receipts payable	**2,085,334,988**	605,902,034
Convertible note	**−**	7,027,163,502
Lease liabilities	**2,749,166,990**	2,763,031,503
	35,254,723,074	49,681,946,485
	(₱2,476,478,790)	(₱35,386,822,931)

***** *Recorded under "other noncurrent assets".*
*** Excluding statutory payables.*
****Includes future interest.*

The main risks arising from the Group's financial instruments are interest rate risk, foreign currency risk, credit risk and liquidity risk. The BOD reviews and agrees the policies for managing each of these risks and they are summarized below:

<u>Market Risk</u>
Market risk is the risk that the fair value of future cash flows of a financial instrument will fluctuate because of changes in market prices. Market risk comprises of interest rate risk and foreign currency risk. Financial instruments affected by market risk include cash and cash equivalents, trade and other receivables, accounts payable and other current liabilities, and loans payable.

<u>Interest Rate Risk</u>
Interest rate risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates. The Group's exposure to the risk of changes in market interest rates relates primarily to the Group's long-term debt obligations with floating interest rates. The Group manages its interest rate risk by having a balanced portfolio of fixed and variable rate loans and borrowings.

<u>Foreign Currency Risk</u>
Foreign currency risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in foreign exchange rates.

<u>Credit Risk</u>
Credit risk is the risk that a counterparty will not meet its obligations under a financial instrument or customer contract, leading to a financial loss. The Group is exposed to credit risk from its operating activities (primarily trade receivables) and from its financing activities, including deposits with banks and financial institutions, foreign exchange transactions and other financial instruments. Since the Group trades only with recognized third parties, there is no requirement for collateral.

The aging analysis of trade and other receivables as at September 30, 2021 and December 31, 2020 follows:

	September 30, 2021						
		Days Past Due					
	Current	**1–30 Days**	**31–60 Days**	**61–90 Days**	**More than 90 Days**	**ECL**	**Total**
Trade receivables:							
Non-related parties	**₱5,765,230,466**	**₱521,387,133**	**₱68,480,611**	**₱19,937,135**	**₱35,725,850**	**₱53,055,713**	**₱6,463,816,908**
Related parties	**9,754,722**	**791,996**	**–**	**–**	**33,087,431**	**–**	**43,634,149**
Nontrade receivables	**41,347,400**	**1,682,687**	**1,099,255**	**7,997**	**5,504,940**	**–**	**49,642,279**
Other receivables	**38,085,771**	**–**	**–**	**–**	**–**	**–**	**38,085,771**
Noncurrent receivables	**664,678,357**	**–**	**–**	**–**	**–**	**116,202,219**	**780,880,576**
	₱6,519,096,716	**₱523,861,816**	**₱69,579,866**	**₱19,945,132**	**₱74,318,221**	**₱169,257,932**	**₱7,376,059,683**

	December 31, 2020						
		Days Past Due					
	Current	1–30 Days	31–60 Days	61–90 Days	More than 90 Days	ECL	Total
Trade receivables:							
Non-related parties	₱5,153,954,541	₱804,601,436	₱172,188,367	₱70,110,767	₱145,676,158	₱67,574,988	₱6,414,106,257
Related parties	58,397,406	–	–	–	–	–	58,397,406
Nontrade receivables	36,054,141	20,100	19,161	13,336	–	–	36,106,738
Other receivables	15,050,166	–	–	632,851	–	–	15,683,017
Noncurrent receivables	655,521,471	–	–	–	–	193,571,547	849,093,018
	₱5,918,977,725	₱804,621,536	₱172,207,528	₱70,756,954	₱145,676,158	₱261,146,535	₱7,373,386,436

Liquidity Risk
Liquidity risk is the risk the Group will be unable to meet its payment obligations when they fall due. The Group monitors and maintains a level of cash deemed adequate by management to finance the Group’s operations, ensure continuity of funding and to mitigate the effects of fluctuations in cash flows.

The Group’s objective is to maintain a balance between continuity of funding and flexibility through the use of bank loans and lease contracts. The Group’s policy is that not more than 50% of long-term debt should mature in the next 12-month period. Approximately 25% and 32% of the Group’s long-term debt will mature in less than one year at September 30, 2021 and December 31, 2020, respectively, based on the carrying value of debt reflected in the financial statements. The Group assessed the concentration risk with respect to refinancing its debt and concluded it to be low. The Group has access to a sufficient variety of source of funding and debt maturing within 12 months can be rolled over with existing lenders.

Excessive concentration risk. Concentrations arise when a number of counterparties are engaged in similar business activities, or activities in the same geographical region, or have economic features that would cause their ability to meet contractual obligations to be similarly affected by change in economic, political and other conditions. Concentrations indicate the relative sensitivity of the Group’s performance to developments affecting a particular industry.

In order to avoid excessive concentrations of risk, the Group’s policies and procedures include specific guidelines to focus on the maintenance of a diversified portfolio of distributors and distribution channels. Identified concentration of credit risks are controlled and managed accordingly.

Derivative Financial Instruments
The Group engages in derivative transactions, particularly cross currency swaps and European Knockout Option, to manage its foreign currency risk arising from its net investment. These derivatives are accounted for as accounting hedges. The embedded derivative is a transaction not designated as accounting hedge.

Embedded Derivatives
As discussed in Note 13, the Convertible Note issued by the Group in 2019 has embedded equity conversion and redemption options which separated from the host contract.

Shown below are the movements in the value of the embedded derivatives (shown as part of derivative liability) as at September 30, 2021 and December 31, 2020:

	September 30, 2021 (Unaudited)	December 31, 2020 (Audited)
Embedded derivatives:		
Beginning balance	**₱2,513,886,182**	₱2,321,535,807
Mark-to-market valuation (see Note 14)	**2,239,231,913**	192,350,375
Redemption of convertible note (see Note 14)	**(4,753,118,095)**	–
	₱–	₱2,513,886,182

Capital Management

For the purpose of the Group's capital management, capital includes issued capital and all other equity reserves. The primary objective of the Group's capital management is to maximize the shareholder value. The Group manages its capital structure and makes adjustments in light of changes in economic conditions and the requirements of the financial covenants. To maintain or adjust the capital structure, the Group may adjust the dividend payment to shareholders, return capital to shareholders or issue new shares. No changes were made in the objectives, policies or processes during the periods ended September 30, 2021 and December 31, 2020. The Group was able to raise funds through an IPO last June 1, 2021.

The Group monitors capital on the basis of the debt-to-equity ratio and makes adjustments to it in light of changes in economic conditions and its financial position. This ratio is calculated as total debt divided by total equity. Debt comprises all liabilities of the Group. Equity comprises all components of equity attributable to equity holders of the Parent Company.

The Group's debt-to-equity ratios are as follows:

	September 30, 2021 (Unaudited)	December 31, 2020 (Audited)
Total debt	**₱42,608,131,562**	₱57,862,379,299
Total equity attributable to equity holders of the Parent Company	**67,191,438,198**	25,241,727,608
Debt-to-Equity Ratio	**0.63:1.00**	2.29:1.00

Fair Value of Financial Instruments

Cash and Cash Equivalents, Trade and Other Receivables, Accounts Payable and Other Current Liabilities, and Acceptance and Trust Receipts Payable. The carrying value of these financial assets and liabilities approximate their fair values as at September 30, 2021 and December 31, 2020 due to the short-term nature of these financial instruments.

Financial assets at FVTPL. The financial assets at FVTPL account consists of unit investment trust funds (UITFs). As at September 30, 2021, the fair values of these financial assets are based on their published net asset value per share.

Noncurrent Receivables, Withholding Tax Receivables and Advances to Employees and Loans Payable. As at September 30, 2021 and December 31, 2020, the fair value of noncurrent receivables and loans payable with variable interest rates approximates the carrying amount due to frequent repricing of interest. Fair value of loans with fixed interest rate are determined using the discounted cash flow method using discount rate that reflects the issuer's borrowing rate as at the end of the reporting period.

Equity Conversion and Redemption Options. The estimated fair value of the embedded derivative as at December 30, 2020 is based on the Jarrow-Rudd binomial lattice method of valuing equity conversion and redemption options.

As at September 30, 2021 and December 31, 2020, the following table presents the level of hierarchy of the Group's financial instruments as follows:

	September 30, 2021 (Unaudited)		
	Quoted prices in active market (Level 1)	**Significant observable inputs (Level 2)**	**Significant unobservable inputs (Level 3)**
Financial instruments measured at fair value			
Financial assets at FVPTL	**₱–**	**₱1,903,647,179**	**₱–**
Financial instruments for which fair values are disclosed			
Loans payable (fixed rate)	**₱–**	**₱4,725,535,917**	**₱–**

	December 31, 2020 (Audited)		
	Quoted prices in active market (Level 1)	Significant observable inputs (Level 2)	Significant unobservable inputs (Level 3)
Financial instruments measured at fair value			
Equity conversion and Redemption options	₱–	₱–	₱2,513,886,182
Financial instruments for which fair values are disclosed			
Loans payable (fixed rate)	₱–	₱5,807,186,355	₱–

As at September 30, 2021 and December 31, 2020, there were no transfers between Level 1 and 2 fair value measurements and there were no transfers into and out of Level 3 fair value measurements.

21. Supplemental Disclosure to Cash Flow Statements

The Group's material noncash activities are as follows:

	September 30, 2021 (Unaudited)	September 30, 2020 (Unaudited)
Cumulative translation adjustments	**(₱1,452,604,839)**	₱2,611,662,728
Additions to ROU assets	–	1,175,512,415

22. **Other Matters**

Change in Use of IPO Proceeds
On August 9, 2021, the BOD approved the change in use of IPO proceeds, previously earmarked for capital expenditures, to pay down the majority of the remaining term loans of ₱15,600 million, resulting in interest expense savings of approximately ₱700 million assuming interest rates remain at current levels. This action was done to avoid the significant negative carry associated with large cash balances as these have substantially lower investment returns than the interest payments on the outstanding debt. The BOD confirms that there is no change in the capital expenditure plans as stipulated in the IPO Prospectus, amounting to ₱26,500 million or 57.2% of the net proceeds, and considers that the above change in the use of net proceeds is in the best interests of the Company and its shareholders.

Continuing COVID-19 pandemic
In a move to contain the COVID-19 outbreak, on March 16, 2020, the Office of the President of the Philippines issued Proclamation No. 929, declaring a State of Calamity throughout the Philippines for a period of six (6) months and imposed an enhanced community quarantine throughout the island of Luzon until April 12, 2020 which was subsequently extended. Subsequently, the government imposed community quarantine classifications and eventually shifted to a multi-tier alert level system for applying COVID-19 restrictions in selected areas.

On March 1, 2021, the National Government of the Philippines officially began rolling out COVID-19 vaccine doses with a target to achieve 70% herd immunity by yearend. As at November 10, 2021, about 36 million individuals have been fully inoculated with two doses of COVID-19 vaccines. At this rate, the Philippines could have 70% of people vaccinated (2 doses) by March 2022.

The COVID-19 pandemic has no significant impact in the Group's operation since the Group manufactures essential goods. However, when the COVID-19 pandemic was widely spread in late 2020 and first three quarters of 2021, there was flat to declining demand for some of the Group's products (e.g. biscuits, beverages, packaged cakes, etc.) which offset the growth in sale of the Group's staple products during pandemic (e.g. noodles and culinary aids).

Considering the evolving nature of this outbreak, the Group will continue to monitor the situation.

Item 2

Management's Discussion and Analysis of Financial Condition and Results of Operations

Group Overview

The Group is among the frontrunners in the food manufacturing industry in the Philippines, with a portfolio of various iconic and well-recognized brands. The Group's two core businesses are the Asia-Pacific Branded Food and Beverage Business (**APAC BFB Business**) and the Meat Alternative Business (**Meat Alternative Business**), which includes the production, marketing, and sales of the *Quorn* and *Cauldron* meat alternatives brands. The APAC BFB Business comprises three product groups: (i) instant noodles; (ii) biscuits; and (iii) other products (such as beverages, baked goods, and culinary aids). According to Nielsen, a global marketing research company, as at September 2021, the APAC BFB Business ranked first in retail sales value in the Philippines in instant noodles and biscuits and oyster sauce and yogurt drinks, sub-categories of the Others product group. Flagship brands contributing to the APAC BFB Business' market-leading position include *Lucky Me!* for instant noodles; *SkyFlakes, Fita, Nissin,* and *M.Y. San Grahams* for biscuits; *Mama Sita's* for culinary aids and *Dutch Mill* for yogurt drinks. Quorn Foods is the market leader in the meat alternatives market in the U.K., with *Quorn* and *Cauldron* being the No.1 and No.3 brands, respectively.

The Group operates with an aspiration to improve the well-being of people and the planet and to create sustainable solutions for food security. These values are reflected in its product innovations and various aspects of its operations that create value to society and contribute to sustainable development. For example, to promote well-being, the Group made an unprecedented move to offer noodles with no artificial preservatives added in *Lucky Me!* wet pouch and cups. It also made an investment in the development and implementation of the first high-speed airflow technology in one of its *Lucky Me!* product lines to reduce the palm oil content. In 2015, MNC acquired Quorn Foods, which operates the Meat Alternative Business with sustainability at its heart. In 2019, MNC also invested in NAMZ Pte. Ltd., a food science company in Singapore that dedicates its work towards creating a healthier planet and people. The Group has implemented other initiatives to utilize resources efficiently, move towards zero-waste-to-nature operations, and transit to a low-carbon economy. In addition, the Group believes that its Meat Alternative Business represents a breakthrough innovation with the mycoprotein technology serving as a sustainable source of protein.

SIGNIFICANT FACTORS AFFECTING THE GROUP'S RESULTS OF OPERATIONS

The Group's results of operations are affected by a variety of factors. Set out below is a discussion of the most significant factors that have affected its results in the past, and which the Group expects that they will continue to affect its results in the foreseeable future. Factors other than those discussed below could also significantly impact the Group's results of operations and financial condition in the future.

Demand and Pricing

The Group's results of operations are affected by consumers' demand for its products, and pricing, in turn, affects demand. When determining its selling prices, the Group considers various factors, including, among others, prices of raw materials and packaging materials, taxes, fuel prices and other costs of doing business, distribution channels, and general economic conditions. The Group believes that instant noodles, bread, and culinary aids are considered consumer staples. Biscuits, beverages, and packaged cakes are less of a priority during a period of weak economy and restricted mobility. These products can be sensitive to movements in disposable incomes, changes in product prices, and competitive pressures. 2021 saw flat to declining demand for biscuits and beverages as these products are purchased for lunch boxes, between meals, and on-the-go consumption. Restricted mobility affected some occasions for use of biscuits, beverages, and packaged cakes during the COVID-19 pandemic.

Demand for fast-moving consumer goods is price elastic in general, particularly for consumers in the lower socio-economic classes where disposable income is limited. When prices increase or during periods of relatively weak economic growth where disposable income falls, consumers tend to switch to comparable lower-priced staple products and cut back on their consumption of discretionary products, particularly those in the lower socio-economic classes.

In addition, demand for fast-moving consumer goods is also influenced by the relative price relationships between such goods, consumer products, and other products and services in general. Consumers are prone to adjust their buying choices according to shifts in the perceived value-for-money propositions of the products. The Group intends to continue to innovate its products to enhance the perceived product values.

Changes in Consumer Tastes and Preferences

The Group's future growth will depend on its ability to maintain the competitive positions of its product portfolios and brands by proactively anticipating and responding to constant changes in consumer tastes and preferences. A key element in maintaining the market share for the Group's product portfolios is the ability to continuously and successfully introduce new products and product extensions to capture prevailing consumer preferences.

Consumer preferences may change due to various factors, including changes in economic conditions and income levels, shifts in demographic and social trends, changes in lifestyle and leisure activity patterns, regulatory actions and actions of competitors, any of which may affect consumers' perception of and willingness to purchase the Group's products, which may significantly impact its results of operations.

The Group regularly keeps abreast of the evolving consumer preferences and believes that its current broad array of products can address the shifts in trends. For example, to cater to a preference for a healthier product, the Group adopted high-speed airflow technology, infused its instant noodles with vegetable oil, and reduced palm oil in one of its *Lucky Me!* products. The Group believes that Quorn mycoprotein meat alternative products are well-placed to serve this segment for customers who demand food products that are more environment-friendly and offer health benefits. To take advantage of the "premiumization" trend of consumers, particularly from the growing rising middle class seeking higher quality and higher value products, the Group expanded its mass premium segment (the segment between premium and mainstream price points) by launching instant noodles with Asian flavors and instant pasta under the *Lucky Me!* brand and introducing *Monde Specials* as its mass premium packaged baked goods line offering high-quality baked products such as sponge cake, among other initiatives.

Effectiveness of Sales and Marketing Activities

The effectiveness of the Group's sales and marketing activities is critical to its market share expansion and revenue growth. The Group communicates with consumers through various channels and touchpoints, including advertisement on television, radio programs, social media platforms (such as YouTube, Facebook, Instagram, and Twitter), its website, program sponsorships, billboards, and brand activation roadshows. Customer touchpoints at the purchase stage include in-store promotions and loyalty programs. In addition, the Group partners with celebrities and other key influencers for media or online collaborations and events.

Advertising affects consumer awareness of the Group's products and brands, which, in turn, affects purchase decisions and, consequently, sales volumes. The Group believes that product differentiation and brand loyalty are achieved through its marketing and image-building efforts, and consumer brand preferences are the cumulative result of exposure to the brands over an extended period of time. However, the effects of these sales and marketing activities may be delayed, resulting in a delayed revenue growth which may not be fully reflected during the period in which the sales and marketing activities took place.

Prices of Raw Materials and Packaging Materials

Direct materials are major components of the Group's cost of goods sold. Direct materials comprise raw materials and packaging materials. Raw materials primarily consist of wheat, palm oil, flour, sugar, and coconut oil. The Group sources a majority of raw materials and all of its packaging materials from third parties in the Philippines and internationally.

Raw materials are subject to significant price volatility caused by a number of factors, including changes in global supply and demand, extreme weather conditions, size of harvests, transportation and storage costs, governmental agricultural policies, and currency exchange rate fluctuations. In addition, the Group's ability to obtain raw materials and packaging materials is affected by a number of factors beyond its control, including natural disasters, governmental laws and policies, interruptions in production by suppliers, and the availability of transportation.

The Group's profitability is dependent on, among other things, its ability to anticipate and react to fluctuations in the price of commodities, raw materials, and packaging materials. An increase in prices for or shortage of the Group's raw materials and packaging materials generally leads to an increase in production costs or interruption in the Group's production schedules, each of which could adversely affect its operating margins. Production delays could lead to reduced sales volumes and profitability as well as loss of market share. Conversely, favorable movements of raw materials costs and other items might improve the Group's margins and results of operations. The Group has been able to mitigate price fluctuations in raw materials to some extent through a combination of (i) operational synergy, (ii) the use of long-term contracts with suppliers to lock in pricing, and (iii) the Government price control of sugar, its second most consumed raw material.

Given that a significant portion of the Group's flour requirement is produced in-house at its Santa Rosa facility, the Group enjoys consistent supply, quality, and cost savings for flour from this operational synergy. Operational synergy is also achieved in the supply of seasoning for instant noodles production, and the Group set up a seasoning plant in Thailand to produce seasoning and condiments for its noodle plants in the Philippines.

Increases in costs of raw materials and packaging materials can typically be passed on to consumers. However, this may affect consumer demand as the Group's consumers are generally price sensitive. In some cases, these increases are not immediately passed on, if at all, to consumers in order to maintain or grow sales volumes and to protect the Group's market share. As a result, any material increase in the market price of raw materials could adversely affect the Group's operating margins, which may affect its financial position and operating performance.

Product Mix

The Group has a diversified product mix which primarily includes instant noodles, biscuits, other fast-moving consumer products, and meat alternatives. The Group adopts a multi-brand approach, pursuant to which there are one or more brands or product lines under each product category. Under each brand, the Group offers products with different flavors, different package sizes and/or different types of products to provide varieties. For example, in the instant noodles product group, there are three product lines under the *Lucky Me!* brand: (i) wet pouch; (ii) dry pouch; and (iii) cups. Each *Lucky Me!* product line offers a wide array of flavors. In the Meat Alternative Business, *Quorn* has an extensive range of vegan and vegetarian, some of which are gluten-free. *Quorn* products also cover all key shop aisles: frozen, chilled, and ambient products. The ability of the Group to continuously develop new products and launch product extensions to capture various consumer preferences enables the Group to successfully make available to its consumers a diverse and innovative product mix in a timely manner.

Typically, different products vary in product pricing, revenue growth rate, and gross profit margin. Each of the Group's brands has its own unique positioning with different marketing strategies and promotional costs. As a result, the Group's revenue and profitability are largely affected by its product mix.

Competition

The Group's products face competition from other domestic producers as well as from imported products and foreign brands. Competitive factors facing the Group's products include price, product quality, and availability, production efficiency, brand awareness and loyalty, distribution coverage, security of raw material supply, customer service, and the ability to respond effectively to changes in the regulatory environment as well as to shifting consumer tastes and preferences.

The Group's main competitors for the instant noodles product group are domestic producers which compete on pricing and regional brands that offer different flavors and taste experiences. The biscuits and other fast-moving consumer product groups face competition from multinational, national, regional, and local competitors. Similar to the instant noodles product group, these players compete on pricing, taste, and innovation. The Meat Alternative Business competes with a broad category of market participants such as multi-national corporates, venture capital-backed newer entrants, and private labels, and the product group also competes with traditional meat brands. Changes in the competitive landscape, including new entrants into the market, consolidation of existing competitors, and other factors, could have a material impact on the Group's financials and results of operations.

Economic, Social and Political Conditions in the Philippines and Other Countries

The majority of the Group's assets and revenues from its APAC BFB Business are located in or derived from its operations in the Philippines. Therefore, the Group's business, financial condition, results of operations, and prospects are substantially influenced by the economic, social, and political conditions in the Philippines. Although the Philippine economy has experienced stable growth in recent years prior to the COVID-19 outbreak, the Philippine economy has in the past experienced periods of slow or negative growth, high inflation, interest rates, fuel prices, power rates, other costs of doing business, and significant depreciation of the Peso. It has been significantly affected by weak economic conditions and volatilities in the global economy and the Asia-Pacific region. The COVID-19 pandemic, which led to nationwide and global restrictions and lockdown, has caused global and local economic recessions, and the Philippines economy has been hard hit as a result. We expect the effects of the COVID-19 pandemic will extend well into 2022, and recovery remains challenging. As consumers grapple with uncertainty, their buying behavior and preferences become more erratic.

Sales of most of the products of the Group's APAC BFB Business have been influenced and will continue to be influenced, to some degree, by the general state of the Philippine economy as well as the stability of social and political conditions in the country. With 2022 being particularly impacted by the national elections. While sales of a portion of the Group's products such as biscuits, beverages, and packaged cakes can be sensitive to changes in income and social conditions such as restricted mobility, the Group offers products that are considered as staple items or components to staple items which are less sensitive to income changes and adverse economic, social and political conditions. These include instant noodles, bread, and culinary aids.

The Group also conducts its APAC BFB Business in Thailand, including its export operations. As such, economic, social, and political conditions in Thailand may also affect the Group's business, financial condition, results of operations, and prospects. In addition, the COVID-19 pandemic presented certain challenges in relation to the Group's interactions with its export distributors and assessment of the quality of in-market execution.

A significant portion of the Group's assets and revenue from its Meat Alternative Business are also located in or derived from its operations in the U.K. Therefore, economic, social, and political conditions in the United Kingdom may also affect the Group's business and financial condition results of operations and prospects. The UK continues to be affected by the ongoing Covid pandemic and extended recovery period, as well as the lingering effects of the exit from the EU. Labor shortages in the food and transport industry and commodity and utility inflation are present and may persist well into 2022

Seasonality

In the consumer goods industry, results of operations generally follow the seasonality of consumer buying patterns, and the Group's sales are affected accordingly. In the Philippines, most food and beverage products, including those of the Group, experience increased sales from October to December related to the Christmas and New Year's season. Consequently, the fourth quarter has historically been the Group's strongest quarter by volume for culinary aids and some of its biscuit products, including *M.Y. San Grahams*. Seasonality during certain events also affects the Group's sales. In addition, seasonality varies across product types. Some of the Group's products have distinct seasonality. For instance, *Lucky Me!* wet pouch instant noodles see an increase in sales in the colder months as customers' preference for warm food increases. The Government also sources instant noodles, a staple in its relief goods package, from the Group for distribution to the public. A number of biscuit products experience higher sales during the school year as the Group's products are generally purchased for lunch boxes, between-meals, on-the-go consumption, and consumption at home. As a result, seasonality could affect the Group's financial condition and results of operations from one quarter to another, particularly in relation to the fourth quarter of each year. To counter the seasonality of some of its products, the Group created marketing and advertising initiatives that encourage the sustained consumption of its products throughout the year. The Group believes that the diversity of its product mix reduces the specific seasonality impact of certain products in its portfolio.

Innovation

In addition to its ability to introduce new product innovations and renovations, delivering on the Group's aspiration will also depend on the Group's ability to continuously drive loss-eliminating process innovations and work system innovation. Continuous improvement in process innovation and work system redesign will impact multiple fronts such as superior quality and consumer experience, fresher products to market, higher productivity, and improved sustainability via less wastage/use of resources and better process reliability.

COVID-19 Pandemic

At the early onset of the COVID-19 pandemic in the Philippines, the Group faced the difficult task of ensuring the health and welfare of its employees while ensuring food supply especially noodles pouches and crackers, which are considered staples during tough times. The Group adapted quickly, and both objectives were achieved without compromises. The Group stayed in touch with the local communities, related industries, customers, suppliers, and people. The management team gathered daily to swiftly align decisions on the rapidly evolving situation. It also immediately deployed the infection control process in all of its facilities. Overall, the Group did not experience a material disruption in its production process and supply chain.

For the year ended December 31, 2020, when the COVID-19 pandemic widely spread, there was flat to declining demand for biscuits, beverages, and packaged cakes. The Group believes that this is due to these products being less of a priority during a period of weak economy. In addition, as biscuits and other snack-type products are generally purchased for lunch boxes and between-meals and on-the-go consumption, there were fewer occasions to use these products while the general public was in lockdown and relied more on home cooking. The APAC BFB Group, however, saw a spike in sales volume of instant noodles and culinary aids, especially the oyster sauce, in the same period as these are perceived to be staple products. Given that *Lucky Me!* is seen as comforting food and *Mama Sita's* oyster sauce is a versatile product, the Group believes that the public tends to resort to these products during tough times. During the COVID-19 pandemic, the Group prioritizes the safety of its employees and provides various support to ensure the well-being of its workforce. For example, the Group installed sanitization equipment such as alcohol gel dispensers throughout its facilities, handed out masks, allowed employees to take special leaves, and provided isolation facilities for suspected cases. The Group encourages employees to care for their health and implemented the "Commit to COVID-19 free" program, which provides incentives to employees who do not contract COVID-19 throughout the relevant period.

Capacity and Utilization of the Group's Facilities

The ability of the Group to meet the demand for its products depends on its ability to build, maintain and expand its production capacity. Capacity expansion affects the ability of the Group to introduce new products or new uses for its existing products, which, in turn, impacts the ability of the Group to be agile and responsive to rapidly changing customer needs and expectations.

Capacity improvement and expansion require significant capital investment, including in rapidly changing technologies and innovations. An investment in new technology or an enhancement of existing technology, in each case to increase capacity and utilization, may result in similar or other operational challenges. Furthermore, the effects of these investments may be delayed, resulting in a delayed revenue growth which may not be fully reflected during the period in which the investments were made.

Financial Highlights and Key Indicator

The summary financial information presented below as at December 31, 2020, and for the nine months ended September 30, 2021, and September 30, 2020, was derived from the Group's unaudited interim consolidated financial statements, prepared in accordance with Philippine Accounting Standard 34, *Interim Financial Reporting*. The information below is not necessarily indicative of the results of future operations.

In this report and as defined below, Core EBITDA, Core EBITDA Margin, Core Income Before Tax, Core Income Before Tax Margin, Core Income (After Tax), Core Income (After Tax) Margin, Core Income (After Tax) at Ownership, and Core Income (After Tax) at Ownership Margin are internal management performance measures and are not measures of performance under Philippines Financial Reporting Standards (PFRSs). Thus, users of this report should not consider foregoing financial non-PFRS measures in isolation or as an alternative to Net Income as an indicator of the Company's operating performance or to cash flow from operating, investing, and financing activities.

Core EBITDA is measured as net income excluding depreciation and amortization of property and equipment and intangible assets, asset impairment on noncurrent assets, financing costs, interest income, share in net earnings (losses) of associates and joint ventures, net foreign exchange gains (losses), net gains (losses) on derivative financial instruments, loss on redemption of Arran's convertible note, provision for (benefit from) income tax, and other non-recurring income (expenses) NRI(E). In the year to date (YTD) of 2021, NRE pertains to Initial Public Offering (IPO) related expenses. Core EBITDA margin pertains to Core EBITDA divided by segment net sales.

Core Income Before Tax is measured as net income excluding the effects of asset impairment on noncurrent assets, non-recurring financing costs, interest income, equity in net earnings (losses) of associates and joint ventures, net foreign exchange gains (losses) except those related to U.S dollar balances that the company hedge against foreign exchange risks, net gains (losses) on derivative financial instruments, loss on redemption of Arran's convertible note, NRI/(E). In YTD 2021, NRE pertains to IPO-related expenses. Core Income Before Tax Margin pertains to Core Income Before Tax divided by segment net sales.

Core Income (After Tax) pertains to Core Income Before Tax less income tax based on recurring tax rate per entity. Core Income (After Tax) Margin pertains to Core Income (after tax) divided by segment net sales.

Core Income (After Tax) at Ownership pertains to Core Income (After Tax) less core income attributable to non-controlling interest (NCI).

The following discussion should be read in conjunction with the attached Unaudited Consolidated Financial Statements and related notes of Monde Nissin Corporation, Inc ("MNC" or "the Company" and its subsidiaries (collectively, referred to as the "Group") as at and for the period ended September 30, 2021.

I. SUMMARY CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME

IA. CORE INCOME AFTER TAX RECONCILIATION

	in millions, except percentages					
	YTD 2021	**% to Net Sales**	**YTD 2020**	**% to Net Sales**		**Inc (Dec)**
	(Unaudited)	**(in %)**	**(Unaudited)**	**(in %)**	**Inc (Dec)**	**(in %)**
Net Sales	51,448	100.0	50,359	100.0	1,089	2.2
Less: **Cost of Goods Sold**	31,851	61.9	30,248	60.1	1,603	5.3
Gross Profit	19,597	38.1	20,111	39.9	(514)	(2.6)
Less: Sales, General & Administrative (SGA) [1]	10,389	20.2	8,816	17.5	1,573	17.8
Other Income (Expense)						
Less: Interest expense [2]	(52)	(0.1)	(225)	(0.4)	173	(76.9)
Foreign exchange gain [3]	233	0.5	–	–	233	*n/m*
	181	0.4	(225)	(0.4)	406	(180.4)
Core Income Before Tax	9,389	18.2	11,070	22.0	(1,681)	(15.2)
Less: Provision for income tax [4]	2,143	4.2	3,014	6.0	(871)	(28.9)
Core Income (After Tax)	7,246	14.1	8,056	16.0	(810)	(10.1)
Less: Non-Controlling Interest	130	0.3	539	1.1	(409)	(75.9)
Core Income (After Tax) at Ownership	7,116	13.8	7,517	14.9	(401)	(5.3)

n/m = not meaningful %
[1] *Excluding non-recurring expenses related to IPO amounting to ₱655 million (included in the SG&A)*
[2] *Recurring interest expense on Loans and Trust Receipts Payable*
[3] *Foreign exchange gain on U.S dollars balances for the Group's natural hedge*
[4] *Based on recurring income tax rate per entity*

1B. REPORTED NET INCOME AFTER TAX RECONCILIATION

	in millions, except percentages					
	YTD 2021 (Unaudited)	**% to Net Sales (in %)**	**YTD 2020 (Unaudited)**	**% to Net Sales (in %)**	**Inc (Dec)**	**Inc (Dec) (in %)**
Core Income (After Tax)	7,246	14.1	8,056	16.0	(810)	(10.1)
Other income (expenses)						
Foreign exchange gain (loss) – net [(1)]	157	0.3	1,068	2.1	(911)	(85.3)
Share in net earnings (losses) from associates and Joint ventures	25	–	(121)	**(0.2)**	146	(120.7)
Gain on sale of property, plant and equipment	2	–	2	–	–	-
Miscellaneous income	199	0.4	125	0.2	74	59.2
Impairment (loss)/reversal	101	0.2	–	–	101	*n/m*
Non-recurring SGA (IPO-related expense)	(655)	(1.3)	–	–	(655)	*n/m*
	(171)	(0.3)	1,074	2.1	(1,245)	(115.9)
Finance income (expense)						
Interest expense [(2)]	(1,390)	(2.7)	(1,125)	(2.2)	(265)	23.6
Interest income	80	0.2	92	0.2	(12)	(13.0)
Loss on redemption of convertible note	(1,579)	(3.1)	–	0.0	(1,579)	*n/m*
Derivative gain (loss) - net	(2,258)	(4.4)	319	0.6	(2,577)	(807.8)
	(5,147)	(10.0)	(714)	(1.4)	(4,433)	620.9
Add: Provision for income tax [(3)]	399	0.8	29	0.1	370	1,275.9
Reported net income (after tax)	2,327	4.5	8,445	16.8	(6,118)	(72.4)

n/m = not meaningful %
(1) Excluding foreign exchange gain on USD reserves for the Group's natural hedge (included in the Core Income calculation above)
(2) Miscellaneous income includes the reversal of provision for expected credit losses, market valuation gain on financial instruments on FVTL, and other income.
(3) Excluding recurring interest expense on Loans and Trust Receipts Payable (included in the Core Income calculation above)
(4) Income tax effect of Other Income(expenses), non-recurring finance income (expenses), one-off credit due to the impact of CREATE act partly offset by a one-off increase due to deferred tax liability adjustment in MNUK. To simplify, this is the difference between Total provision for income tax as reported and provision for income tax related to Core Income from table 1.A above.

II – OPERATING SEGMENTS OF THE GROUP

As mentioned in the business overview section, the Group's two core businesses are the Asia-Pacific Branded Food and Beverage Business (**APAC BFB Business**) and the meat alternative business (**Meat Alternative Business**).

Segment performance is evaluated based on: Earnings before interest, taxes, and depreciation and amortization, or Core EBITDA; Core EBITDA margin; and Core Income before tax, Core Income before margin, Core Income (after tax), Core Income (after tax) margin, Core Income (after tax) at Ownership and Core Income (after tax) at Ownership margin.

The table below presents certain financial information relating to the Group's results of operation by segment for the periods indicated.

	in millions, except percentages					
	YTD 2021 (Unaudited)	**% to Total (in %)**	**YTD 2020 (Unaudited)**	**% to Total (in %)**	**Inc/(Dec)**	**Inc/(Dec) (in %)**
Net Sales						
APAC BFB	40,316	78.4	39,308	78.1	1,008	2.6
Meat Alternative	11,132	21.6	11,051	21.9	81	0.7
Total	**51,448**	**100.0**	**50,359**	**100.0**	**1,089**	**2.2**

	in millions, except percentages					
	YTD 2021 (Unaudited)	**% to Total (in %)**	**YTD 2020 (Unaudited)**	**% to Total (in %)**	**Inc/(Dec)**	**Inc/(Dec) (in %)**
Gross Profit		% of Segment Net Sales (in %)		% of Segment Net Sales (in %)		
APAC BFB	14,909	37.0	15,865	40.4	(956)	(6.0)
Meat Alternative	4,688	42.1	4,246	38.4	442	10.4
Total	**19,597**	**38.1**	**20,111**	**39.9**	**(514)**	**(2.6)**
Core Income before Tax						
APAC BFB	8,460	21.0	9,916	25.2	(1,456)	(14.7)
Meat Alternative	929	8.3	1154	10.4	(225)	(19.5)
Total	**9,389**	**18.2**	**11,070**	**22.0**	**(1,681)**	**(15.2)**
Core Income (after tax)						
APAC BFB	6,475	16.1	7,121	18.1	(646)	(9.1)
Meat Alternative	771	6.9	935	8.5	(164)	(17.5)
Total	**7,246**	**14.1**	**8,056**	**16.0**	**(810)**	**(10.1)**
Core Income (after tax) at Ownership						
APAC BFB	6,345	15.7	6,582	16.7	(237)	(3.6)
Meat Alternative	771	6.9	935	8.5	(164)	(17.5)
Total	**7,116**	**13.8**	**7,517**	**14.9**	**(401)**	**(5.3)**
Core EBITDA (1)						
APAC BFB	9,833	24.4	11,167	28.4	(1,334)	(11.9)
Meat Alternative	1445	13.0	1747	15.8	(302)	(17.3)
Total	**11,278**	**21.9**	**12,914**	**25.6**	**(1,636)**	**(12.7)**

Note: (1) See "Other *Financial Data - Core EBITDA Reconciliation*"

RESULTS OF OPERATIONS

Nine months ended September 30, 2021, compared to nine months ended September 30, 2020

Net Sales

Net sales grew by 2.2%, from ₱50,359 million in YTD 2020 to ₱51,448 million in YTD 2021, driven by APAC BFB, the favourable effect of foreign exchange (forex), and the consolidation of Sarimonde Foods Corporation. Growth was softened by volume decline in the Meat Alternative segment and lower price of pollard (flour by-product) vs. prior year.

APAC BFB

Net sales in the APAC BFB segment increased by 2.6%, from ₱39,308 million in YTD 2020 to ₱40,316 million in YTD 2021. The increase was primarily driven by high double-digit growth in the international sales, robust sales growth of noodles in the Philippines, and the effect of recent price increases. High growth in international business was due to Thailand and Philippines export business despite the fact that sales were tapered by the shortage of shipping containers/vessels and port congestion. Moreover, Thailand's biscuits gained market share despite category decline primarily due to effective in-store execution and efficient promos. Philippines Noodles YTD sales growth accelerated to mid-single-digit growth, despite volume upsurge last year. This was primarily driven by successful usage-building programs, recent price increases, and the proven strong relevance of the category, especially during this pandemic. Culinary sales in the Philippines also grew high single-digit this year, while biscuits and beverage YTD growth had declined. The pandemic halted the biscuits and beverage pre-pandemic growth trajectory, as demand remained softer for this category due to reduced usage occasions and a weak economy. Biscuits, though, saw an encouraging trend, as performance reverted to stable in Q3 primarily due to marketing push toward in-home consumption and price increase. Beverage sales remained challenging as Dutch Mill's supply issues also hampered it.

Meat Alternative

Net sales in the Meat Alternative segment slightly up by 0.7% from ₱11,051 million in YTD 2020 to ₱11,132 million in YTD 2021, driven by the positive effect of forex. Excluding the effect of forex, Meat Alternative's overall net sales growth was down by 3.6% due to volume decline across geographic markets. Meat Alternative sales were tapered by challenging macro-economic conditions in the UK and the effect of the COVID-19 pandemic. Meat Alternative, though, saw a very encouraging trend in the foodservice segment as sales accelerated in Q3 due to increase mobility. Further, carry-over price action in the UK and US helped soften the effect of volume decline.

Cost of Goods Sold

Cost of goods sold increased by 5.3%, from ₱30,248 million in YTD 2020 to ₱31,851 million in YTD 2021, primarily due to the effect of rising commodity prices, higher utilities, repairs, and maintenance softened by positive product sales mix, supply chain cost reduction initiatives, and hedging and forward buying. Cost of goods sold as a percentage of net sales slightly increased by 1.8%, from 60.1% in YTD 2020 to 61.9% in YTD 2021.

APAC BFB

The cost of goods sold in the APAC BFB segment increased by 8.4%, from ₱23,443 million in YTD 2020 to ₱25,407 million in YTD 2021, primarily due to rising commodity prices, utilities, and repairs and maintenance. Prices of key raw materials and ingredients such as palm oil, coconut oil, and shortening liquid have increased significantly in YTD 2021 compared to the same period last year. The effect of rising commodity prices was partly softened by hedging, forward buying, continuing cost reduction initiatives in the supply chain, and a positive product sales mix. YTD 2020 repairs were significantly low primarily due to the postponement of the planned repairs from first half of 2020 to second half of 2020 to focus more on the throughput. Further, this year's repairs include the purchase of various spare parts and the maintenance of the noodle lines.

Meat Alternative

The cost of goods sold in the Meat Alternative segment decreased by 5.3%, from ₱6,805 million in YTD 2020 to ₱6,444 million in YTD 2021, primarily due to the decline in volume across geographic markets and the operational improvements.

Gross Profit

Gross profit decreased by 2.6%, from ₱20,111 million in YTD 2020 to ₱19,597 million in YTD 2021, for the reasons discussed above. The gross margin decreased by 1.8%, from 39.9% in YTD 2020 to 38.1% in 2021.

APAC BFB

Gross profit for the APAC BFB segment decreased by 6.0%, from ₱15,865 million in YTD 2020 to ₱14,909 million in YTD 2021, for the reasons discussed above. Gross margin decreased by 3.4%, from 40.4% in YTD 2020 to 37.0% in YTD 2021.

Meat Alternative

Gross profit for the Meat Alternative segment increased by 10.4%, from ₱4,246 million in YTD 2020 to ₱4,688 million in YTD 2021, for the reasons discussed above. The gross margin increased by 3.7%, from 38.4% in YTD 2020 to 42.1% in YTD 2021.

Sales, General and Administrative Expenses excluding non-recurring expenses related to IPO

Sales, general and administrative expenses (excluding non-recurring expenses related to IPO) increased by 17.8%, from ₱8,816 million in YTD 2020 to ₱10,389 million in YTD 2021, primarily due to an increase in advertising and promotion expenses, a one-off credit in Meat Alternative due to fire insurance claims and a higher research and development expenses. The increase in advertising and promotion was primarily on brand building and consumer marketing activities. Moreover, advertising and promotion's year-on-year growth was higher partly due to the low base in APAC BFB, as last year's activities were postponed due to lockdowns.

APAC BFB

Sales, general and administrative expenses excluding non-recurring expenses in the APAC BFB segment increased by 12.6%, from ₱5,914 million in YTD 2020 to ₱6,662 million in YTD 2021. As explained above, the increase was mainly due to higher advertising and promotional expenses and higher salaries and benefits expenses.

Meat Alternative

Sales, general, and administrative expenses for the Meat Alternative segment increased by 28.4%, from ₱2,902 million in YTD 2020 to ₱3,727 million in YTD 2021. The increase was mainly due to brand building, consumer marketing, product development activities, and a one-off credit due to fire insurance claims received last 1Q 2020.

Core Income (After Tax)

Core Income (after tax) decline tapered to a decrease of 10.1%, from ₱8,056 million in YTD 2020 to ₱7,246 million in YTD 2021, for the reasons discussed above.

Core Income (After Tax) at Ownership

Core Income (after tax) decline tapered to a decrease of 5.3%, from ₱7,517 million in YTD 2020 to ₱7,116 million in YTD 2021. Core Income attributable to non-controlling interest was significantly down by 75.9%, from ₱539 million to ₱130 million, due to acquisition by the Parent Company on January 29, 2021 of the minority shares of MMYSC owned by MY Cracker Inc. (MCI).

Share in Net Losses of Associates and Joint Ventures

Share in the net losses of associates and joint ventures decreased by 120.7%, from a loss of ₱121 million in YTD 2020 to an income of ₱25 million in YTD 2021, due to an increase in ownership of Sarimonde Foods Corporation (SFC) from 25% to 80%. The Group started to consolidate SFC in September 2020.

The Group's share in the losses of SFC went down to zero because of the effect of consolidating SFC's operating results for YTD 2021, which is now reflected in the group's core income.

Foreign Exchange Gain – Net (excluding foreign exchange on USD reserves for a natural hedge against foreign exchange risks)

Net foreign exchange gain decreased by 85.3%, from ₱1,068 million in YTD 2020 to ₱157 million in

YTD 2021, primarily due to a higher 2020 base. Last year's foreign exchange gain was driven by the realization of gain on payment of U.S. dollar and pound sterling-denominated loans as a result of the strengthening of the Peso against the U.S. dollar and pound sterling and the unrealized foreign exchange gain on convertible notes, which was pegged at US $1: ₱52.186 while the Peso closing rate was US $1: ₱48.036.

Miscellaneous Income
Miscellaneous income increased by 59.2%, from ₱125 million in YTD 2020 to ₱199 million in YTD 2021, due to the reversal of expected credit losses attributable to the lower percentage of overdue receivables as a result of effective collection efforts and market valuation gain on financial instruments at FVTPL.

Interest Expense (excluding recurring interest on Loans Payable and Trust Receipts Payable)

Interest expense increased by 23.6%, from ₱1,125 million in YTD 2020 to ₱1,390 million in YTD 2021. The increase was driven by recognition of cash variable interest amounting to ₱588 million, partly offset by lower interest expense from bank loans. The cash variable interest is equal to the dividends received by the Parent Company's shareholder, Arran, that the latter would have received if the convertible note was converted into shares prior to the declaration of such dividend. The decrease in the interest expense from bank loans was due to the early repayment of term loans. As at September 2021, the Group's loan payable decreased by ₱16,629 million versus December 31, 2020, partly driven by the Parent's repayment of the outstanding term loans totaling to ₱9,873,206,239 as part of the change in use of IPO proceeds approved by the Board of Directors (BOD) last August 2021. Please see Note 22 on Unaudited Consolidated FS.

Interest Income

Due to lower interest rates, interest income decreased by 13.0%, from ₱92 million in YTD 2020 to ₱80 million in YTD 2021.

Derivative Gain (Loss)

The Group recorded derivative losses of ₱2,258 million in YTD 2021 compared to the derivative gains of ₱319 million in YTD 2020. The derivative loss for YTD 2021 was primarily due to the full settlement of Arran's convertible note last June 3, 2021, while the derivative gains pertain to the one-time gain due to the unwinding of the European Union Knockout Option.

Loss on Convertible Note Redemption

The Group recognized additional ₱1,579 million losses in YTD 2021 on top of the derivative loss due to the full settlement of Arran's convertible note last June 3, 2021.

The derivative loss and the loss on convertible note redemption are due to the difference between the carrying value of convertible note and related derivative liability as of June 3, 2021, redemption date, and the amount we paid upon redemption.

Income Before Income Tax

Income before income tax decreased by 64.3%, from ₱11,431 million in YTD 2020 to ₱4,071 million in YTD 2021 due to the one-off loss related to the full redemption of Arran's convertible note, IPO-related expenses, and others as discussed above.

Total Income Tax Expense

Income tax expense decreased by 41.6%, from ₱2,985 million in YTD 2020 to ₱1,744 million in YTD 2021, due to the lower income tax rate under the Corporate Recovery and Tax Incentives for Enterprise (CREATE) Act from 30% to 25%, the recognition of the actual loss on redemption of the convertible note, and the reversal of previously recognized deferred tax liability related to the said note. As a result of the change in tax rate in the Philippines, the Parent Company's net deferred tax assets decreased by ₱132,551,421. The decrease was partly offset by the effect of the increase in deferred tax liability in Meat Alternative. The UK tax rate was announced to increase from 19% to 25% by April 2023 which resulted to an increase in the Group's deferred tax liabilities on its Quorn and Cauldron brand by ₱1,028,084,125. In accordance with PAS 12.46, *Income Taxes*, the current tax liabilities are measured at the amount expected to be paid to taxation authorities, using the rates/laws that have been enacted or substantially enacted as of the balance sheet date. The adjustment on deferred tax liability pertains to items such as the brand value of Quorn and Cauldron.

Reported Net Income (after tax)

As a result of the foregoing, net income decline tapered to a decrease of 72.4%, from ₱8,445 million in YTD 2020 to ₱2,327 million in YTD 2021. Net income as a percentage of net sales decreased by 12.2%, from 16.8% in YTD 2020 to 4.6% in YTD 2021.

STATEMENT OF FINANCIAL POSITION

Financial condition as at the year ended December 31, 2020, compared to the nine months period ended September 30, 2021

Current Assets

The Group's current assets increased by 100.2%, from ₱20,595 million as at December 31, 2020, to ₱41,240 million as at September 30, 2021. The increase was mainly due to higher cash and cash equivalents and financial asset at fair value through profit or loss (FVTPL), as discussed below.

	Sep 30 2021		December 31, 2020		Increase (Decrease)	
	Unaudited	% to Total (In %)	Audited	% to Total (In %)	Amount	In %
			in millions, except percentages			
Cash and cash equivalents	23,592	57	7,093	34	16,499	232.6
Trade and other receivables	6,542	16	6,457	31	85	1.3
Inventories	7,532	18	6,073	30	1,459	24.0
FVTPL	1,904	5	–	–	1,904	***n/m***
Prepayments and other current assets	1,670	4	972	5	698	71.8
Total	**41,240**	**100**	**20,595**	**100**	**20,645**	**100.2**

Cash and cash equivalents increased by 232.6%, from ₱7,093 million as at December 31, 2020, to ₱23,592 million as at September 30, 2021. This was mainly due to the remaining proceeds from IPO.

Inventories increased by 24.0%, from ₱6,073 million as at December 31, 2020, to ₱7,532 million as at September 30, 2021, primarily due to the increase in inventory in the Meat Alternative segment. The increase in inventory was due to a low base, as it was recovering from forming capacity issues, lower volume demand, and the build-up of materials ahead of the new capacity that will be available.

Financial assets at fair value through profit or loss (FVTPL) amounted to ₱1,904 million as at September 30, 2021, due to the investment of a portion of the IPO proceeds in unit investment trust funds (UITFs).

Prepayments and other current assets increased by 71.8%, from ₱972 million as at December 31, 2020, to ₱1,670 million as at September 30, 2021, due to the excess payment of taxes in 2020 due to the enactment of the CREATE Act, a lower taxable income for YTD 2021 and the unused creditable withholding tax (CWT).

Noncurrent Assets

The Group's noncurrent assets increased by 7.7%, from ₱63,807 million as at December 31, 2020, to ₱68,698 million as at September 30, 2021. The increase was driven by higher property, plant and equipment, and intangible assets as described below.

	Sep 30 2021		December 31, 2020		Increase (Decrease)	
	Unaudited	% to Total (In %)	Audited	% to Total (in %)	Amount	In %
			in millions, except percentages			
Intangible assets	35,580	52	33,600	52	1,980	5.9
Property, plant and equipment	29,109	42	26,637	42	2,472	9.3
Investments in associates and joint ventures	1,109	2	1,024	2	85	8.3
Deferred tax assets – net	681	1	843	1	(162)	(19.2)
Noncurrent receivables	665	1	655	1	10	1.5
Other noncurrent assets	1,554	2	1,048	2	506	48.3
Total	**68,698**	**100**	**63,807**	**100**	**4,891**	**7.7**

Intangible assets increased by 5.9%, from ₱33,600 million as at December 31, 2020, to ₱35,580 million as at September 30, 2021, mainly due to the effect of foreign currency translation adjustments in MNUK.

Property, plant, and equipment increased by 9.3%, from ₱26,637 million as at December 31, 2020, to ₱29,109 million as at September 30, 2021, primarily due to the continued investments in improving the production capability and capacity of the Group. APAC BFB segment continued the construction of a new manufacturing facility in Malvar, Batangas, the purchase of various machineries, and the construction of new noodle lines. The Meat Alternative segment's major investment pertains to the construction of the new fermentation equipment in its Belasis facility.

Investment in associates and joint ventures increased by 8.3%, from ₱1,024 million as at December 31, 2020, to ₱1,109 million, mainly due to an additional ₱60 million investment to Calaca Harvest Terminal Inc.

Deferred tax assets decreased by 19.2%, from ₱843 million as at December 31, 2020, to ₱681 million as at September 30, 2021 mainly due to realization of deferred tax asset set-up related to convertible notes and lower income tax rate under the Corporate Recovery and Tax Incentives for Enterprise (CREATE) Act from 30% to 25%.

Other noncurrent assets increased by 48.3%, from ₱1,048 million as at December 31, 2020, to ₱1,554 million as at September 30, 2021, due to the increased advances to suppliers and deferred input VAT related to the Group's major equipment and construction/improvements as discussed above.

Current Liabilities

The Group's current liabilities increased by 35.0%, from ₱20,956 million as at December 31, 2020, to ₱28,284 million as at September 30, 2021. The increase was mainly due to the dividends payable offset by the partial settlement of loans payable.

	Sep 30 2021		**December 31, 2020**		**Increase (Decrease)**	
	Unaudited	**%To Total (in %)**	**Audited**	**%To Total (in %)**	**Amount**	**%**
			in millions, except percentages			
Accounts payable and other current liabilities	9,863	35	10,141	48	(278)	(2.7)
Dividends payable	8,549	30	-	-	8,549	*n/m*
Acceptances and trust receipts payable	2,085	8	606	3	1,479	244.1
Current portion of loans payable	7,371	26	9,559	46	(2,188)	(22.9)
Refund liabilities	246	1	280	1	(34)	(12.1)
Current portion of lease liabilities	93	-	88	1	5	5.7
Income tax payable	77	-	282	1	(205)	(72.7)
Total	**28,284**	**100**	**20,956**	**100**	**7,328**	**35.0**

Acceptances and trust receipts payable increased by 244.1%, from ₱606 million as at December 31, 2020, to ₱2,085 million as at September 30, 2021. This increase is due to significant payments made in the last quarter of 2020 brought about by good cash flows and also to take advantage of favourable exchange rates in 2020.

The **current portion of loans payable** decreased by 22.9%, from ₱9,559 million as at December 31, 2020, to ₱7,371 million as at September 30, 2021, primarily due to the repayment of outstanding loans payable.

Refund liabilities decreased by 12.1%, from ₱280 million as at December 31, 2020, to ₱246 million as at September 30, 2021 mainly due to timely actualization of returns as effect of process improvements.

Current portion of lease liabilities increased by 5.7% from ₱88 million as at December 31, 2020 to ₱93 million as at September 30, 2021 due to effect of new contracts effective Q4 2020 and rate escalation.

Income tax payable decreased by 72.7%, from ₱282 million as at December 31, 2020, to ₱77 million as at September 30, 2021, mainly due to the excess payments in 2020 brought about by a lower income tax rate and NOLCO as at September 30, 2021.

Noncurrent Liabilities

The Group's noncurrent liabilities decreased by 61.2%, from ₱36,906 million as at December 31, 2020, to ₱14,324 million as at September 30, 2021, primarily due to the Group's repayment of bank loans and full settlement of Arran's convertible notes.

	Sep 30 2021		December 31, 2020		Increase (Decrease)	
	Unaudited	**In %**	**Audited**	**In %**	**Amount**	**%**
	in millions, except percentages					
Loans payable	5,259	37	19,986	54	(14,727)	(73.7)
Convertible notes	–	–	7,027	19	(7,027)	*n/m*
Derivative liability	–	–	2,514	7	(2,514)	*n/m*
Deferred tax liabilities - net	5,830	40	4,200	12	1,630	38.8
Lease liabilities	2,656	19	2,675	7	(19)	(0.7)
Pension liability	559	4	482	1	77	16.0
Other noncurrent liabilities	20	–	22	–	(2)	(9.1)
Total	**14,324**	**100**	**36,906**	**100**	**(22,582)**	**(61.2)**

Loans payable decreased by 73.7%, from ₱19,986 million as at December 31, 2020, to ₱5,259 million as at September 30, 2021, primarily due to the repayment of outstanding loans payable and the reclassification from a long-term to a short-term loan.

Convertible notes and derivative liability decreased by ₱7,027 million and ₱2,514 million, respectively, as at December 31, 2020, to nil as at September 30, 2021, due to the full settlement of Arran's convertible note last June.

Deferred tax liabilities increased by 38.8%, from ₱4,200 million as at December 31, 2020, to ₱5,830 million as at September 30, 2021, primarily due to increase in Meat Alternative. The increase pertains to increase in the tax rate in the UK from 19% to 25% by April 2023 and impact of super capital allowance of 130% on certain capital expenditures. In accordance with PAS 12.46, *Income Taxes*, the current tax liabilities are measured at the amount expected to be paid to taxation authorities, using the rates/laws that have been enacted or substantially enacted as of the balance sheet date. The adjustment on deferred tax liability pertains to items such as the value of the brand of Quorn and Cauldron.

Pension liability increased by 16.0%, from ₱482 million as at December 31, 2020, to ₱559 million as at September 30, 2021, due to the additional accrual-related retirement expense, which was based on December 31, 2020, actuarial valuation reports.

Other noncurrent liabilities decreased by 9.1% from ₱22 million as at December 31, 2020, to ₱20 million as at September 30, 2021 due to reversal of reinstatement costs in MNSPL.

Equity

The Group’s total equity increased by 153.7%, from ₱26,540 million as at December 31, 2020, to ₱67,330 million as at September 30, 2021, due to the additional capital stock and the additional paid-in capital from the issuances of common shares during IPO and to My Crackers Inc (MCI).

LIQUIDITY AND CAPITAL RESOURCES

Overview

The Group’s principal sources of liquidity are cash flows from its operations, borrowings, and IPO proceeds. For the year ended December 31, 2020, the Group’s cash flows from operations have been sufficient to provide cash for its operation, capital expenditures, and dividends requirements. The Group’s borrowings in the year ended December 31, 2020, have been primarily used to refinance the Group’s existing indebtedness. For the nine months ended September 30, 2021, the Group’s cash flows from operations were sufficient to provide for its operations, partial settlement of outstanding loans payable, and dividend payments. The IPO proceeds financed the Company's capital expenditures requirements, the redemption of Arran’s convertible notes, and the settlement of Parent’s outstanding loans payable as part of the change in use of IPO proceeds approved by BOD last August 2021, see Note 22 of Unaudited Consolidated FS.

The Group’s principal requirements for liquidity are for purchases of raw materials and payment of other operating expenses, investments in production equipment, payment of cash dividends, and other working capital requirements.

The cash flows of the Group are primarily from the operations of its APAC BFB Business. The Group expects that its operating cash flow will continue to be sufficient to fund its operating expenses for the foreseeable future. The Group also maintains long- and short-term credit facilities with various financial institutions, which can support any temporary liquidity requirements. Part of the operating cash flow will also be used to fund capital expenditures (CapEx). Any excess CapEx beyond the operating cash flow will be funded by the IPO proceeds or bank borrowings.

Cash Flows

The following discussion of the Group’s cash flows for the nine months ended September 30, 2021, and September 30, 2020, should be read in conjunction with the statements of cash flows and notes included in the Interim Unaudited Consolidated Financial Statements.

The table below sets forth the principal components of the Group’s statements of cash flows for the years indicated.

	Nine Months ended September 30,	
	2021	2020
	in millions	
Net cash flows provided by operating activities	8,923	7,032
Net cash flows used in investing activities	(6,039)	(2,553)
Net cash flows from (used in) financing activities	13,382	(4,078)
Net increase in cash and cash equivalents	16,266	401
Effect of foreign exchange rate changes on cash and cash equivalents	233	83
Cash and cash equivalents at beginning of year	7,093	10,499
Cash and cash equivalents as at September 30,	**23,592**	**10,983**

Net cash flow provided by operating activities

The net cash flows provided by operating activities were ₱8,923 million for the nine months ended September 30, 2021. The Group's income before income tax for this period was ₱4,071 million following strong Q3 income performance. Cash generated from operations (after adjusting for, among other things, depreciation, and amortization, and working capital changes) was ₱9,488 million. The Group generated cash from interest received amounting to ₱72 million and paid income taxes of ₱637 million.

The net cash flows provided by operating activities were ₱7,032 million for the nine months ended September 30, 2020. The Group's income before income tax for this period was ₱11,431 million. Cash generated from operations (after adjusting for, among other things, depreciation, and amortization, and working capital changes) was ₱9,445 million. The Group generated cash from interest received amounting to ₱93 million and paid income taxes of ₱2,506 million.

Net cash flows used in investing activities

The Group's net cash flows used in investing activities were ₱6,039 million for the nine months ended September 30, 2021. The cash outflow primarily consisted of the Group's net investment in FVTPL at ₱1,892 million and the payments for CapEx of ₱3,560 million.

The Group's net cash flows used in investing activities were ₱2,554 million for the nine months ended September 30, 2020. The cash outflow primarily for the Group's payments for CapEx of ₱2,606 million.

Net cash flows used in financing activities

The net cash inflows from financing activities were ₱13,382 million for the months ended September 30, 2021. This amount consisted primarily of the IPO proceeds of ₱48,931 million additional paid-in capital (net of transaction costs). The cash outflow is primarily used in partial settlement of the outstanding loans amounting to ₱17,161 million, full settlement of Arran's convertible notes ₱13,432 million and interest expenses amounting to 1,341 million from bank loans, trust receipts and cash variable interest from convertible notes. MNC also bought the additional shares in MMYSC from MCI, amounting to ₱1,822 million, increasing its ownership to 100%.

The net cash flows used in financing activities were ₱4,078 million for the nine months ended September 30, 2020. This amount consisted primarily of the payment of loans of ₱2,999 million and related interest expense of ₱481 million, and the payment of lease liability of ₱598 million.

FINANCIAL RATIOS / KEY PERFORMANCE INDICATORS

The following are the major financial ratios that the Group uses and monitors.

The top 5 key performance indicators are Sales Growth, Gross Margin, Net Profit margin, Core EBITDA margin, and Core Return on equity.

	September 30, 2021	December 31, 2020
Current ratio	1.46	0.98
Acid test ratio	1.13	0.65
Solvency ratio	9.5%	16.7%
Debt-to-equity ratio	0.63	2.29
Asset-to-equity ratio	1.64	3.34

	For the nine-months ended September 30,	
	2021	2020
Net Sales Growth	**2.2%**	3.1%
Gross Margin	**38.1%**	39.9%
Net profit margin	**13.8%**	14.9%
Core EBITDA Margin	**21.9%**	25.6%
Core Return on equity	**15.4%**	28.8%
Core Return on assets	**7.3%**	8.8%
Interest rate coverage ratio	**3.8**	10.1

The manners by which the ratios are computed are as follows:

Financial ratios	**Formula**
Current ratio	$\dfrac{\text{Current assets}}{\text{Current liabilities}}$
Acid test ratio	$\dfrac{\text{Cash and cash equivalents + Current receivables}}{\text{Current liabilities}}$
Solvency ratio	$\dfrac{\text{Net income attributable to equity holders of the Company + Depreciation and amortization}}{\text{Total liabilities}}$
Debt-to-equity ratio	$\dfrac{\text{Total liabilities (current + noncurrent)}}{\text{Equity attributable to equity holders of the Company}}$
Asset-to-equity ratio	$\dfrac{\text{Total assets (current + noncurrent)}}{\text{Equity attributable to equity holders of the Company}}$
Interest rate coverage ratio	$\dfrac{\text{EBIT}}{\text{Interest Expense}}$
Net Sales Growth	$\dfrac{\text{Current period net sales – prior period net sales}}{\text{Prior period net sales}}$
Gross margin	$\dfrac{\text{Gross profit}}{\text{Net sales}}$
Core EBITDA Margin	$\dfrac{\text{Core EBITDA}}{\text{Net sales}}$
Net profit margin	$\dfrac{\text{Core Income after-tax at Ownership}}{\text{Net sales}}$
Core Return on equity	$\dfrac{\text{Core income after-tax at Ownership}}{\text{Equity attributable to equity holders of the Company (average)*}}$
Core Return on assets	$\dfrac{\text{Core income after tax at Ownership}}{\text{Total assets (average)*}}$

Note:

* (average) means the average of the amounts from the beginning and end of the same period.

OTHER FINANCIAL DATA

I. EBITDA Reconciliation

The following tables set out EBITDA reconciliation with respect to the Group's business segments for the period indicated:

	For the nine months ended September 30, 2021 (unaudited)		
	APAC BFB	**Meat Alternative**	**Total**
		(in ₱ millions)	
Income before Income Tax	3,157	914	4071
Interest Expense	1,401	41	1,442
Interest Income	(79)	(1)	(80)
EBIT	4,479	954	5,433
Loss on Convertible Note Redemption	1,579	-	1,579
Derivative Loss	2,258	-	2,258
Foreign Exchange Loss (Gain) – Net	(397)	7	(390)
Non-recurring (IPO-related included in SG&A)	655	-	655
Reversal of Impairment Loss	(101)	-	(101)
Depreciation and Amortization Expense	1,360	484	1,844
EBITDA	**9,833**	**1,445**	**11,278**

	For the nine months ended September 30, 2020 (unaudited)		
	APAC BFB	**Meat Alternative**	**Total**
		(in ₱ millions)	
Income before Income Tax	10,274	1,156	11,430
Interest Expense	1,151	199	1,350
Interest Income	(87)	(5)	(92)
EBIT	11,338	1,350	12,688
Derivative Gain	(319)	-	(319)
Foreign Exchange Gain – Net	(1,062)	(6)	(1,068)
Depreciation and Amortization Expense	1,210	403	1,613
EBITDA	**11,167**	**1,747**	**12,914**

FINANCIAL LIABILITIES

The following table summarizes the Group's financial liabilities as at September 30, 2021

	Sept 2021 in millions					
	On Demand	1 to 3 Months	3 to 12 Months	1 to 5 Years	More than 5 Years	Total
Financial Liabilities						
Accounts payable and other current liabilities	2,683	6,481	79	–	–	9,243
Dividends payable	–	-	8,549	–	–	8,549
Loans payable*	–	5,743	1,710	5,343	–	12,796
Acceptance and trust receipts payable	–	–	2,085	–	–	2,085
Convertible note*	–	–	–	–	–	–
Lease liabilities*	–	139	232	1,338	8,147	9,856
	2,683	12,363	12,655	6,681	8,147	42,529

* Includes principal amount and interest expense.

Capital Expenditures

The Group's Capital Expenditures were primarily attributable to positioning the Group's APAC BFB Business and Meat Alternative Business to develop new business, expand the Group's production capacity and capability, and improve operational efficiencies. The Group invested in the construction of a new manufacturing plant, new production lines, and machineries.

The table below sets out the CapEx for the nine months ended September 30, 2021, and September 30, 2020, of the Group:

	Nine-Months ended September 30,	
	2021	**2020**
	(in ₱ millions) (unaudited)	
APAC BFB	2,523	1,133
Meat Alternative	1,037	1,473
Total	**3,560**	**2,606**

The Group's major CapEx in its APAC BFB segment was primarily for the continued construction of a new manufacturing plant in Malvar Batangas, investment in machineries to improve operational machineries and new Noodles production line.

The Group's major CapEx in its Meat Alternative segment was mainly due to continued investment in capacity and capability, in particular in its Belasis Plant.

Off-Balance Sheet Arrangements

As at September 30, 2021, the Group did not have any material off-balance sheet arrangements or obligations that were likely to have a current or future effect on the Group's financial condition, revenues or expenses, results of operations, liquidity, Capital Expenditures, or capital resources.

Quantitative and Qualitative Disclosure of Market Risk

The Group's APAC BFB Business and Meat Alternative Business are exposed to various types of market risks in the ordinary course of business, including foreign currency risk, commodity price risk, interest rate risk, liquidity risk, and credit risk.

1. Foreign Currency Risk

The Group operates internationally and is exposed to foreign currency risk arising from currency fluctuations in respect of business transactions denominated in foreign currencies. The Group enters into derivative transactions to manage foreign currency risks, including currency swaps and currency options. For more information regarding the Group's foreign currency rate risk exposure and related derivative instruments, see Note 20 to the Unaudited Consolidated Financial Statements.

2. Commodity Price Risk

The Group is exposed to price volatility arising from the utilization of certain commodities as raw materials, packaging materials, and fuel in its production processes. To minimize the Group's risk of potential losses due to volatility of international crude and product prices, the Group enters into longer tenor contracts such as flour and palm oil. In the past, the Group utilized derivative instruments to mitigate the price movement of certain commodities.

3. Interest Rate Risk

The Group is exposed to interest rate risk arising from its long-term debt obligations with floating interest rates. The Group manages its interest rate risk by maintaining a balanced portfolio of fixed and variable rate loans and borrowings. For more information regarding the Group's interest rate risk exposure, see Note 20 to the Unaudited Consolidated Financial Statements

4. Liquidity Risk

The Group is exposed to the risk of not meeting its payment obligations when they fall due. The Group manages its liquidity risk by monitoring and maintaining a level of cash deemed adequate by management to finance the Group's operations, ensure continuity of funding and mitigate the effects of fluctuations in cash flows. For more information regarding the Group's liquidity risk exposure, see Note 20 to Unaudited Consolidated Financial Statements.

5. Credit Risk

The Group is exposed to the risk that a counterparty may not meet its obligations under a financial instrument or customer contract, leading to a financial loss. The Group is exposed to credit risk from its operating (primarily trade receivables) and financing activities. The Group manages its credit risk by monitoring receivables from each customer. For more information regarding the Group's credit risk exposure, see Note 20 to the Unaudited Consolidated Financial Statements.

Contingencies

As at September 30, 2021, the Group is involved in various legal proceedings and regulatory assessments, and management believes that these proceedings will not have a material effect on the consolidated financial statements. Disclosure of additional details beyond the present disclosure may seriously prejudice the Group's position and negotiating strategy.

Commitments

The Group has capital commitments for acquisitions of machineries and building expansions amounting to ₱2,626 million and ₱1,625 million as at September 30, 2021, and December 31, 2020, respectively.

OTHER MATTERS

- There are no unusual items regarding the 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.

- In Q3 2021, the Group adjusted its taxable income reconciliation related to Q2 2021, resulting in an increase in the Provision for Deferred Income Tax by ₱719 million and a corresponding decrease in the same amount on the Deferred Tax Assets. The adjustment made to Deferred Tax Assets in Q3 2021 is a non-recurring event and pertains to the deductibility of the losses on the redemption of the Arran convertible note, which the Parent has redeemed after the IPO. This is a one-off, non-core item and does not affect the Group's core performance for Q3 2021 and 9 months YTD 2021.

Unappropriated RE, June 30, 2021, as previously reported	₱9,315,827,155
Adjustment to deferred tax and provision for deferred income tax	(719,077,991)
Unappropriated RE, June 30, 2021, as restated	8,596,749,164
Net Income, Q3	2,837,637,002
Unappropriated RE, September 30, 2021	₱11,434,386,166

- 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, except for "Contingencies" under this section that remain outstanding as at and for the period ended September 30, 2021.

- Below is the foreign exchange rate used in the translation of the Income Statement and Balance Sheet Items:

	Nine months weighted average		Closing Rate as at:		
	For the period ended, September 30,		September 30,		December 30,
	2021	2020	2021	2020	2020
1 GBP	67.7180	63.6264	68.4277	62.3454	64.6228
1 USD	48.8946	50.0623	51.0000	48.4950	48.0360

PART II–OTHER INFORMATION

Board of Directors

The following table sets forth the Company's Board of Directors as at September 30, 2021:

Name	Position
Hartono Kweefanus	Chairman
Hoediono Kweefanus	Vice-Chairman
Betty T. Ang	President
Henry Soesanto	Executive Vice President and Chief Executive Officer
Monica Darmono	Treasurer
Kataline Darmono	Non-Executive Director
Delfin L. Lazaro	Lead Independent Director
Nina Perpetua D. Aguas	Independent Director
Marie Elaine Teo	Independent Director

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.

MONDE NISSIN CORPORATION
Issuer

November 15, 2021
Date

HENRY SOESANTO
Chief Executive Officer

JESSE C. TEO
Chief Financial Officer