

# SECURITIES AND EXCHANGE COMMISSION

## SEC FORM 17-Q

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

1. For the quarterly period ended  
Sep 30, 2022
2. SEC 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 principal office  
Felix Reyes Street, Barangay Balibago, City of Santa Rosa, Laguna  
Postal Code  
4026
8. Issuer's telephone number, including area code  
+63277597595
9. Former name or former address, and former fiscal year, if changed since last report  
Not applicable
10. Securities registered pursuant to Sections 8 and 12 of the SRC or Sections 4 and 8 of the RSA

Title of Each Class	Number of Shares of Common Stock Outstanding and Amount of Debt Outstanding
Common	17,968,611,496

11. Are any or all of registrant's securities listed on a Stock Exchange?

Yes       No

If yes, state the name of such stock exchange and the classes of securities listed therein:

The 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 by Section 17 of the SRC and SRC Rule 17 thereunder or Sections 11 of the RSA and RSA Rule 11(a)-1 thereunder, and Sections 26 and 141 of the

Corporation Code of the Philippines, during the preceding twelve (12) months (or for such shorter period that the registrant was required to file such reports)

Yes  No

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

Yes  No

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



## Monde Nissin Corporation MONDE

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

For the period ended	Sep 30, 2022
Currency (indicate units, if applicable)	PHP'000

#### Balance Sheet

	Period Ended	Fiscal Year Ended (Audited)
	Sep 30, 2022	Dec 31, 2021
<b>Current Assets</b>	31,964,772	30,613,003
<b>Total Assets</b>	100,027,476	99,857,628
<b>Current Liabilities</b>	15,140,353	22,408,914
<b>Total Liabilities</b>	30,423,938	31,442,048
<b>Retained Earnings/(Deficit)</b>	19,809,183	16,707,901
<b>Stockholders' Equity</b>	69,603,538	68,415,580
<b>Stockholders' Equity - Parent</b>	69,456,602	68,278,073
<b>Book Value per Share</b>	3.87	3.8

#### Income Statement

	Current Year (3 Months)	Previous Year (3 Months)	Current Year-To-Date	Previous Year-To-Date
<b>Gross Revenue</b>	17,681,805	17,689,843	54,854,068	51,448,393
<b>Gross Expense</b>	17,334,030	14,438,657	49,127,352	42,895,657

<b>Non-Operating Income</b>	1,693,547	404,509	2,197,297	797,327
<b>Non-Operating Expense</b>	266,400	138,401	513,210	5,278,889
<b>Income/(Loss) Before Tax</b>	1,774,922	3,517,294	7,410,803	4,071,174
<b>Income Tax Expense</b>	400,989	675,104	1,784,486	1,744,389
<b>Net Income/(Loss) After Tax</b>	1,373,933	2,842,190	5,626,317	2,326,785
<b>Net Income Attributable to Parent Equity Holder</b>	1,369,544	2,837,637	5,616,888	2,196,853
<b>Earnings/(Loss) Per Share (Basic)</b>	0.08	0.16	0.31	0.14
<b>Earnings/(Loss) Per Share (Diluted)</b>	0.08	0.16	0.31	0.14

	<b>Current Year (Trailing 12 months)</b>	<b>Previous Year (Trailing 12 months)</b>
<b>Earnings/(Loss) Per Share (Basic)</b>	0.36	0.11
<b>Earnings/(Loss) Per Share (Diluted)</b>	0.36	0.11

**Other Relevant Information**

Please see attached Monde Nissin Corporation and Subsidiaries's SEC Form 17Q as of September 30, 2022. The aging analysis of trade and other receivables as at September 30, 2022 and December 31, 2021 are in Note 20 (page 25 of the Notes to Unaudited Interim Condensed Consolidated Financial Statements) of the attached SEC Form 17-Q.

The book value per share is computed by dividing Stockholder's Equity-Parent over Issued Shares (adjusted for the effect of the reduction in par value in 2021).

**Filed on behalf by:**

<b>Name</b>	Jon Edmarc Castillo
<b>Designation</b>	Chief Compliance Officer

# COVER SHEET

0000086335

S.E.C. Registration Number

M O N D E N I S S I N C O R P O R A T I O N

(Company's Full Name)

F E L I X R E Y E S S T . ,  
B A R A N G A Y B A L I B A G O , C I T Y O F  
S A N T A R O S A , L A G U N A 4 0 2 6

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

Atty. Helen G. Tiu  
Corporate Secretary

Contact Person

7759 7595

Company Telephone Number

1 2 3 1

Month Day  
Fiscal Year

SEC Form 17-Q

Form Type

0 6 2 4

Month Day  
Annual Meeting

Issuer of Securities under SEC-MSRD  
No. 27, Series of 2021

Secondary License Type, If Applicable

C F D

Dept. Requiring this Doc.

Amended Articles Number/Section

21

Total No. of Stockholders

Domestic

Foreign

To be accomplished by SEC Personnel concerned

File Number

File Number

LCU

Document I.D.

Document I.D.

Cashier

STAMPS

Remarks = pls. use black ink for scanning purposes

SEC Number  
0000086335  
File Number\_\_\_\_\_

**Monde Nissin Corporation**  
(Company's Full Name)

**Felix Reyes St. Balibago 4026, City of Santa Rosa, Laguna**  
(Company's Address)

**(632) 7759 7595**  
Telephone Number

**September 30, 2022**  
(Quarter Ending)  
(month & day)

**Form 17-Q**  
Form Type

**N/A**  
Designation (If applicable)

**30 September 2022**  
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, 2022**
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: **Laguna, 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 stock outstanding and amount	Number of shares of common	of debt outstanding
<b><u>Common</u></b>	<b><u>17,968,611,496</u></b>	

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:

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.

	Unaudited Interim Consolidated Statements of Financial Position as at September 30, 2022 with Comparative Audited Figures as at December 31, 2021
	Unaudited Interim Consolidated Statements of Comprehensive Income for the Quarters and Nine Months Ended September 30, 2022 and 2021
	Unaudited Interim Consolidated Statements of Changes in Equity for the Nine Months Ended September 30, 2022 and 2021
	Unaudited Interim Consolidated Statements of Cash Flows for the Nine Months Ended September 30, 2022 and 2021
	Notes to Unaudited Interim Condensed Consolidated Financial Statements

**MONDE NISSIN CORPORATION AND SUBSIDIARIES****UNAUDITED INTERIM CONSOLIDATED  
STATEMENTS OF FINANCIAL POSITION****(Amounts in thousands, with Comparative Audited Figures as at December 31, 2021)**

	September 30, 2022 (Unaudited)	December 31, 2021 (Audited)
<b>ASSETS</b>		
<b>Current Assets</b>		
Cash and cash equivalents (Note 5)	<b>₱12,351,814</b>	₱13,856,814
Trade and other receivables (Notes 6 and 18)	<b>6,224,537</b>	6,248,732
Inventories (Note 7)	<b>10,298,003</b>	8,572,363
Current financial assets (Notes 18 and 20)	<b>1,829,101</b>	165,937
Prepayments and other current assets (Note 8)	<b>1,261,317</b>	1,769,157
Total Current Assets	<b>31,964,772</b>	30,613,003
<b>Noncurrent Assets</b>		
Intangible assets (Note 10)	<b>34,131,653</b>	35,646,756
Property, plant and equipment (Note 9)	<b>30,260,285</b>	29,952,260
Investments in associates and joint ventures	<b>1,141,955</b>	1,094,087
Deferred tax assets - net (Note 19)	<b>902,508</b>	885,485
Noncurrent receivables (Notes 17, 18 and 20)	<b>661,422</b>	500,000
Other noncurrent assets (Note 11)	<b>964,881</b>	1,166,037
Total Noncurrent Assets	<b>68,062,704</b>	69,244,625
	<b>₱100,027,476</b>	₱99,857,628
<b>LIABILITIES AND EQUITY</b>		
<b>Current Liabilities</b>		
Accounts payable and other current liabilities (Notes 12 and 18)	<b>₱9,366,819</b>	₱11,156,419
Dividends payable (Note 14)	<b>2,515,606</b>	-
Acceptances and trust receipts payable (Note 7)	<b>1,910,702</b>	3,714,690
Current portion of loans payable (Note 13)	<b>267,361</b>	6,998,805
Refund liabilities (Note 12)	<b>380,405</b>	303,878
Current portion of lease liabilities	<b>154,591</b>	97,280
Income tax payable	<b>544,869</b>	137,842
Total Current Liabilities	<b>15,140,353</b>	22,408,914
<b>Noncurrent Liabilities</b>		
Loans payable (Note 13)	<b>6,779,226</b>	-
Deferred tax liabilities - net (Note 19)	<b>5,230,613</b>	5,702,436
Lease liabilities	<b>2,638,114</b>	2,661,581
Pension liability	<b>600,450</b>	648,692
Other noncurrent liabilities	<b>35,182</b>	20,425
Total Noncurrent Liabilities	<b>15,283,585</b>	9,033,134
Total Liabilities	<b>30,423,938</b>	31,442,048
<b>Equity</b>		
Capital stock (Note 14)	<b>8,984,306</b>	8,984,306
Additional paid-in capital	<b>46,515,847</b>	46,515,847
Retained earnings (Note 14):		
Appropriated	<b>195,257</b>	4,095,257
Unappropriated	<b>19,613,926</b>	12,612,644
Fair value reserve of financial assets at FVOCI	<b>(235,130)</b>	(235,130)
Remeasurement losses on pension liability	<b>(289,263)</b>	(289,263)
Equity reserve (Note 14)	<b>(622,335)</b>	(622,335)
Cumulative translation adjustments (Note 14)	<b>(4,706,006)</b>	(2,783,253)
<b>Equity Attributable to Equity Holders of the Parent Company</b>	<b>69,456,602</b>	68,278,073
<b>Non-controlling Interests</b> (Note 4)	<b>146,936</b>	137,507
Total Equity	<b>69,603,538</b>	68,415,580
	<b>₱100,027,476</b>	₱99,857,628

*See accompanying Notes to Unaudited Interim Condensed Consolidated Financial Statements.*

# MONDE NISSIN CORPORATION AND SUBSIDIARIES

## UNAUDITED INTERIM CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME (Amounts in Thousands, Except Earnings Per Share Value)

	Quarters Ended September 30		Nine Month Ended September 30	
	2022	2021	2022	2021
<b>NET SALES</b> (Note 15)	<b>₱17,681,805</b>	₱17,689,843	<b>₱54,854,068</b>	₱51,448,393
<b>COST OF GOODS SOLD</b> (Note 15)	<b>13,010,762</b>	10,717,234	<b>37,412,201</b>	31,851,823
<b>GROSS PROFIT</b>	<b>4,671,043</b>	6,972,609	<b>17,441,867</b>	19,596,570
<b>SALES, GENERAL AND ADMINISTRATIVE EXPENSES</b> (Note 16)	<b>4,323,268</b>	3,721,423	<b>11,715,151</b>	11,043,834
	<b>347,775</b>	3,251,186	<b>5,726,716</b>	8,552,736
<b>OTHER INCOME (EXPENSES)</b>				
Foreign exchange gain - net (Note 4)	<b>310,339</b>	122,274	<b>719,023</b>	389,821
Reversal of (provision for) impairment loss on property, plant and equipment - net (Note 9)	<b>(180,232)</b>	101,190	<b>(215,360)</b>	101,190
Share in net earnings from associates and joint ventures	<b>8,629</b>	18,217	<b>17,868</b>	25,128
Miscellaneous income - net (Notes 6 and 17)	<b>17,812</b>	107,660	<b>71,002</b>	201,160
	<b>156,548</b>	349,341	<b>592,533</b>	717,299
<b>INCOME BEFORE FINANCE INCOME (EXPENSES)</b>	<b>504,323</b>	3,600,527	<b>6,319,249</b>	9,270,035
<b>FINANCE INCOME (EXPENSES)</b>				
Derivative gain (loss) (Note 20)	<b>1,307,038</b>	(4,554)	<b>1,307,038</b>	(2,258,075)
Interest expense (Notes 13 and 17)	<b>(86,168)</b>	(133,847)	<b>(297,850)</b>	(1,441,489)
Interest income (Note 17)	<b>49,729</b>	55,168	<b>82,366</b>	80,028
Loss on convertible note redemption (Note 20)	—	—	—	(1,579,325)
	<b>1,270,599</b>	(83,233)	<b>1,091,554</b>	(5,198,861)
<b>INCOME (LOSS) BEFORE INCOME TAX</b>	<b>1,774,922</b>	3,517,294	<b>7,410,803</b>	4,071,174
<b>PROVISION FOR (BENEFIT FROM) INCOME TAX</b>				
Current	<b>693,090</b>	177,620	<b>2,029,368</b>	431,948
Deferred	<b>(292,101)</b>	497,484	<b>(244,882)</b>	1,312,441
	<b>400,989</b>	675,104	<b>1,784,486</b>	1,744,389
<b>NET INCOME</b>	<b>₱1,373,933</b>	₱2,842,190	<b>₱5,626,317</b>	₱2,326,785
<b>NET INCOME ATTRIBUTABLE TO:</b>				
Equity holders of the Parent Company	<b>₱1,369,544</b>	₱2,837,637	<b>₱5,616,888</b>	₱2,196,853
Non-controlling interests	<b>4,389</b>	4,553	<b>9,429</b>	129,932
	<b>₱1,373,933</b>	₱2,842,190	<b>₱5,626,317</b>	₱2,326,785
<b>Earnings per Share (EPS)</b> (Note 14)				
Basic/diluted, income attributable to equity holders of the parent	<b>₱0.076</b>	₱0.158	<b>₱0.313</b>	₱0.139
	<b>0.076</b>	0.158	<b>0.313</b>	0.139

(Forward)

	<b>Nine Months Ended</b>	
	<b>September 30</b>	
	<b>2022</b>	<b>2021</b>
<b>NET INCOME</b>	<b>₱5,626,317</b>	<b>₱2,326,785</b>
<b>OTHER COMPREHENSIVE INCOME (LOSS)</b>		
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) (Note 14)	<b>(1,922,753)</b>	1,452,605
Other comprehensive loss not to be reclassified to profit and loss in subsequent periods:		
Remeasurement loss on defined benefit plans	-	(53,636)
Income tax effect	-	16,091
	-	(37,545)
Other comprehensive income (loss) - net of tax	<b>(1,922,753)</b>	1,415,060
<b>TOTAL COMPREHENSIVE INCOME</b>	<b>₱3,703,564</b>	<b>₱3,741,845</b>
Total comprehensive income attributable to:		
Equity holders of the Parent Company	<b>₱3,694,135</b>	₱3,611,913
Non-controlling interests	<b>9,429</b>	129,932
	<b>₱3,703,564</b>	<b>₱3,741,845</b>

*See accompanying Notes to Unaudited Interim Condensed Consolidated Financial Statements.*

**MONDE NISSIN CORPORATION AND SUBSIDIARIES**

**UNAUDITED INTERIM CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY**

(Amounts in Thousands, For the nine months ended September 30, 2022 and 2021)

	Equity Attributable to Equity Holders of the Parent Company										
	Capital Stock	Additional Paid-in Capital	Retained Earnings (Note 14)		Fair Value Reserve of Financial Assets at FVOCI	Remeasurement Losses on Pension Liability	Equity Reserve (Note 14)	Cumulative Translation Adjustments (Note 14)	Non-controlling Interests (Note 4)		Total Equity
	(Note 14)		Appropriated	Unappropriated					Total		
Balance as at January 1, 2022	<b>₱8,984,306</b>	<b>₱46,515,847</b>	<b>₱4,095,257</b>	<b>₱12,612,644</b>	<b>(₱235,130)</b>	<b>(₱289,263)</b>	<b>(₱622,335)</b>	<b>(₱2,783,253)</b>	<b>₱68,278,073</b>	<b>₱137,507</b>	<b>₱68,415,580</b>
Net income	–	–	–	5,616,888	–	–	–	–	5,616,888	9,429	5,626,317
Other comprehensive loss, net of tax	–	–	–	–	–	–	–	(1,922,753)	(1,922,753)	–	(1,922,753)
Total comprehensive income (loss)	–	–	–	5,616,888	–	–	–	(1,922,753)	3,694,135	9,429	3,703,564
Release of appropriation	–	–	(3,900,000)	3,900,000	–	–	–	–	–	–	–
Dividends	–	–	–	(2,515,606)	–	–	–	–	(2,515,606)	–	(2,515,606)
Balance as at September 30, 2022	<b>₱8,984,306</b>	<b>₱46,515,847</b>	<b>₱195,257</b>	<b>₱19,613,926</b>	<b>(₱235,130)</b>	<b>(₱289,263)</b>	<b>(₱622,335)</b>	<b>(₱4,706,006)</b>	<b>₱69,456,602</b>	<b>₱146,936</b>	<b>₱69,603,538</b>
Balance as at January 1, 2021	₱6,570,000	₱–	₱11,155,336	₱12,497,957	(₱235,130)	(₱289,889)	(₱89,762)	(₱4,366,784)	₱25,241,728	₱1,298,309	₱26,540,037
Net income	–	–	–	2,196,853	–	–	–	–	2,196,853	129,932	2,326,785
Other comprehensive income (loss), net of tax	–	–	–	–	–	(37,545)	–	1,452,605	1,415,060	–	1,415,060
Total comprehensive income (loss)	–	–	–	2,196,853	–	(37,545)	–	1,452,605	3,611,913	129,932	3,741,845
Issuance of shares	2,414,306	46,516,489	–	–	–	–	–	–	48,930,795	–	48,930,795
Acquisition during the period	–	–	–	–	–	–	(532,573)	–	(532,573)	(1,289,927)	(1,822,500)
Release of appropriation	–	–	(6,800,000)	6,800,000	–	–	–	–	–	–	–
Dividends	–	–	–	(10,060,424)	–	–	–	–	(10,060,424)	–	(10,060,424)
Balance as at September 30, 2021	<b>₱8,984,306</b>	<b>₱46,516,489</b>	<b>₱4,355,336</b>	<b>₱11,434,386</b>	<b>(₱235,130)</b>	<b>(₱327,434)</b>	<b>(₱622,335)</b>	<b>(₱2,914,179)</b>	<b>₱67,191,439</b>	<b>₱138,314</b>	<b>₱67,329,753</b>

See accompanying Notes to Unaudited Interim Condensed Consolidated Financial Statements.

## MONDE NISSIN CORPORATION AND SUBSIDIARIES

### UNAUDITED INTERIM CONSOLIDATED STATEMENTS OF CASH FLOWS

(Amounts in Thousands, For the nine months ended September 30, 2022 and 2021)

	2022 (Unaudited)	2021 (Unaudited)
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Income before income tax	<b>₱7,410,803</b>	₱4,071,174
Adjustments to reconcile income before income tax to net cash flows:		
Depreciation and amortization (Notes 9, 10, 15, 16 and 17)	2,519,744	1,843,734
Derivative loss (gain) (Note 20)	(1,307,038)	2,258,075
Interest expense (Notes 13, 17 and 20)	297,850	1,441,489
(Reversal of) provision for impairment loss on property, plant and equipment (Note 9)	215,360	(101,190)
Unrealized foreign exchange gain - net	(84,165)	(298,114)
Interest income (Note 17)	(82,366)	(80,028)
Movement in pension liability	(48,242)	26,858
Share in net earnings from associates and joint venture	(17,868)	(25,128)
Market valuation gain on financial instruments at FVTPL	(3,570)	(11,358)
Gain on sale of property, plant and equipment	(4,226)	(2,422)
Loss on convertible note redemption (Note 20)	-	1,579,325
Working capital adjustments:		
Decrease (increase) in:		
Inventories	(1,725,640)	(1,458,822)
Prepayments and other current assets	507,840	(481,926)
Trade and other receivables	7,343	(227,962)
Increase (decrease) in:		
Acceptance and trust receipts payable	(1,962,194)	1,479,433
Accounts payable and other current liabilities	(1,909,607)	(490,729)
Refund liabilities	76,527	(34,214)
Net cash generated from operations	<b>3,890,551</b>	9,488,195
Income tax paid	(1,622,341)	(636,894)
Interest received	72,281	71,988
Net cash flows from operating activities	<b>2,340,491</b>	8,923,289
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>		
Additions to:		
Property, plant and equipment (Notes 9 and 21)	(3,339,708)	(3,559,896)
Current financial assets	(1,735,377)	(6,400,000)
Intangible assets (Note 10)	(69,182)	(92,784)
Investments in associates and joint ventures	(30,000)	(30,000)
Noncurrent receivables	(3,671)	-
Decrease (increase) in other noncurrent assets	220,548	(506,416)
Proceeds from:		
Sale of property, plant and equipment (Note 9)	17,839	42,537
Termination of current financial assets	-	4,507,711
Acquisition of non-controlling interest	-	(1,822,500)
Net cash used in investing activities	<b>(4,939,551)</b>	(7,861,348)
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>		
Proceeds from (payments for):		
Derivatives (Note 20)	920,506	-
Loans - net of payment (Note 13)	334,859	(17,160,776)
Principal portion of lease liabilities	(198,337)	(278,475)
Interest	(74,163)	(1,341,045)
Convertible note	-	(13,432,039)
Issuance of capital stock, net of transaction cost (Note 14)	-	48,930,794
Dividends paid (Note 14)	-	(1,511,100)
Increase (decrease) in other noncurrent liabilities	14,757	(2,741)
Net cash flows from financing activities	<b>997,622</b>	15,204,618
<b>NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS</b>	<b>(1,601,438)</b>	16,266,559
<b>EFFECT OF FOREIGN EXCHANGE RATE CHANGES ON CASH AND CASH EQUIVALENTS</b>	<b>96,438</b>	232,860
<b>CASH AND CASH EQUIVALENTS AT BEGINNING OF PERIOD</b>	<b>13,856,814</b>	7,093,015
<b>CASH AND CASH EQUIVALENTS AT END OF PERIOD</b>	<b>₱12,351,814</b>	₱23,592,434

*See accompanying Notes to Unaudited Interim Condensed Consolidated Financial Statements.*

# **MONDE NISSIN CORPORATION AND SUBSIDIARIES**

---

## **NOTES TO UNAUDITED INTERIM CONDENSED**

### **CONSOLIDATED FINANCIAL STATEMENTS**

**(Amounts in Thousands, Except Number of Shares, Earnings Per Share Value and Unless Otherwise Specified)**

---

#### **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 noodles, 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 were 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 initial public offering (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, 2021. 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, 2021.

#### 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, 2022. 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 unaudited 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, 2021, except for the adoption of amendments effective beginning January 1, 2022, which did not have any significant impact on the Group's financial position or performance, unless otherwise indicated:

- Amendments to PFRS 3, *Reference to the Conceptual Framework*

The amendments are intended to replace a reference to the Framework for the Preparation and Presentation of Financial Statements, issued in 1989, with a reference to the Conceptual Framework for Financial Reporting issued in March 2018 without significantly changing its requirements. The amendments added an exception to the recognition principle of PFRS 3, *Business Combinations*, to avoid the issue of potential "day 2" gains or losses arising for liabilities and contingent liabilities that would be within the scope of PAS 37, *Provisions, Contingent Liabilities and Contingent Assets*, or Philippine-IFRIC 21, *Levies*, if incurred separately. The amendments also add a new paragraph to PFRS 3 to clarify that contingent assets do not qualify for recognition at the acquisition date.

- Amendments to PAS 16, *Plant and Equipment: Proceeds before Intended Use*

The amendments prohibit entities deducting from the cost of an item of property, plant and equipment, any proceeds from selling items produced while bringing that asset to the location and condition necessary for it to be capable of operating in the manner intended by management. Instead, an entity recognizes the proceeds from selling such items, and the costs of producing those items, in profit or loss.

- Amendments to PAS 37, *Onerous Contracts – Costs of Fulfilling a Contract*

The amendments specify which costs an entity needs to include when assessing whether a contract is onerous or loss-making. The amendments apply a "directly related cost approach". The costs that relate directly to a contract to provide goods or services include both incremental costs and an allocation of costs directly related to contract activities. General and administrative costs do not relate directly to a contract and are excluded unless they are explicitly chargeable to the counterparty under the contract.

- Annual Improvements to PFRSs 2018-2020 Cycle

- Amendments to PFRS 1, *First-time Adoption of Philippines Financial Reporting Standards, Subsidiary as a first-time adopter*

The amendment permits a subsidiary that elects to apply paragraph D16(a) of PFRS 1 to measure cumulative translation differences using the amounts reported by the parent, based on the parent's date of transition to PFRS. This amendment is also applied to an associate or joint venture that elects to apply paragraph D16(a) of PFRS 1.

- Amendments to PFRS 9, *Financial Instruments, Fees in the "10 per cent" test for derecognition of financial liabilities*

The amendment clarifies the fees that an entity includes when assessing whether the terms of a new or modified financial liability are substantially different from the terms of the original financial liability. These fees include only those paid or received between the borrower and the lender, including fees paid or received by either the borrower or lender on the other's behalf. An entity applies the amendment to financial liabilities that are modified or exchanged on or after the beginning of the annual reporting period in which the entity first applies the amendment.

---

### 3. Significant Accounting Judgments, 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.

*Net Realizable Values (NRV) of Inventories.* The Group's estimates of the NRV are based on the most reliable evidence available at the time the estimates are made of the amounts the inventories are expected to be realized. These estimates take into consideration fluctuations of prices or costs directly relating to events occurring after reporting period to the extent that such events confirm conditions existing at reporting period. A new assessment is made at NRV at each reporting period.

The Group assessed that the NRV for some inventories is lower than cost. As a result, the Group recognized provision for inventory obsolescence amounting to ₱187.3 million and ₱16.7 million for the nine months ended September 30, 2022 and 2021, respectively. The Group wrote off inventories amounting to ₱20.1 million and ₱12.9 million for the nine months ended September 30, 2022 and 2021, respectively. The carrying value of inventories amounted to ₱10,298.0 million and ₱8,572.4 million as at September 30, 2022 and December 31, 2021, respectively (see Note 7).

*Estimating Useful Life of Property, Plant and Equipment.* The Group estimates the useful life of property plant and equipment based on the period over which the assets are expected to be available for use. The estimated useful life is reviewed periodically and updated if expectations differ from previous estimates due to expected use of asset, physical wear and tear, technical or commercial obsolescence, and legal or similar limits. In September 2022, MNUKL changed the estimated useful life of its certain Quorn assets to rationalize production costs. The assets were fully depreciated and MNUKL recognized additional depreciation of ₱523.3 million (£7.8 million) as at September 30, 2022.

*Impairment of Non-Financial Assets*

- *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 year December 31, 2021.

As at September 30, 2022, management assessed that there have been no significant changes in the assets and liabilities making up the CGUs since December 31, 2021;

*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 ₱902.5 million and ₱885.5 million as at September 30, 2022 and December 31, 2021, respectively (see Note 19).

*Assessment of Impairment of Property, plant and equipment.* The Group assesses 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.

In 2022, the Parent Company assessed that the VIU of a certain property, plant and equipment in MNC is zero since the asset pertains to discontinued product line with no expected cash flow. This is an indication of impairment resulting to an additional impairment loss of ₱215.4 million (see Note 9). Management assessed that any scrap value (FVLCD) is not material.

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 ₱101.2 million for the nine months ended September 30, 2021. Accumulated impairment losses amounted to ₱3,411.4 million and ₱3,172.6 million as at September 30, 2022 and December 31, 2021, respectively. The carrying value of the Group's property, plant and equipment amounted to ₱30,260.3 million and ₱29,952.3 million as at September 30, 2022 and December 31, 2021, respectively (see Note 9).

*Estimation of Legal contingencies and Regulatory Assessments.* As at September 30, 2022 and December 31, 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 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, 2022 and December 31, 2021, 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, 2022 and December 31, 2021, are set out below:

Subsidiaries	Principal Activity	Country of Incorporation	Percentage of Ownership			
			2022		2021	
			Direct	Indirect	Direct	Indirect
MNSPL	Investment/sales	Singapore	<b>100.00</b>	–	100.00	–
MNUKL	Investment holding	United Kingdom	–	<b>100.00</b>	–	100.00
Marlow Foods Limited	Manufacturing, Sales, and Marketing	United Kingdom	–	<b>100.00</b>	–	100.00
Quorn Smart Life GmbH	Sales, and Marketing	Germany	–	<b>100.00</b>	–	100.00
Quorn Foods Inc	Sales, and Marketing	United States (US) of America	–	<b>100.00</b>	–	100.00
Cauldron Foods Ltd*	Sales, and Marketing	United Kingdom (UK)	–	<b>100.00</b>	–	100.00
Quorn Foods Italy SRL**	Sales, and Marketing	Italy	–	<b>100.00</b>	–	100.00
Quorn Foods Sweden	Sales, and Marketing	Sweden	–	<b>100.00</b>	–	100.00
MNNZ	Distribution of food related goods	New Zealand	–	<b>100.00</b>	–	100.00
MNHTL***	Investment company	Thailand	–	<b>6.50</b>	–	6.50
MIL	Manufacture of seasonings	Thailand	–	<b>100.00</b>	–	100.00
MNTH***	Manufacture and distribution of bread and cookies	Thailand	–	<b>56.40</b>	–	56.40
MNII	Investment company	British Virgin Islands	<b>100.00</b>	–	100.00	–
MNHTL***	Investment company	Thailand	–	<b>93.50</b>	–	93.50
MNTH***	Manufacture and distribution of bread and cookies	Thailand	–	<b>43.60</b>	–	43.60
KBT International Holdings, Inc. (KBT)	Investment company	Philippines	<b>95.69</b>	–	95.69	–
MNAC*	Manufacture, process, and distribution of industrial coconut and agricultural products	Philippines	<b>90.91</b>	–	90.91	–
SFC****	Manufacture and process of bread	Philippines	<b>80.00</b>	–	80.00	–
All Fit & Popular Foods Inc. (AFPFI)	Manufacturing, importing, exporting, selling and distribution of breads; Purchasing or registering intellectual properties	Philippines	–	<b>80.00</b>	–	80.00
Monde M.Y. San Corporation (MMYSC)	Manufacture, process, and export of biscuits	Philippines	<b>100.00</b>	–	60.00	–

\*Dormant

\*\*Dissolved in 2021

\*\*\*The Group effectively owns 100%

a. Investment in MNSPL

On September 20, 2021, the BOD approved to subscribe additional 42,924,533 ordinary shares of MNSPL at an aggregate subscription price of ₱3,121.4 million (GBP45.0 million) payable in several tranches. On the following dates, the Parent Company made the following payments:

<u>Payment date</u>	<u>Amount in PHP</u>
September 24, 2021	₱410,238
October 12, 2021	624,139
November 15, 2021	409,318
December 31, 2021	826,969
February 14, 2022	421,430
March 14, 2022	429,259

On August 9, 2022, the BOD approved to subscribe additional 30,000,000 ordinary shares of MNSPL at an aggregate subscription price of ₱1,966.5 million (GBP30.0 million) payable in five equal tranches up to December 16, 2022. On the following dates, the Parent Company paid for the following:

<u>Payment date</u>	<u>No. of shares</u>	<u>Amount in GBP</u>	<u>Amount in PHP</u>
	<i>(In Thousands, Except No. of Shares)</i>		
August 23, 2022	6,000,000	£6,000	₱402,419
September 21, 2022	6,000,000	6,000	404,889
October 19, 2022	6,000,000	6,000	413,430

b. Investment in MNUKL

On August 23, 2022, the MNSPL's BOD approved to subscribe additional 30,000,000 ordinary shares of MNUK at an aggregate subscription price of ₱1,966.5 million (GBP30.0 million) payable in five equal tranches up to December 16, 2022. On the following dates, MNSPL paid for the following:

<u>Payment date</u>	<u>Amount in GBP</u>
August 30, 2022	£6,000
September 23, 2022	6,000
October 21, 2022	6,000

On the same date, MNSPL's BOD approved the proposed repayment and refinancing through debt-to equity conversion of the loan, including accrued interests, by MNUKL amounting to ₱15,657.7 million (GBP 238.9 million). As a result of this transaction, MNUKL issued additional 238,869,277 ordinary shares of GBP 1 each or a total subscription price of ₱15,657.7 million (GBP 238.9 million).

a. 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 (EU) 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, 2022 (Unaudited)			
	APAC BFB	Meat Alternative	Eliminations	Consolidated
Net sales - third parties	P43,629,735	P11,241,101	(P16,768)	P54,854,068
Costs and expenses	(35,603,271)	(11,021,105)	16,768	(46,607,608)
Depreciation and amortization	(1,456,865)	(1,062,879)	-	(2,519,744)
Finance income	1,938,005	3,449	(552,050)	1,389,404
Finance expense	(159,961)	(689,939)	552,050	(297,850)
Foreign exchange gain (loss) – net	707,847	11,176	-	719,023
Impairment loss	(215,360)	-	-	(215,360)
Share in net earnings from associates and joint venture	17,868	-	-	17,868
Other income	70,999	3	-	71,002
Income before income tax	8,928,997	(1,518,194)	-	7,410,803
Provision for (benefit from) income tax	2,001,663	(217,177)	-	1,784,486
Net income	P6,927,334	(P1,301,017)	P-	P5,626,317

**Other information**

Total assets	P87,605,711	P53,224,904	(P40,803,139)	P100,027,476
Total liabilities	P14,444,255	P24,425,173	(P8,445,490)	P30,423,938
Investment in associates and joint venture	P1,141,955	P-	P-	P1,141,955
Capital expenditures	P1,531,153	P1,808,555	P-	P3,339,708

	September 30, 2021 (Unaudited)			
	APAC BFB	Meat Alternative	Eliminations	Consolidated
Net sales - third parties	P40,316,292	P11,132,101	P-	P51,448,393
Costs and expenses	(31,365,255)	(9,686,668)	-	(41,051,923)
Depreciation and amortization	(1,359,653)	(484,081)	-	(1,843,734)
Finance income	980,083	684	(900,739)	80,028
Finance expense	(5,241,956)	(937,672)	900,739	(5,278,889)
Foreign exchange gain – net	396,360	(6,539)	-	389,821
Reversal of impairment loss – net	101,190	-	-	101,190

(Forward)

	September 30, 2021 (Unaudited)			
	APAC BFB	Meat Alternative	Eliminations	Consolidated
Share in net earnings from associates and joint venture	P25,128	P-	P-	P25,128
Other income	201,160	-	-	201,160
Income before income tax	4,053,349	17,825	-	4,071,174
Provision for income tax	419,132	1,325,257	-	1,744,389
Net income	P3,634,217	(P1,307,432)	P-	P2,326,785

**Other information**

	December 31, 2021 (Audited)			
	APAC BFB	Meat Alternative	Eliminations	Consolidated
Total assets	P69,493,886	P54,170,503	(P23,806,761)	P99,857,628
Total liabilities	P15,139,545	P40,109,264	(P23,806,761)	P31,442,048
Investment in associates and joint venture	P1,094,087	P-	P-	P1,094,087

	September 30, 2021 (Unaudited)			
	APAC BFB	Meat Alternative	Eliminations	Consolidated
Capital expenditures	P2,498,969	P1,060,927	P-	P3,559,896

**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, 2022 (Unaudited)	September 30, 2021 (Unaudited)
Domestic	<b>P41,025,387</b>	P37,555,741
Foreign	<b>13,828,681</b>	13,892,652
	<b>P54,854,068</b>	P51,448,393

The Group has no customer which contributes 10% or more to 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, advances to employees under other noncurrent assets, and deferred tax assets).

	September 30, 2022 (Unaudited)	December 31, 2021 (Audited)
Domestic:		
Property, plant and equipment (see Note 9)	<b>P16,515,796</b>	P16,616,860
Investments in associates and joint ventures	<b>1,141,955</b>	1,094,087
Intangible assets (see Note 10)	<b>647,313</b>	657,953
Other noncurrent assets (see Note 11)	<b>746,417</b>	992,831
Foreign:		
Property, plant and equipment (see Note 9)	<b>13,744,489</b>	13,335,400
Intangible assets (see Note 10)	<b>33,484,340</b>	34,988,803
Other noncurrent assets (see Note 11)	<b>142,228</b>	104,295
	<b>47,371,057</b>	48,428,498
	<b>P66,422,538</b>	P67,790,229

## 5. Cash and Cash Equivalents

	<b>September 30, 2022</b>	December 31, 2021
	(Unaudited)	(Audited)
Cash on hand and in banks	<b>₱3,017,961</b>	₱4,773,728
Cash equivalents	<b>9,333,853</b>	9,083,086
	<b>₱12,351,814</b>	₱13,856,814

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

	<b>September 30, 2022</b>	December 31, 2021
	(Unaudited)	(Audited)
Trade receivables:		
Non-related parties	<b>₱6,150,074</b>	₱6,164,997
Related parties (see Note 18)	<b>33,751</b>	33,777
Other receivables	<b>80,217</b>	81,330
	<b>6,264,042</b>	6,280,104
Allowance for ECL	<b>(39,505)</b>	(31,372)
	<b>₱6,224,537</b>	₱6,248,732

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

Other receivables comprise of various receivables from employees, accruals for interest from short term placements, receivable from a supplier, and advances made to employees for SSS claims. These are noninterest-bearing and normally settled through salary deductions.

Movements in the allowance for ECL follow:

	<b>September 30, 2022</b>	December 31, 2021
	(Unaudited)	(Audited)
Balance at January 1	<b>₱31,372</b>	₱67,575
Provision for (reversal of) ECL (Notes 16 and 17)	<b>15,318</b>	(31,189)
Write-off	<b>(6,706)</b>	(5,989)
Currency translation adjustments	<b>(479)</b>	975
Balance at end of period	<b>₱39,505</b>	₱31,372

## 7. Inventories

	<b>September 30, 2022</b>	December 31, 2021
	(Unaudited)	(Audited)
At cost:		
Finished goods	<b>₱220,778</b>	₱190,468
In-transit	<b>41,991</b>	319,180
Packaging and other materials	<b>17,179</b>	12,128
Work in-process	<b>11,633</b>	1,813
Raw materials	–	124,999
	<b>291,581</b>	648,588
At NRV:		
Finished goods	<b>4,167,301</b>	3,079,954
Raw materials	<b>3,250,326</b>	2,702,461
Work in-process	<b>1,567,746</b>	1,425,579
Packaging and other materials	<b>1,021,049</b>	715,781
	<b>10,006,422</b>	7,923,775
	<b>₱10,298,003</b>	₱8,572,363

The cost of inventories carried at NRV are as follows:

	<b>September 30, 2022</b>	December 31, 2021
	(Unaudited)	(Audited)
Finished goods	<b>₱4,406,863</b>	₱3,317,671
Raw materials	<b>3,405,040</b>	2,752,449
Work in-process	<b>1,698,306</b>	1,463,761
Packaging and other materials	<b>1,098,636</b>	833,914
	<b>₱10,608,845</b>	₱8,367,795

Provision for inventory obsolescence amounted to ₱187.3 million and ₱16.7 million for the nine months ended September 30, 2022 and 2021, respectively (shown as part of “Cost of goods sold” account). The Group wrote off inventories amounting to ₱20.1 million and ₱12.9 million for the nine months ended September 30, 2022 and 2021, respectively.

The cost of inventories recognized under “Cost of goods sold” account amounted to ₱37,412.2 million and ₱31,851.8 million for the nine months ended September 30, 2022 and 2021, respectively (see Note 15).

As at September 30, 2022 and December 31, 2021, the Group assessed that the carrying value of right of return assets is nil given the perishable nature of the products.

Under the terms of the agreements covering liabilities under trust receipts totaling ₱1,910.7 million and ₱3,714.7 million as at September 30, 2022 and December 31, 2021, 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 trusted merchandise or their sales proceeds.

---

8. Prepayments and Other Current Assets

	<b>September 30, 2022</b>	December 31, 2021
	(Unaudited)	(Audited)
Prepayments	<b>₱421,070</b>	₱538,754
Creditable withholding tax (CWT) and other credits	<b>286,906</b>	686,087
Input VAT	<b>270,780</b>	201,610
Deferred input VAT	<b>228,231</b>	294,801
Other current assets	<b>55,089</b>	48,664
	<b>1,262,076</b>	1,769,916
Allowance for non-recoverability of other current assets	<b>(759)</b>	(759)
	<b>₱1,261,317</b>	₱1,769,157

---

## 9. Property, Plant and Equipment

September 30, 2022													
	Land	Land Improvements	Buildings and 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 Others	Total
<b>Cost</b>													
Balance at January 1, 2022	₱441,083	₱5,283	₱12,753,979	₱149,289	₱32,500,137	₱357,281	₱155,538	₱264,147	₱1,374,644	₱5,085,405	₱2,906,919	₱721,869	₱56,715,574
Additions	–	–	3,097	31,645	104,884	12,521	20,898	5,387	1,031,377	2,129,899	–	92,220	3,431,928
Disposals and write-off	–	–	(37,565)	(883)	(27,419)	(1,456)	(21,178)	(19,480)	(164)	(1,247)	(8,455)	(11,346)	(129,193)
Reclassifications	–	–	787,859	–	2,645,718	77,688	–	53,065	(299,011)	(3,265,319)	–	–	–
Foreign currency translation adjustments	5,465	121	(441,723)	–	109,166	1,012	25	502	21,116	22	–	–	(304,294)
Balance at September 30, 2022	446,548	5,404	13,065,647	180,051	35,332,486	447,046	155,283	303,621	2,127,962	3,948,760	2,898,464	802,743	59,714,015
<b>Accumulated Depreciation</b>													
Balance at January 1, 2022	–	3,802	5,065,912	98,071	17,379,819	296,563	78,348	195,772	–	–	220,879	251,519	23,590,685
Depreciation (see Notes 15 and 16)	–	203	435,015	5,212	1,760,230	42,749	14,441	63,574	–	–	64,775	70,213	2,456,412
Disposals	–	–	(26,823)	(883)	(26,806)	(1,559)	(20,228)	(19,480)	–	–	(8,455)	(11,346)	(115,580)
Reclassifications	–	–	–	–	–	–	–	–	–	–	–	–	–
Foreign currency translation adjustments	–	87	17,738	–	91,527	975	25	476	–	–	–	–	110,828
Balance at September 30, 2022	–	4,092	5,491,842	102,400	19,204,770	338,728	72,586	240,342	–	–	277,199	310,386	26,042,345
<b>Accumulated Impairment Loss</b>													
Balance at January 1, 2022	–	–	932,587	967	1,491,884	–	–	36	571,765	175,390	–	–	3,172,629
Impairment loss	–	–	16,415	(12)	165,076	–	–	–	33,881	–	–	–	215,360
Foreign currency translation adjustments	–	–	12,882	–	10,514	–	–	–	–	–	–	–	23,396
Balance at September 30, 2022	–	–	961,884	955	1,667,474	–	–	36	605,646	175,390	–	–	3,411,385
<b>Net Book Value</b>	<b>₱446,548</b>	<b>₱1,312</b>	<b>₱6,611,921</b>	<b>₱76,696</b>	<b>₱14,460,242</b>	<b>₱108,318</b>	<b>₱82,697</b>	<b>₱63,243</b>	<b>₱1,522,316</b>	<b>₱3,773,370</b>	<b>₱2,621,265</b>	<b>₱492,357</b>	<b>₱30,260,285</b>

  

December 31, 2021													
	Land	Land Improvements	Buildings and 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 Others	Total
<b>Cost</b>													
Balance at January 1, 2021	₱456,119	₱5,577	₱10,256,604	₱145,198	₱30,313,880	₱362,439	₱115,322	₱234,304	₱1,863,902	₱3,933,034	₱2,906,919	₱657,917	₱51,251,215
Additions	–	–	11,875	2,591	191,209	13,939	13,676	14,788	1,777,948	3,281,159	–	132,488	5,439,673
Disposals	–	–	(6,288)	–	(453,657)	(71,305)	(6,649)	(1,142)	–	(373)	–	(68,536)	(607,950)
Reclassifications	–	–	1,774,503	1,500	2,523,225	55,408	33,242	20,250	(2,293,781)	(2,114,347)	–	–	–
Foreign currency translation adjustments	(15,036)	(294)	717,285	–	(74,520)	(3,200)	(53)	(4,053)	26,575	(14,068)	–	–	632,636
Balance at December 31, 2021	441,083	5,283	12,753,979	149,289	32,500,137	357,281	155,538	264,147	1,374,644	5,085,405	2,906,919	721,869	56,715,574
<b>Accumulated Depreciation</b>													
Balance at January 1, 2021	–	3,690	4,540,133	90,693	16,326,942	274,737	67,338	161,726	–	–	134,512	177,341	21,777,112
Depreciation	–	270	502,027	7,431	1,549,919	96,852	17,316	39,009	–	–	86,367	97,416	2,396,607
Disposals	–	–	(4,716)	(53)	(452,748)	(71,270)	(6,253)	(1,094)	–	–	–	(23,238)	(559,372)
Foreign currency translation adjustments	–	(158)	28,468	–	(44,294)	(3,756)	(53)	(3,869)	–	–	–	–	(23,662)
Balance at December 31, 2021	–	3,802	5,065,912	98,071	17,379,819	296,563	78,348	195,772	–	–	220,879	251,519	23,590,685

(Forward)

December 31, 2021

	Land	Land Improvements	Buildings and 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 Others	Total
<b>Accumulated Impairment Loss</b>													
Balance at January 1, 2021	₱-	₱-	₱798,480	₱967	₱1,343,318	₱-	₱-	₱36	₱543,684	₱151,044	₱-	₱-	₱2,837,529
(Reversal of) provision for impairment loss - net	-	-	(4,240)	-	174,874	-	-	-	28,081	24,346	-	-	223,061
Foreign currency translation adjustments	-	-	138,347	-	(26,308)	-	-	-	-	-	-	-	112,039
Balance at December 31, 2021	-	-	932,587	967	1,491,884	-	-	36	571,765	175,390	-	-	3,172,629
<b>Net Book Value</b>	<b>₱441,083</b>	<b>₱1,481</b>	<b>₱6,755,480</b>	<b>₱50,251</b>	<b>₱13,628,434</b>	<b>₱60,718</b>	<b>₱77,190</b>	<b>₱68,339</b>	<b>₱802,879</b>	<b>₱4,910,015</b>	<b>₱2,686,040</b>	<b>₱470,350</b>	<b>₱29,952,260</b>

In 2022, the Parent Company recognized impairment loss of ₱215.4 million on certain property, plant and equipment.

In 2021, MNTH reversed accumulated impairment loss amounting to ₱113.8 million 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 ₱12.6 million on machinery under installation.

The Group acquired property, plant and equipment and recognized depreciation expense amounting to ₱3,559.9 million and ₱1,790.8 million for the nine months ended September 30, 2021, respectively (see Note 17).

There are no idle property, plant and equipment nor property, plant and equipment used as collateral as at September 30, 2022 and December 31, 2021.

The Group has capital commitments for acquisitions of machineries and building expansions amounting to ₱1,651.7 million and ₱1,423.5 million as at September 30, 2022 and December 31, 2021, respectively.

## 10. Intangible Assets

	September 30, 2022							Total
	Goodwill	Brand	Distribution Rights	License	Trademarks with definite useful life	Trademarks with indefinite useful life	Software	
<b>Cost</b>								
Balance at January 1, 2022	₱16,810,906	₱18,262,118	₱727,560	₱34,639	₱2,451	₱14,459	₱362,333	₱36,214,466
Additions	-	-	-	-	-	-	69,182	69,182
Foreign currency translation adjustments	(732,315)	(791,607)	-	-	55	-	1,536	(1,522,331)
Balance at September 30, 2022	16,078,591	17,470,511	727,560	34,639	2,506	14,459	433,051	34,761,317
<b>Accumulated Amortization</b>								
Balance at January 1, 2022	-	43,063	269,804	-	1,469	-	163,232	477,568
Amortization (see Note 17)	-	-	27,284	-	132	-	35,916	63,332
Foreign currency translation adjustments	-	(1,877)	-	-	33	-	466	(1,378)
Balance at September 30, 2022	-	41,186	297,088	-	1,634	-	199,614	539,522
Accumulated Impairment Loss	-	90,142	-	-	-	-	-	90,142
<b>Net Book Value</b>	₱16,078,591	₱17,339,183	₱430,472	₱34,639	₱872	₱14,459	₱233,437	₱34,131,653

  

	December 31, 2021							Total
	Goodwill	Brand	Distribution Rights	License	Trademarks with definite useful life	Trademarks with indefinite useful life	Software	
<b>Cost</b>								
Balance at beginning of year	₱15,851,354	₱17,224,878	₱727,560	₱-	₱3,412	₱14,459	₱272,742	₱34,094,405
Additions	-	-	-	34,639	424	-	78,396	113,459
Foreign currency translation adjustments	959,552	1,037,240	-	-	(1,385)	-	11,195	2,006,602
Balance at end of year	16,810,906	18,262,118	727,560	34,639	2,451	14,459	362,333	36,214,466
<b>Accumulated Amortization</b>								
Balance at beginning of year	-	40,605	233,426	-	2,602	-	127,299	403,932
Amortization	-	-	36,378	-	218	-	37,669	74,265
Foreign currency translation adjustments	-	2,458	-	-	(1,351)	-	(1,736)	(629)
Balance at end of year	-	43,063	269,804	-	1,469	-	163,232	477,568
Accumulated Impairment Loss	-	90,142	-	-	-	-	-	90,142
<b>Net Book Value</b>	₱16,810,906	₱18,128,913	₱457,756	₱34,639	₱982	₱14,459	₱199,101	₱35,646,756

In 2021, the Group acquired intellectual property license with indefinite useful life amounting to ₱34.6 million. 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, 2022 and 2021 amounted to P63.3 million and P53.0 million, respectively (see Note 17).

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

	September 30, 2022 (Unaudited)				December 31, 2021 (Audited)			
	Goodwill	Brand	Trademark	License	Goodwill	Brand	Trademark	License
MNUKL	P16,078,591	P17,339,183	P-	P-	P16,810,906	P18,128,913	P-	P-
MNC	-	-	14,459	34,639	-	-	14,459	34,639
<b>Total</b>	<b>P16,078,591</b>	<b>P17,339,183</b>	<b>P14,459</b>	<b>P34,639</b>	<b>P16,810,906</b>	<b>P18,128,913</b>	<b>P14,459</b>	<b>P34,639</b>

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

## 11. Other Noncurrent Assets

	September 30, 2022 (Unaudited)	December 31, 2021 (Audited)
Advances to suppliers and contractors	P634,795	P705,290
Deferred input VAT for amortization	271,473	360,263
Advances to employees	76,236	68,911
Refundable and other deposits	33,010	74,586
Others	5,154	12,774
	<b>1,020,668</b>	<b>1,221,824</b>
Less allowance for advances to suppliers and contractors	55,787	55,787
	<b>P964,881</b>	<b>P1,166,037</b>

## 12. Accounts Payable and Other Current Liabilities and Refund Liabilities

### Accounts Payable and Other Current Liabilities

	September 30, 2022 (Unaudited)	December 31, 2021 (Audited)
Trade payables		
Non-related parties	P4,677,807	P4,962,761
Related parties (see Note 18)	15,942	21,888
Nontrade payables	1,635,867	2,450,725
Accruals for:		
Advertising and promotions	1,047,997	1,196,211
Personnel costs	504,275	319,150
Trade spend	436,123	382,207
Selling, general and administrative expenses	360,018	368,792
Other accruals	120,753	153,116
Provisions	156,344	118,891
Statutory payables	359,348	1,053,318
Others	52,345	129,360
	<b>P9,366,819</b>	<b>P11,156,419</b>

Other accruals mainly represent accruals for freight, interest payable, non-trade services and are generally settled the following month.

Refund Liabilities

As at September 30, 2022 and December 31, 2021, the Group's refund liabilities consist of the following:

	<b>September 30, 2022</b>	December 31, 2021
	(Unaudited)	(Audited)
Refund liabilities:		
Arising from retrospective volume discounts	<b>₱191,497</b>	₱122,181
Arising from rights of return	<b>188,908</b>	181,697
	<b>₱380,405</b>	₱303,878

**13. Loans Payable**

Description	Maturities	Interest Rates	<b>September 30, 2022</b>	December 31, 2021
			(Unaudited)	(Audited)
<b>MFL</b>				
£105.0 million term loan	June 2025 subject to extension of 2 years	Margin and SONIA	<b>₱6,882,666</b>	₱-
£4.0 million drawdown loan	November 2022	Margin and SONIA	<b>262,230</b>	
£113.0 million term loan	March 2024	Margin and SONIA	-	7,059,040
<b>Parent</b>				
₱18,700.0 million Floating Rate Corporate Notes (FRCNs)	December 2022	Effective after December 31, 2021 - Higher of (a) 3-day average of the 3-month BVAL + 75 bps per annum or (b) the overnight deposit facility rate. Effective April 5, 2021 - 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	<b>5,000</b>	5,000
			<b>₱7,149,896</b>	₱7,064,040
Unamortized debt issue costs			<b>(103,309)</b>	(65,235)
			<b>₱7,046,587</b>	₱6,998,805
Current portion			<b>₱267,361</b>	₱6,998,805
Non-current portion			<b>6,779,226</b>	-
			<b>₱7,046,587</b>	₱6,998,805

MFL Loan

MFL, a wholly owned UK-based indirect subsidiary, has an outstanding unsecured loans payable amounting to ₱7,144.9 million (£109.0 million) and ₱7,059.0 million (£103.0 million) as at September 30, 2022 and December 31, 2021, respectively. Interest rate is based on Margin and LIBOR as at December 31, 2021. MFL transitioned its interest rate from LIBOR to SONIA such that the interest rate is based on Margin and SONIA as at September 30, 2022. The change is a direct consequence of IBOR reform, and the new basis for determining cash flows is economically equivalent to the previous one. This does not affect the overall fixed interest payable on the hedged portion of the loan of ₱6,882.7 million (£105.0 million) and ₱7,059.0 million (£103.0 million) as at September 30, 2022 and December 31, 2021, respectively (Note 20).

As at December 31, 2021, MFL exceeded the gross leverage covenant threshold of 3.0x. To address this issue, MFL entered into a sterling term loan facility amounting to ₱6,882.7 million (£105.0 million) on June 1, 2022 and repaid its existing financial indebtedness on June 9, 2022.

This sterling term loan facility has the following financial covenants:

- The Group is required to maintain Gross Leverage of less than 3.5x from June 30, 2022 and each quarter thereafter
- The Group is required to maintain an interest cover of greater than 3.0 from June 30, 2022 and each quarter thereafter.

As at September 30, 2022, the Group is in compliance with these covenants.

For the nine months ended September 30, 2022 and 2021, interest expense related to the loans amounted to ₱35.5 million and ₱424.4 million, respectively (see Note 17).

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

	<b>September 30, 2022</b> (Unaudited)	December 31, 2021 (Audited)
<b>Loans Payable</b>		
Balance at January 1	<b>₱65,235</b>	₱191,374
Additions during the period	<b>115,466</b>	–
Amortization during the period (see Note 17)	<b>(76,234)</b>	(133,534)
Foreign currency translation adjustments	<b>(1,158)</b>	7,395
<b>Total</b>	<b>₱103,309</b>	<b>₱65,235</b>

For the nine months ended September 30, 2021, amortization of debt issue costs amounted to ₱21.0 million and ₱84.0 million on convertible note and loans payable, respectively (see Note 17).

## 14. Equity

### Capital Stock

The details of the Parent Company's common stock as at September 30, 2022 and December 31, 2021 follows:

Par value per share	₱0.50
Number of shares:	
Authorized	20,400,000,000
Issued and outstanding	17,968,611,496

The Parent Company's record of registration of its securities follows:

Number of shares registered	17,968,611,496
Issue/offer price	₱13.50
Date of approval	April 20, 2021

The total number of stockholders was 16 as at December 31, 2021. With respect to the Parent Company's stockholders as at December 31, 2021, the shares were either held (a) in a certificated form or (b) in scripless form held under the account of PCD Nominee Corp. (PCD Nominee) through 136 trading participants (*i.e.*, brokers and custodians) of the Philippine Depository & Trust Corp. (PDTC). The shares lodged under PCD Nominee are further broken down into PCD Nominee (Filipino) and PCD Nominee (Non-Filipino).

### Dividend Declaration and Reversal of Retained Earnings Appropriation

On August 9, 2022, the Parent Company's BOD approved and declared the issuance of regular cash dividends to stockholders of record as at September 8, 2022 for ₱0.14 per common share or ₱2,515.6 million, which was paid on October 3, 2022. On the same date, the Parent Company's BOD approved the reversal of the 2021 appropriation amounting to ₱3,900.0 million for expansions and other capital requirements.

### Restriction on Retained Earnings

As at September 30, 2022 and December 31, 2021, undistributed retained earnings of subsidiaries amounting to ₱10,957.3 million and ₱11,766.9 million, 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 ₱195.3 million and ₱2,195.3 million as at September 30, 2022 and December 31, 2021, respectively.

### Equity Reserve

	<b>September 30,</b> <b>2022</b> (Unaudited)	December 31, 2021 (Audited)
MMYSC	<b>(₱532,573)</b>	(₱532,573)
MNTH	<b>(115,390)</b>	(115,390)
MNAC	<b>(7,733)</b>	(7,733)
KBT	<b>33,361</b>	33,361
	<b>(₱622,335)</b>	(₱622,335)

Cumulative Translation Adjustments

	<b>September 30, 2022</b>	December 31, 2021
	(Unaudited)	(Audited)
Foreign investments:		
MNSPL	<b>(P3,940,679)</b>	(P2,326,573)
MNIL	<b>(184,912)</b>	(186,001)
MNTH	<b>(115,594)</b>	(176,761)
MIL	<b>(78,289)</b>	(93,918)
Cross currency swap:		
MNC (Note 20)	<b>(386,532)</b>	–
	<b>(P4,706,006)</b>	<b>(P2,783,253)</b>

Cumulative translation adjustments are attributable to equity holders of the Parent Company as at September 30, 2022 and December 31, 2021.

Earnings per Share

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

	<b>Quarters Ended September 30</b>		<b>Nine Months Ended September 30</b>	
	2022	2021	2022	2021
	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)
Net income (loss) attributable to equity holders of the parent	<b>P1,369,544</b>	P2,837,637	<b>P5,616,888</b>	P2,196,853
Number of shares:				
Common shares outstanding at January 1	<b>17,968,611,496</b>	6,570,000,000	<b>17,968,611,496</b>	6,570,000,000
Effect of common shares issuance to MCI	–	614,305,748	–	546,049,554
Effect of reduction in par	–	7,184,305,748	–	7,116,049,554
Effect of common shares issuance during IPO	–	3,600,000,000	–	1,600,000,000
Weighted average number of common shares	<b>17,968,611,496</b>	17,968,611,496	<b>17,968,611,496</b>	15,832,099,108
Basic/diluted EPS	<b>P0.076</b>	P0.158	<b>P0.313</b>	P0.139

Potentially dilutive shares were redeemed in September 2021, hence, basic EPS equals diluted EPS.

**15. Net Sales and Cost of Goods Sold**

Net Sales by Geography and Operating Segment

	<b>September 30, 2022</b>	September 30, 2021
	(Unaudited)	(Unaudited)
APAC BFB		
Philippines	<b>P41,025,387</b>	P37,555,741
Other countries	<b>2,604,348</b>	2,760,551
	<b>43,629,735</b>	40,316,292
Meat Alternative		
United Kingdom	<b>8,704,719</b>	8,604,926
United States	<b>910,605</b>	996,809
Other countries	<b>1,609,009</b>	1,530,366
	<b>11,224,333</b>	11,132,101
	<b>P54,854,068</b>	P51,448,393

All revenues are recognized at a point in time.

Cost of Goods Sold

	<b>September 30, 2022</b>	September 30, 2021
	(Unaudited)	(Unaudited)
Direct materials	<b>₱28,491,726</b>	₱24,459,567
Direct labor	<b>2,141,161</b>	2,157,950
Manufacturing overhead (see Notes 9, 10 and 17)	<b>8,122,858</b>	6,140,268
Total manufacturing costs	<b>38,755,745</b>	32,757,785
Inventory movements (see Note 7):		
Finished goods	<b>(1,099,179)</b>	(215,859)
Work in-process	<b>(244,365)</b>	(690,103)
	<b>₱37,412,201</b>	₱31,851,823

---

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

	<b>September 30, 2022</b>	September 30, 2021
	(Unaudited)	(Unaudited)
Salaries, wages and employee benefits	<b>₱3,446,970</b>	₱2,627,094
Advertising and promotional expenses	<b>3,207,637</b>	3,151,096
Transportation and delivery	<b>2,186,551</b>	1,912,663
Outside services	<b>933,692</b>	1,292,748
Depreciation and amortization (see Notes 9 and 10)	<b>357,522</b>	336,597
Dealer support	<b>305,281</b>	149,615
Insurance	<b>190,300</b>	171,956
Repairs and maintenance	<b>161,117</b>	162,831
Research and development	<b>136,027</b>	340,737
Taxes and licenses	<b>102,696</b>	213,173
Fringe benefit tax	<b>92,678</b>	72,510
Entertainment, amusement and recreation	<b>62,734</b>	38,958
Warehouse supplies	<b>59,440</b>	51,261
Provision for ECL (see Note 6)	<b>15,318</b>	-
Others	<b>457,188</b>	522,595
	<b>₱11,715,151</b>	₱11,043,834

---

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

Interest Income

	<b>September 30, 2022</b>	September 30, 2021
	(Unaudited)	(Unaudited)
Cash and cash equivalents	<b>₱73,926</b>	₱73,351
Noncurrent receivables	<b>5,918</b>	6,677
Current financial assets	<b>2,522</b>	-
	<b>₱82,366</b>	₱80,028

Interest Expense

	<b>September 30, 2022</b>	September 30, 2021
	(Unaudited)	(Unaudited)
Interest expense on lease liabilities	<b>₱139,961</b>	₱145,080
Amortization of debt issue costs (see Note 13):		
Loans payable	<b>76,234</b>	83,981
Convertible Note	–	20,988
Acceptance and trust receipts payable	<b>46,148</b>	20,017
Interest on loans payable (see Notes 13 and 20)	<b>35,507</b>	424,424
Accretion of interest on convertible note	–	746,999
	<b>₱297,850</b>	₱1,441,489

Depreciation and Amortization Expense

	<b>September 30, 2022</b>	September 30, 2021
	(Unaudited)	(Unaudited)
Property, plant and equipment (see Note 9)	<b>₱2,456,412</b>	₱1,790,780
Intangible assets (see Note 10)	<b>63,332</b>	52,954
	<b>₱2,519,744</b>	₱1,843,734

	<b>September 30, 2022</b>	September 30, 2021
	(Unaudited)	(Unaudited)
Cost of goods sold (see Note 15)	<b>₱2,162,222</b>	₱1,507,137
Sales, general and administrative expense (see Note 16)	<b>357,522</b>	336,597
	<b>₱2,519,744</b>	₱1,843,734

Miscellaneous Income

Miscellaneous income mainly comprises of service fees charged by the Parent Company primarily for reimbursement of share of principals in common expenses, reversal of provision for ECL (see Note 6), gain/loss on sale of property, plant and equipment, market valuation gain on financial instruments at FVTPL, 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
<i>Associates and joint ventures</i>					
<b>Monde Land, Inc. (MLI)</b>					
Rent expense	<b>September 30, 2022</b>	<b>₱48,401</b>	<b>₱-</b>	15 days;	Unsecured
	December 31, 2021	62,987	-	noninterest-bearing	
	September 30, 2021	47,257	-		
<b>Monde Malee Beverages Corporation (MMBC)</b>					
Miscellaneous income	<b>September 30, 2022</b>	-	<b>33,751</b>	30 days;	Unsecured;
	December 31, 2021	5,125	33,777	noninterest-bearing	no ECL
	September 30, 2021	5,125	33,879		
Trade purchases, net	<b>September 30, 2022</b>	<b>17,748</b>	-	30 days;	Unsecured
	December 31, 2021	57,131	(3,799)	noninterest-bearing	
	September 30, 2021	46,956	(8,288)		
<b>YCE Group Pte. Ltd. (YCE)</b>					
Advances and interest income	<b>September 30, 2022</b>	-	-	Interest-bearing;	Unsecured
	December 31, 2021	5,412	-		
	September 30, 2021	5,412	-		
<b>Calaca Harvest Terminal Inc. (CHTI)</b>					
Transportation and delivery expense and wheat handling fees	<b>September 30, 2022</b>	<b>221,242</b>	<b>(10,175)</b>	15 days;	Unsecured
	December 31, 2021	258,902	(18,089)	noninterest-bearing	
	September 30, 2021	188,194	(13,875)		
Advances	<b>September 30, 2022</b>	-	-	On demand;	Unsecured
	December 31, 2021	-	-	noninterest-bearing	
	September 30, 2021	9,755	9,755		
<i>Common shareholders</i>					
<b>PT. Nissin Biscuit Indonesia</b>					
Trade purchases, net	<b>September 30, 2022</b>	<b>46,032</b>	<b>(5,767)</b>	45 days;	Unsecured
	December 31, 2021	27,063	-	noninterest-bearing	
	September 30, 2021	13,905	(1,250)		
<b>MNSG Holdings Pte. Ltd.</b>					
Loans receivable*	<b>September 30, 2022</b>	-	<b>157,751</b>	2 years;	Unsecured
	December 31, 2021	-	164,936	interest-bearing	
	September 30, 2021	-	164,678		
Trade and other receivables (see Note 6)	<b>September 30, 2022</b>		<b>₱33,751</b>		
	December 31, 2021		33,777		
	September 30, 2021		43,634		
Loans receivable*	<b>September 30, 2022</b>		<b>157,751</b>		
	December 31, 2021		164,936		
	September 30, 2021		164,678		
Trade payables (see Note 12)	<b>September 30, 2022</b>		<b>(15,942)</b>		
	December 31, 2021		(21,888)		
	September 30, 2021		(23,413)		

\*Presented under "noncurrent receivables" in 2022 and under "current financial assets" in 2021

### YCE

In 2021, the Parent Company partially reversed provision for ECL amounting to ₱77.4 million as a result of settlement of advances to YCE impaired in the previous periods.

### MNSG Holdings Pte. Ltd.

On July 3, 2020, MNSPL and MNSG Holdings Pte. Ltd. entered into a loan agreement wherein MNSPL agreed to lend ₱155.5 million (\$3.0 million) to MNSG Holdings Pte. Ltd. with an interest rate of 3.65% per annum. The loan will mature on July 3, 2022.

On July 3, 2022, MNSPL and MNSG Holdings Pte. Ltd. agreed to extend the maturity of ₱157.8 million (\$3.0 million) loan to MNSG Holdings Pte. Ltd. with an interest rate of 4.83% per annum. The loan will mature on July 3, 2024.

## 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, 2022 (Unaudited)	December 31, 2021 (Audited)
<b>Deferred tax assets – net</b>		
Allowance for impairment loss	<b>₱384,346</b>	₱330,506
NOLCO	<b>191,574</b>	192,577
Pension liability	<b>148,767</b>	144,859
Refund liabilities	<b>95,101</b>	75,970
Unearned interest income	<b>(56,731)</b>	(59,315)
Allowance for inventory obsolescence	<b>47,720</b>	45,784
Right-of-use assets and lease liabilities	<b>36,001</b>	27,864
Accrued expenses	<b>31,076</b>	84,838
Unrealized foreign exchange gain	<b>(23,002)</b>	(26,326)
Unrealized profits from intercompany sales	<b>21,788</b>	34,858
Unamortized past service cost	<b>10,353</b>	5,770
Advances from customers	<b>7,421</b>	24,338
Excess of the tax base over the carrying amounts of non- monetary assets	<b>6,331</b>	2,498
Allowance for ECL	<b>2,654</b>	1,264
Others	<b>(891)</b>	–
	<b>902,508</b>	885,485
<b>Deferred tax liabilities – net</b>		
Brand	<b>(4,334,796)</b>	(4,532,229)
Property, plant and equipment	<b>(1,352,081)</b>	(1,335,703)
NOLCO	<b>450,333</b>	166,137
Unrealized foreign exchange gain	<b>(6,485)</b>	(6,085)
Others	<b>12,416</b>	5,444
	<b>(5,230,613)</b>	(5,702,436)
	<b>(₱4,328,105)</b>	(₱4,816,951)

### MNUKL

In 2021, The U.K. government announced an increase in corporate income tax rate from 19% to 25% to be implemented with effect from April 2023.

The U.K. government announced on September 23, 2022, that the increase in the corporate income tax rate from 19% to 25% would be cancelled. This announcement was not substantially enacted by September 30, 2022, and the decision to cancel the increase was subsequently reversed by the U.K. Government on October 14, 2022. Therefore, the corporate income tax rate will increase from 19% to 25% from April 2023, as originally planned.

MNUKL recognized deferred tax liabilities at 25% due to the increase in corporate tax rate reflecting the expected timing of reversal of the related timing differences as at September 30, 2022.

## 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, loans payable and lease liabilities, 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, 2022 and December 31, 2021:

	September 30, 2022 (Unaudited)	December 31, 2021 (Audited)
<b>Financial Assets</b>		
Cash and cash equivalents	<b>₱12,351,814</b>	₱13,856,814
Trade and other receivables	<b>6,224,537</b>	6,248,732
Financial assets at FVTPL*	<b>1,829,101</b>	1,001
Noncurrent receivables	<b>661,422</b>	500,000
Withholding tax receivables**	<b>4,487</b>	12,038
Advances to employees***	<b>76,236</b>	68,911
Loans receivable*	-	164,936
<b>Financial Liabilities</b>		
Accounts payable and other current liabilities****	<b>9,007,471</b>	10,103,101
Dividends payable	<b>2,515,606</b>	-
Loans payable*****	<b>7,149,932</b>	7,064,192
Acceptance and trust receipts payable	<b>1,910,702</b>	3,714,690
Lease liabilities	<b>8,604,114</b>	8,472,550
	<b>29,187,825</b>	29,354,533
	<b>(₱8,040,228)</b>	(₱8,502,101)

\*Presented under "current financial assets" in 2021

\*\*Recorded under "prepayments and other current assets"

\*\*\*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:

### Market Risk

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.

### Interest Rate Risk

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.

### Foreign Currency Risk

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.

### Credit Risk

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, 2022 and December 31, 2021 follows:

September 30, 2022							
Days Past Due							
	Current	1–30 Days	31–60 Days	61–90 Days	More than 90 Days	ECL	Total
Trade and other receivables:							
Non-related parties	P5,474,841	P485,379	P88,162	P27,362	P34,825	P39,505	P6,150,074
Related parties	–	–	–	–	33,751	–	33,751
Other receivables	80,217	–	–	–	–	–	80,217
Noncurrent receivables	661,422	–	–	–	–	115,266	776,688
	<b>P6,216,480</b>	<b>P485,379</b>	<b>P88,162</b>	<b>P27,362</b>	<b>P68,576</b>	<b>P154,771</b>	<b>P7,040,730</b>
December 31, 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	P5,409,111	P641,732	P48,252	P26,712	P7,818	P31,372	P6,164,997
Related parties	–	–	–	–	33,777	–	33,777
Other receivables	77,622	127	72	54	3,455	–	81,330
Loans receivable*	164,936	–	–	–	–	–	164,936
Noncurrent receivables	500,000	–	–	–	–	115,266	615,266
	<b>P6,151,669</b>	<b>P641,859</b>	<b>P48,324</b>	<b>P26,766</b>	<b>P45,050</b>	<b>P146,638</b>	<b>P7,060,306</b>

\*Presented under current financial assets

### 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 4% and 25% of the Group's long-term debt will mature in less than one year at September 30, 2022 and December 31, 2021, 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 to manage its foreign currency risk arising from its net investment. These derivatives are accounted for as accounting hedges.

#### *Cross Currency Swap (CCS) Contract*

On March 4, 2022, the Group entered into a non-deliverable CCS Agreement with a notional amount of ₱5,839.5 million (£85.0 million). Under the CCS agreement, the Group will receive Philippine Peso interest at 9% p.a. and will pay fixed Pound Sterling interest at 6% p.a. The Group will also pay the notional Pound Sterling amount in exchange for the Philippines Peso amount at the end of the swap period. The CCS, which will be designated as a hedge of a portion of the net investment in MNSPL, is used to hedge the Parent Company’s exposure to the GBP foreign exchange risk on its investment in MNSPL.

Pertinent details of the cross-currency swap are as follows:

Notional amount	Trade Date	Effective Date	Maturity Date	Swap rate	Fixed rate (Pay leg)	Fixed rate (Receive leg)
£85,000	03/03/22	03/07/22	03/07/32	₱68.70	6.0%	9.0%

On September 28, 2022, the BOD approved to fully unwind the CCS agreement to take advantage of the weakening of Pound Sterling. As a result of the CCS unwinding, the Group received ₱920.5 million from the CCS agreement and recognized the following for the nine months ended September 30, 2022:

Derivative gain (loss)	₱1,307,038
Cumulative translation adjustment (Note 14)	(386,532)

#### *Interest rate swap*

MFL entered into an interest rate swap agreement in March 2019 which commenced in March 2020 to eliminate the cash flow risk around the interest on its loan. The swap matches the ₱7,742.4 million (£113.0 million) term loan in all particulars. Under the swap agreement, MFL receives interest quarterly equivalent to three-months LIBOR on the loans and pays interest at the fixed rate of 0.826% per annum. The quarterly payment starts on June 25, 2020 and ends on March 25, 2024, subject to adjustment in accordance with the Modified Following Business Day Convention.

For the nine months ended September 30, 2022 and 2021, the Group recognized gain from interest rate swap netted to “Interest on loans payable”, amounting to ₱85.1 million and ₱103.9 million, respectively (see Note 17).

#### *Embedded Derivatives*

The Convertible Note issued by the Group in 2019 has embedded equity conversion and redemption options which is 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 December 31, 2021:

	December 31, 2021 (Audited)
Embedded derivatives:	
Beginning balance	₱2,513,886
Mark-to-market valuation	2,239,232
Redemption of convertible note	(4,753,118)
	<b>₱-</b>

The Group recognized loss on redemption of convertible note amounting to ₱1,579.3 million for the nine months ended September 30, 2021 (i.e. difference between the listing redemption amount and the carrying value of the Convertible Note and the related derivative liability).

The Group recognized ₱2,239.2 million derivative loss from fair value changes of derivative liability account, ₱43.8 million derivative loss from swaps entered and settled during the same period, and ₱24.9 million derivative gain from the maturity of CCS and EKO, for a net loss of ₱2,258.1 million for the nine months ended September 30, 2021.

#### 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, 2022 and December 31, 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, 2022 (Unaudited)	December 31, 2021 (Audited)
Total debt	<b>₱30,423,938</b>	₱31,442,048
Total equity attributable to equity holders of the Parent Company	<b>69,456,602</b>	68,278,073
Debt-to-Equity Ratio	<b>0.44:1.00</b>	0.46:1.00

#### 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, 2022 and December 31, 2021 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) and derivatives, including separated embedded derivatives, unless designated as effective hedging instruments. As at September 30, 2022, the fair values of these financial assets are

based on their published net asset value per share. These are presented under “current financial assets” in the consolidated statement of financial position.

*Noncurrent Receivables, Withholding Tax Receivables and Advances to Employees and Loans Payable.* As at September 30, 2022 and December 31, 2021, 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.

---

## 21. Supplemental Disclosure to Cash Flow Statements

The Group’s material noncash activities are as follows:

	<b>September 30, 2022</b>	September 30, 2021
	(Unaudited)	(Unaudited)
Cumulative translation adjustments (Note 20)	<b>₱1,922,753</b>	(₱1,452,605)
Additions to ROU assets (Note 9)	<b>92,220</b>	–

---

## 22. Other Matters

### European Union (EU) Product Recall

Subsequent to June 30, 2022, there was a news concerning a selective recall in a few EU jurisdictions for some products. This attracted media attention in the Philippines and an FDA inquiry which concluded that all tested products in the Philippines comply with the Philippine FDA regulations. Unfortunately, this had a temporary effect on sale of Noodles. Sales of noodles in Q3 declined by 22%. Sales and marketing efforts have largely corrected the impact due to significant recovery seen in October. October average daily sales volume was up by 21% and net invoiced value increased by 32% compared with September. Further, the Group will continue sales and marketing efforts to resume the growth seen earlier this year and last year in this category. Additionally, as part of global strategic alignment initiatives, the Group enhanced the sourcing, testing and overall processes to ensure products adhere to all food quality compliance standards, regardless of what jurisdiction they are sold in.

### Commodity Prices

The Group saw a gradual easing of commodity prices in the global markets. If the trend continues, it may have a favorable effect on the margin on a longer term; however, minimal impact for the current fiscal year. To secure supply, and in the context of the volatile environment, the Group already secured partial tranches of wheat and palm oil requirements until Q2 2023.

## **Item 2**

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

## Group Overview

MNC and its subsidiaries (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, for the nine months ended September 30, 2022, the Group’s APAC BFB Business ranked first based on retail sales value in the Philippines in the instant noodles, biscuits<sup>1</sup>, as well as in the 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.

Quorn Foods is the market leader in the meat alternatives market in the UK with *Quorn* and *Cauldron* being the No. 1 and No. 4 brands. Quorn Foods is the only large-scale commercial provider of mycoprotein. The fermentation process required to produce mycoprotein at scale requires significant capital investment and importantly a unique know-how which Quorn Foods has derived from over 30 years of operating experience to maximize yield and efficiency.

The Group operates with an aspiration to improve the well-being of people and the planet by creating 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 a move to offer noodles with no artificial preservatives added in *Lucky Me!* wet pouch and cups. In 2015, MNC acquired Quorn Foods, which operates in the Meat Alternative Business with sustainability at its heart. Other initiatives have been implemented by the Group to utilize resources efficiently, move towards zero-waste-to-nature operations, and transit to 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. According to a report by Carbon Trust (2018), the production of mycoprotein-based *Quorn Mince* results in only 7%, 11%, and 8% of beef’s carbon, land, and water footprint, respectively. Similarly, the production of mycoprotein-based *Quorn Pieces* results in only 29%, 36%, and 34% of chicken’s carbon, land, and water footprint, respectively.

## 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,

---

<sup>1</sup> Tied with competitor 1

biscuits, and culinary aids are considered consumer staples. In Q3 2022, biscuits, beverages and packaged cakes have seen strong recovery due to increased mobility and resumption of face-to-face classes, leading to more consumption occasions for these categories. These products can be sensitive to movements in disposable incomes, changes in product prices, and competitive pressures. In 2021, the Group saw flat to declining demand for biscuits and beverages as these products are purchased for lunch boxes, between meals, and on-the-go consumption as restricted mobility affected the consumption occasion for these categories.

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 their perceived product value.

### **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, changes in regulations, and actions of competitors, any of which may affect consumers' perception of and willingness to purchase the Group's products. This may then significantly impact the results of Group's 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 launched *Lucky Me! Milky Me!* with 25% less sodium comparing with regular *Lucky Me! Instant Mami* and has been promoting Monde Wheat Bread as hero in the bread portfolio. 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, 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. 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/flour, palm oil, sugar, and coconut oil. The Group sources raw materials and all its packaging materials globally.

Raw materials are subject to significant price volatility caused by various 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 factors beyond its control, including armed conflict, 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 factors, 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 short-term and long-term contracts with suppliers to lock in pricing, and (iii) diversification of sources of supply.

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, as the Group is operating 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 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 products. *Quorn* products also cover all key shop aisles: frozen and chilled. 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.

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 noodle segment 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 noodle segment, these players compete on pricing, taste, and innovation. The Meat Alternative Business competes with a broad category of market participants such as multinational 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 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. While the group is also significantly exposed to global commodity markets, mainly those for agricultural goods and energy. 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 are seeing significant improvements in GDP growth rate, and consumer mobility which drives increased in-store traffic. While possible downside risk remains due to possible infection resurgence as the mask mandates are being discontinued. In addition, the Russia-Ukraine conflict and the attached impacts on the global markets will materially influence the group in areas

such as commodity and energy/fuel costs, supply constraints and shipping. As consumers grapple with uncertainty, their buying behavior and preferences become more erratic. Please see further discussion under “Geopolitical Situation in Ukraine and Russia”, outlining our management response to address challenges arising from geopolitical situation in Ukraine and Russia.

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 legislative agenda of the new administration and its economic policy stance. The agricultural policy stance may significantly influence the company’s results especially around raw materials such as sugar and its related importation quotas. 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, 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 recessionary environment globally may influence the expansion strategy of the export business as distributors act more cautiously on new product launches, advertising, and promotional spend. The significant improvements in the situation of global containers shipping in prices, as well as availability may influence growth and profitability of the export business positively in the upcoming periods.

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 significant commodity and utility inflation are present and may persist well into 2022 and beyond. The UK presently posts material inflation numbers which reached levels not experienced in more than 40 years. This strong inflation footprint may impact the consumer buying behavior, and the company’s input costs. The political environment in the UK presently provides additional uncertainty as crucial policy decisions around energy price support for industry, corporate taxation, and others are currently unknown as to how they will be possibly changed by the incoming Prime Minister and his government.

### **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 and crackers, as staples in its relief goods packages, 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**

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, in coordination with the local government, has implemented free vaccination programs, 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.

In the quarter ending September 30<sup>th</sup>, we experienced a continued absence of lockdowns, and a return of pre-pandemic consumer behavior due to increased mobility. Face to face classes resumed as well driving school meal demand. APAC BFB saw increased offtake in modern trade as shoppers return to supermarkets, while the Meat Alternative segment continues to see strong increases in food service and QSR segments as out of home consumption remains strong.

The group is continuously monitoring the situation as infection case resurgences may impact the ongoing economic recovery, and operations. Especially as mask mandates in and outdoors are being repealed. The group has supply exposure to regions with continued lockdowns during Q3 2022 and may experience disruptions due to delayed shipments of raw or packaging materials.

### **Geopolitical Situation in Russia and Ukraine**

In February of 2022, an armed conflict between Russia and Ukraine commenced. Due to this action numerous sanctions were implemented against Russia. Both countries account for large parts of global agricultural supply. Specifically, wheat, corn and sunflower seeds and oil. Furthermore, other key commodities such as oil and gas, related petrochemical products, and fertilizer amongst others.

The armed conflict has put the 2022 growing season in the Ukraine at risk. Exports have resumed via Ukrainian Black Sea ports and rail after an agreement between Russia and the Ukraine has been reached. Markets have reacted positively while the actual shipment volumes remain significantly below prior years, and the effect on commodity prices remains limited due to the persistent uncertainty around production and shipping. Possible effects may continue during the 2022-2023 growing season. This situation can potentially be amplified if weather in other growing regions may not produce optimum output further impacting already low stock to use ratios of most agricultural commodities.

The Group is impacted by the accompanying world market movements tied to the limited access to these resources due to sanctions on Russia, and possible shortage in certain commodities and the resulting increased prices. In addition to increased prices, short supply in certain inputs may occur because of the conflict and impact revenue and profitability of the Group.

The Group is putting mitigating actions in place such as short and long-term supply contracts, increased inventory holding of key materials, and is exploring diversification of sourcing regions. The Group also plans to accelerate productivity improvement measures and may consider additional rounds of responsible price actions to recover inflation, balancing the needs of our loyal customers and shareholders and long-term growth opportunity. In the quarter ending September 30, 2022, soft commodity prices in the global market remained broadly stable due to lack of further positive indicators. While the markets reacted positively to the Black Sea shipping corridor deal, the generally tight supply situation remains across most agricultural commodities. Some good news on certain harvests and a recessionary global economic outlook may lead to further relaxation of prices in the near term. If the downward trend continues, it may have a favorable effect on the margin on a longer term; however, minimal impact for the current fiscal year. To secure supply, and in the context of the volatile environment, the Group already secured partial tranches of wheat and palm oil requirements until Q2 2023. At the same time, downside risk remains, particularly around an accelerating Russia/Ukraine conflict.

### **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. An investment in new technology or an enhancement of existing technology to increase capacity and utilization, may result in operational challenges. Furthermore, the effects of these investments may be delayed, resulting in delayed revenue growth.

### **Financial Highlights and Key Indicator**

The summary financial information presented as at December 31, 2021, and for the nine months ended September 30, 2022, and September 30, 2021, 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 Gross Profit, 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 Gross Profit is measured as Net sales excluding recall provision less Cost of Goods Sold excluding non-recurring expenses (NRE). In the Year-to-date (YTD) 2022, NRE pertains to additional depreciation due to changes in the estimated useful life of Quorn fermenter assets due to production costs rationalization and expenses related to global strategic alignment initiatives to ensure products adhere to all food quality

compliance standards, regardless of what jurisdiction they are sold in. Core Gross Margin pertains to Core Gross Profit divided by segment net sales.

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, and other non-recurring income (expenses) NRI(E). In YTD 2021, Majority of the NRE pertains to the Initial Public Offering (IPO). In YTD 2022, NRE pertains additional depreciation due to changes in the estimated useful life of Quorn fermenter assets and restructuring costs in the UK due to production costs rationalization to improve efficiency and address short term profitability issue in Meat Alternative, expenses related to global strategic alignment initiatives to ensure products adhere to global food quality standards in all jurisdictions the products are sold and product recall provision in Thailand due to selective EU recall. 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, interest expenses related to lease liabilities, 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, NRE. In YTD 2021, majority of the NRE pertains to the Initial Public Offering (IPO). In YTD 2022, NRE pertains to additional depreciation due to changes in the estimated useful life of Quorn fermenter assets and restructuring costs due to production costs rationalization to improve efficiency and address short term profitability issue in Meat Alternative, expenses related to global strategic alignment initiatives to ensure products adherence to global food quality standards in all jurisdictions the products are sold and product recall provision in Thailand due to selective EU recall. 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 (“MNC” or “the Parent Company” and its subsidiaries (collectively, referred to as the “Group”) as at and for the nine months ended September 30, 2022.

## I. SUMMARY CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME

### I.A CORE INCOME AFTER TAX RECONCILIATION

	in millions, except percentages					
	YTD 2022 (Unaudited)	% to Net Sales (in %)	YTD 2021 (Unaudited)	% to Net Sales (in %)	Inc (Dec) (in%)	
Net Sales <sup>(1)</sup>	54,897	100.0	51,448	100.0	3,449	6.7
Less: Cost of Goods Sold <sup>(2)</sup>	36,689	66.8	31,851	61.9	4,838	15.2
<b>Gross Profit</b>	<b>18,208</b>	<b>33.2</b>	<b>19,597</b>	<b>38.1</b>	<b>(1,389)</b>	<b>(7.1)</b>
Less: Sales, General & Administrative (SGA) <sup>(3)</sup>	11,457	20.9	10,389	20.2	1,068	10.3
Other Income (Expense)						

	in millions, except percentages					
	YTD 2022 (Unaudited)	% to Net Sales (in %)	YTD 2021 (Unaudited)	% to Net Sales (in %)	Inc (Dec)	Inc (Dec) (in%)
Less: Interest expense <sup>(4)</sup>	(172)	(0.3)	(52)	(0.1)	(120)	230.8
Foreign exchange gain/(loss) – net <sup>(5)</sup>	866	1.6	233	0.5	633	271.7
	694	1.3	181	0.4	513	283.4
<b>Core Income Before Tax</b>	7,445	13.6	9,389	18.2	(1,944)	(20.7)
Less: Provision for income tax <sup>(6)</sup>	1,809	3.3	2,143	4.2	(334)	(15.6)
<b>Core Income (After Tax)</b>	5,636	10.3	7,246	14.1	(1,610)	(22.2)
Less: Non-Controlling Interest	9	–	130	0.3	(121)	(93.1)
<b>Core Income (After Tax) at Ownership</b>	5,627	10.3	7,116	13.8	(1,489)	(20.9)

## I.B CORE INCOME TO REPORTED INCOME AFTER TAX RECONCILIATION

	in millions, except percentages					
	YTD 2022 (Unaudited)	% to Net Sales (in %)	YTD 2021 (Unaudited)	% to Net Sales (in %)	Inc (Dec)	Inc (Dec) (in %)
<b>Core Income (After Tax)</b>	5,636	10.3	7,246	14.1	(1,610)	(22.2)
<b>Other income (expenses)</b>						
Foreign exchange gain (loss) – net <sup>(7)</sup>	(148)	(0.3)	157	0.3	(305)	n/m
Share in net earnings (losses) from associates and Joint ventures	18	–	25	–	(7)	(28.0)
Miscellaneous income <sup>(8)</sup>	71	0.1	201	0.4	(130)	(64.7)
Impairment (loss)/reversal	(215)	(0.4)	101	0.2	(316)	n/m
	(274)	(0.6)	484	0.9	(758)	(156.6)
<b>Finance income (expense)</b>						
Interest expense <sup>(9)</sup>	(126)	(0.2)	(1,390)	(2.7)	1,264	(90.9)
Interest income	83	0.2	80	0.2	3	3.8
Loss on redemption of convertible note	–	–	(1,579)	(3.1)	1,579	n/m
Derivative gain (loss) – net	1,307	2.4	(2,258)	(4.4)	3,565	n/m
	1,264	2.4	(5,147)	(10.0)	6,411	n/m
<b>Other Non-recurring expenses</b>						
IPO-related expenses			(655)	(1.3)	655	n/m
PPE- change in estimated useful life	(523)	(1.0)	–	–	(523)	n/m
Restructuring costs	(252)	(0.5)	–	–	(252)	n/m
Global strategic alignment initiatives	(249)	(0.5)	–	–	(249)	n/m
	(1,024)	(1.9)	(655)	(1.3)	(369)	56.3
<b>Add: Income Tax Provision <sup>(10)</sup></b>	24	–	399	0.8	(375)	n/m
<b>Reported net income (after tax)</b>	5,626	10.2	2,327	4.5	3,299	141.8

Note 1: See “Other Financial Data – reconciliation of PFRS and non-PFRS measures”

n/m = not meaningful %

<sup>(1)</sup> YTD 2022 excludes P43 million recall provisions in Thailand due to selective EU recall.

<sup>(2)</sup> YTD 2022 excludes P523 million provisions due to change in the estimated useful life some Quorn assets at BFI factory and P200 million related to global strategic alignment initiatives.

<sup>(3)</sup> YTD 2022 excludes P252m restructuring costs in UK and P6m recall provision in Thailand; YTD 2021 excludes P655 million IPO-related expenses

<sup>(4)</sup> Recurring interest expense on Loans and Trust Receipts Payable

<sup>(5)</sup> Foreign exchange gain on U.S dollars balances for the Group’s natural hedge

<sup>(6)</sup> Based on recurring income tax rate per entity

<sup>(7)</sup> Excluding foreign exchange gain on USD reserves for the Group’s natural hedge (included in the Core Income calculation above)

<sup>(8)</sup> Miscellaneous income includes Market valuation gains on financial instruments on FVTL, and other income. In addition, 2021 includes reversal of ECL.

<sup>(9)</sup> Excluding recurring interest expense on Loans and Trust Receipts Payable (included in the Core Income calculation above)

<sup>(10)</sup> In YTD 2022, income tax effect of Other Income(expenses), non-recurring finance income (expenses) and Other Non-recurring expenses; In YTD 2021, income tax effect of Other Income(expenses) and non-recurring finance income (expenses), IPO-related expenses and one-off credit due to the impact of CREATE law offset by effect of 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

## 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: Core 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 2022 (Unaudited)	% to Total (in %)	YTD 2021 (Unaudited)	% to Total (in %)	Inc/(Dec)	Inc/(Dec) (in %)
<b>Net Sales</b>						
APAC BFB	43,673	79.6	40,316	78.4	3,357	8.3
Meat Alternative	11,224	20.4	11,132	21.6	92	0.8
<b>Total</b>	<b>54,897</b>	<b>100.0</b>	<b>51,448</b>	<b>100.0</b>	<b>3,449</b>	<b>6.7</b>
		% of Segment Net Sales (in %)		% of Segment Net Sales (in %)		
<b>Core Gross Profit</b>						
APAC BFB	14,337	32.8	14,909	37.0	(572)	(3.8)
Meat Alternative	3,871	34.5	4,688	42.1	(817)	(17.4)
<b>Total</b>	<b>18,208</b>	<b>33.2</b>	<b>19,597</b>	<b>38.1</b>	<b>(1,389)</b>	<b>(7.1)</b>
<b>Core Income before Tax</b>						
APAC BFB	7,639	17.5	8,460	21.0	(821)	(9.7)
Meat Alternative	(194)	(1.7)	929	8.3	(1,123)	(120.9)
<b>Total</b>	<b>7,445</b>	<b>13.6</b>	<b>9,389</b>	<b>18.2</b>	<b>(1,944)</b>	<b>(20.7)</b>
<b>Core Income (after tax)</b>						
APAC BFB	5,812	13.3	6,475	16.1	(663)	(10.2)
Meat Alternative	(176)	(1.6)	771	6.9	(947)	(122.8)
<b>Total</b>	<b>5,636</b>	<b>10.3</b>	<b>7,246</b>	<b>14.1</b>	<b>(1,610)</b>	<b>(22.2)</b>
<b>Core Income (after tax) at Ownership</b>						
APAC BFB	5,803	13.3	6,345	15.7	(542)	(8.5)
Meat Alternative	(176)	(1.6)	771	6.9	(947)	(122.8)
<b>Total</b>	<b>5,627</b>	<b>10.3</b>	<b>7,116</b>	<b>13.8</b>	<b>(1,489)</b>	<b>(20.9)</b>
<b>Core EBITDA <sup>(1)</sup></b>						
APAC BFB	8,365	19.2	9,833	24.4	(1,468)	(14.9)
Meat Alternative	472	4.2	1,445	13.0	(973)	(67.3)
<b>Total</b>	<b>8,837</b>	<b>16.1</b>	<b>11,278</b>	<b>21.9</b>	<b>(2,441)</b>	<b>(21.6)</b>

Note: (2) See “Other Financial Data – Core EBITDA Reconciliation”

## **RESULTS OF OPERATIONS**

**For the nine months ended September 30, 2022, compared to nine months ended September 30, 2021**

### ***Net Sales***

Net sales grew by 6.7%, from ₱51,448 million in YTD 2021 to ₱54,897 million in YTD 2022 driven by price increases in all categories to mitigate higher commodity prices. YTD 2022 volume sales were resilient despite the temporary decline in Noodles in Q3 due to the strong growth of biscuits and other categories.

### ***APAC BFB***

Net sales in the APAC BFB segment increased by 8.3%, from ₱40,316 million in YTD 2021 to ₱43,673 million in YTD 2022. The increase was driven by 9.2% growth in the domestic business due to responsible price actions in all categories and volume growth in biscuits and other categories. The increase was partly offset by a temporary volume decline in noodles in Q3 due to selective recall in a few jurisdictions which attracted media attention in the Philippines. The Group believes that the noodles' Q3 decline is only temporary due to the strong recovery seen particularly in October. Noodle average daily net invoiced sales volumes were up by 21% in October versus September and almost a par with June 2022, down by 2.0%. YTD 2022 sales of biscuits and other categories in the Philippines grew by 16.1% and 27.9%, respectively, due to increased mobility and resumption of face-to-face classes leading to more consumption occasions for these categories. Meanwhile, international business was down by 4.1% in YTD, and 2.5% in Q3, mainly due to noodles decline as measures were put in place to strengthen global compliance.

### ***Meat Alternative***

Net sales in the Meat Alternative segment increased by 0.8% from ₱11,132 million in 2021 to ₱11,224 million in YTD 2022. Excluding the effect of forex, Meat Alternative's overall net sales grew by 1.0% in YTD and 7.1% in Q3 due to price increases, strong volume growth in food service, share recovery in the UK retail business partly offset by the decline in the US market. While retail sales remained a challenge, Quorn UK and the rest of the world posted a constant currency growth of 8.0% and 21.4% year-on-year in Q3, respectively. The food service business continued strong momentum, registering 44.0% and 63.0% in Q3 and YTD, respectively. The US market continued to be challenged by losses in distribution points in a challenging market environment.

### ***Core Cost of Goods Sold***

Cost of goods sold increased by 15.2%, from ₱31,851 million in YTD 2021 to ₱36,689 million in YTD 2022, primarily due to elevated commodity and energy prices partly because of commodity lock-ins entered earlier in the year in APAC BFB. Cost of goods sold as a percentage of net sales increased by 4.9%, from 61.9% in YTD 2021 to 66.8% in YTD 2022.

### ***APAC BFB***

The cost of goods sold in the APAC BFB segment increased by 15.5%, from ₱25,407 million in YTD 2021 to ₱29,336 million in YTD 2022, primarily due to continuing commodity and input cost pressures partly due to effect of lock-ins entered earlier in the year to mitigate price and supply volatility risks. The actual prices of key raw materials and ingredients such as wheat/flour, palm oil, coconut oil, and shortening liquid have increased significantly in YTD 2022 as compared last year. Cost of goods sold as a percentage of net sales increased by 4.2%, from 63.0% in YTD 2021 to 67.2% in YTD 2022.

### ***Meat Alternative***

The cost of goods sold in the Meat Alternative segment increased by 14.1%, from ₱6,444 million in YTD 2021 to ₱7,353 million in YTD 2022 despite volume decline, primarily due to higher commodity and energy prices. Cost of goods sold as a percentage of net sales increased by 7.6%, from 57.9% in YTD 2021 to 65.5% in YTD 2022.

### ***Core Gross Profit***

Gross profit decreased by 7.1% from ₱19,597 million in YTD 2021 to ₱18,208 million in YTD 2022 for the reasons discussed above. The gross margin declined by 4.9%, from 38.1% in YTD 2021 to 33.2% in YTD 2022.

### ***APAC BFB***

Gross profit for the APAC BFB segment decreased by 3.8%, from ₱14,909 million in YTD 2021 to ₱14,337 million in YTD 2022 due to higher commodity prices partially mitigated by price increases. Gross margin decreased by 4.2%, from 37.0% in YTD 2021 to 32.8% in YTD 2022, for the reasons discussed above.

### ***Meat Alternative***

Gross profit for the Meat Alternative segment decreased by 17.4%, from ₱4,688 million in YTD 2021 to ₱3,871 million in YTD 2022 due to volume decline and cost inflation partially mitigated by price increases. The gross margin decreased by 7.6%, from 42.1% in YTD 2021 to 34.5% in YTD 2022, for the reasons discussed above.

### ***Core Sales, General and Administrative Expenses***

Sales, general and administrative expenses increased by 10.3%, from ₱10,389 million in YTD 2021 to ₱11,457 million in YTD 2022, primarily due to investment in the brand, the carry-over effect of the investments in organization resources, salary, and transport inflation.

### ***APAC BFB***

Sales, general and administrative (SG&A) expenses in the APAC BFB segment increased by 12.9%, from ₱6,662 million in YTD 2021 to ₱7,518 million in YTD 2022. The increase was due to investment in the brand, particularly on unplanned investment in noodles in Q3 to regain the lost momentum, organizational investment, and inflation effect on salary and logistics costs

### ***Meat Alternative***

Sales, general and administrative (SG&A) expenses in the Meat Alternative segment increased by 5.7%, from ₱3,727 million in YTD 2021 to ₱3,871 million in YTD 2022. The increase was due to the carry-over effect of the investment decision made in 2021, primarily in strengthening R&D and administrative capabilities, higher outside services and a one-time cost of living payments to all staffs.

### ***Core Foreign Exchange Gains***

Foreign exchange gains increased by 271.7%, from ₱233 million to ₱866 million due to due to the effective U.S dollar hedge program and the strengthening of U.S dollar against the Philippine peso.

### ***Core Income (Before Tax)***

Core income (after tax) declined by 20.7%, from ₱9,389 million in YTD 2021 to ₱7,445 million in YTD 2022, for the reasons discussed above.

### ***Core Income (After Tax)***

Core income (after tax) declined by 22.2%, from ₱7,246 million in YTD 2021 to ₱5,636 million in YTD 2022, for the reasons discussed above.

### ***Core Income (After Tax) at Ownership***

Core Income (after tax) at Ownership declined by 20.9%, from ₱7,116 million in YTD 2021 to ₱5,627 million in YTD 2022. Core Income attributable to non-controlling interest was significantly down by 93.1%, from ₱130 million to ₱9 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 Gains of Associates and Joint Ventures***

Share in net gains of associates and joint ventures declined by 28.0%, from ₱25 million in YTD 2021 to ₱18 million in YTD 2022 due to lower income from KBT International Holdings, Inc.

### ***Non-Core Foreign Exchange Loss – Net***

Net foreign exchange (forex) loss increased to ₱148 million in YTD 2022 due to unrealized loss on trust receipts and realized and unrealized loss on accounts payables.

### ***Non-Core Interest Expense***

Interest expense significantly decreased from ₱1,390 million in YTD 2021 to ₱126 million in YTD 2022 mainly due to redemption of Arran's convertible notes and settlement of bank loans. YTD 2021 includes ₱747 million related to accretion of interest on Arran's convertible notes.

### ***Impairment loss***

The Group recorded an impairment loss amounting to ₱215 million in YTD 2022 and reversal of impairment provision amounting to ₱101 million in APAC BFB. In YTD 2022, the Parent Company assessed that the value in use of a certain property, plant and equipment in MNC was nil since the asset pertains to discontinued product line with no expected future use or cash flow. The reversal of impairment provision recognized last year was due to the improvement of the result of the operation of biscuit line in MNTH.

### ***Derivative Gain (Loss)***

The Group recorded derivate gains of ₱1,307 million in YTD 2022 compared to a derivative loss of ₱2,258 million in YTD 2021. YTD 2022 derivative gains related to unwinding of non-deliverable cross-currency swap agreement entered last March 4, 2022, with the notional amount of ₱5,839.5 million

(£85.0 million). Under the CCS agreement, the Group will receive Philippine Peso interest at 9% p.a. and will pay fixed Pound Sterling interest at 6% p.a. The Group will also pay the notional Pound Sterling amount in exchange for the Philippines Peso amount at the end of the swap period. The CCS was used to hedge the Parent Company's exposure to the GBP foreign exchange risk on its investment in MNSPL and was designated as net investment hedge. On September 28, 2022, the BOD approved to fully unwind the CCS agreement to take advantage of the weakening of Pound Sterling. Meanwhile, the derivative loss in YTD 2021 was primarily due to the full settlement of Arran's convertible note last June 3, 2021. *For more information, please see Note 20 to the Unaudited Interim Consolidated Financial Statements.*

#### ***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 loss on convertible note redemption are due to the difference between the face value of the note before redemption and amount the Group paid upon redemption.

#### ***Other Non-Recurring Expenses (NRE)***

Other non-recurring expenses increased by 56.3%, from ₱655 million in YTD 2021 to ₱1,024 million in YTD 2022. YTD 2021 NRE pertaining to the IPO-related expenses. YTD 2022 NRE pertaining to additional depreciation (₱523 million) due to changes in the estimated useful life of Quorn fermenter assets in BF1 and restructuring costs (₱252 million) in the UK as a result of production cost rationalization and to improve efficiency and address short-term profitability in Meat Alternative. Moreover, YTD 2022 NRE expenses related to global strategic alignment initiatives (₱200 million) and recall provision in Thailand due to selective EU recall (₱49 million). For further information, please refer to "*Other Financial Data – reconciliation of PFRS and non-PFRS measures*".

#### ***Income Before Income Tax***

Income before income increased by 82.0%, from ₱4,071 million in YTD 2021 to ₱7,411 million in YTD 2022, for the reasons as discussed above.

#### ***Total Income Tax Expense***

Income tax expense increased by 2.4%, from ₱1,744 million in YTD 2021 to ₱1,785 million in YTD 2022 mainly due to Parent Company's higher taxable profit this year compared last year. Last year, the taxable income was low as the Parent Company's recognized loss related to redemption of the convertible notes which was partly offset by the effect of the increase in deferred tax liability in Meat Alternative. UK tax rate was announced to increase from 19% to 25% in April 2023. In accordance with PAS 12.46, *Income Taxes*, 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 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 increased by 141.8% from ₱2,327 million in YTD 2021 to ₱5,626 million YTD 2022.

## STATEMENT OF FINANCIAL POSITION

Financial condition as at December 31, 2021, compared to as at September 30, 2022.

### Current Assets

The Group's current assets slightly increased by 4.4%, from ₱30,613 million as at December 31, 2021, to ₱31,965 million as at September 30, 2022, primarily due to higher inventories, current financial assets partly offset by lower cash and cash equivalents.

	September 30, 2022		December 31, 2021		Increase (Decrease)	
	Unaudited	% to Total (In %)	Audited	% to Total (In %)	Amount	In %
	<b>in millions, except percentages</b>					
Cash and cash equivalents	12,352	39	13,857	45	(1,505)	(10.9)
Trade and other receivables	6,225	19	6,249	21	(24)	(0.4)
Inventories	10,298	32	8,572	28	1,726	20.1
Current financial assets	1,829	6	165	-	1,664	1,008.5
Prepayments and other current assets	1,261	4	1,770	6	(509)	(28.8)
<b>Total</b>	<b>31,965</b>	<b>100</b>	<b>30,613</b>	<b>100</b>	<b>1,352</b>	<b>4.4</b>

**Cash and cash equivalents** decreased by 10.9%, from ₱13,857 million as at December 31, 2021, to ₱12,352 million as at September 30, 2022, primarily due to payments related to trust receipts, income tax and capital expenditures.

**Inventories** increased by 20.1%, from ₱8,572 million as at December 31, 2021, to ₱10,298 million as at September 30, 2022, primarily due to elevated commodity and energy prices, higher stocks level in Meat Alternative inventories to ensure resilience during challenging macro-economic conditions in the UK, and partly due to temporary slowdown of Noodles in Q3 2022.

**Current financial assets as at September 30, 2022 pertains to** the financial assets at FVTPL accounts. Last year, the current financial asset pertains to loans receivable of MNSPL to MNSG which was entered last July 3, 2020, with original maturity date of July 3, 2022. In 2022, this was reclassified to non-current as both parties agreed to extend the maturity date to July 3, 2024.

**Prepayments and other current assets** decreased by 28.8%, from ₱1,770 million as at December 31, 2021, to ₱1,261 million as at September 30, 2022, mainly due to usage of prepaid income tax due to higher taxable income in YTD 2022 resulting to payable position.

### Noncurrent Assets

The Group's noncurrent assets slightly decreased by 1.7%, from ₱69,244 million as at December 31, 2021, to ₱68,063 million as at September 30, 2022.

	September 30, 2022		December 31, 2021		Increase (Decrease)	
	Unaudited	% to Total (In %)	Audited	% to Total (In %)	Amount	In %
	<b>in millions, except percentages</b>					
Intangible assets	34,132	50	35,647	51	(1,515)	(4.3)
Property, plant and equipment	30,260	45	29,952	43	308	1.0
Investments in associates and joint ventures	1,142	2	1,094	2	48	4.4
Deferred tax assets – net	903	1	885	1	18	2.0
Noncurrent receivables	661	1	500	1	161	32.2
Other noncurrent assets	965	1	1,166	2	(201)	(17.2)
<b>Total</b>	<b>68,063</b>	<b>100</b>	<b>69,244</b>	<b>100</b>	<b>(1,181)</b>	<b>(1.7)</b>

**Noncurrent receivables** increased by 32.2%, from ₱500 million as at December 31, 2021, to ₱661 million as at September 30, 2022 due to reclassification of loans receivable of MNSPL to MNSG from current to noncurrent as both parties agreed to extend the maturity of the loan to July 3, 2024.

**Other noncurrent assets** decreased by 17.2%, from ₱1,166 million as at December 31, 2021, to ₱965 million as at September 30, 2022 due to application of advances to customers and amortization of deferred input VAT related to capital expenditures (CapEx). In addition, under the TRAIN Law, starting January 1, 2022, all input tax on purchases of capital goods shall already be allowed to be claimed outright upon purchase/payment and shall no longer be subject to amortization.

### **Current Liabilities**

The Group's current liabilities decreased by 32.4%, from ₱22,409 million as at December 31, 2021, to ₱15,140 million as at September 30, 2022.

	September 30, 2022		December 31, 2021		Increase (Decrease)	
	Unaudited	% to Total (In %)	Audited	% to Total (In %)	Amount	In %
	<b>in millions, except percentages</b>					
Accounts payable and other current liabilities	9,367	62	11,156	50	(1,789)	(16.0)
Dividends payable	2,516	17	-	-	2,516	n/m
Acceptances and trust receipts payable	1,911	13	3,715	17	(1,804)	(48.6)
Current portion of loans payable	267	2	6,999	31	(6,732)	(96.2)
Refund liabilities	380	2	304	1	76	25.0
Current portion of lease liabilities	154	1	97	-	57	58.8
Income tax payable	545	3	138	1	407	294.9
<b>Total</b>	<b>15,140</b>	<b>100</b>	<b>22,409</b>	<b>100</b>	<b>(7,269)</b>	<b>(32.4)</b>

**Accounts payable and other current liabilities** decreased by 16.0%, from ₱11,156 million as at December 31, 2021, to ₱9,367 million as at September 30, 2022. The decrease was primarily due to payment on final income tax payable on dividends amounting to ₱600 million included in 2021 balances and payments on non-trade payables.

On August 9, 2022, the Parent Company's BOD approved and declared the issuance of regular cash dividends to stockholders of record as of September 8, 2022, for ₱0.14 per common share or ₱2,515.6 million, which is payable on October 3, 2022.

**Acceptances and trust receipts payable** decreased by 48.6%, from ₱3,715 million as at December 31, 2021, to ₱1,911 million as at September 30, 2022 due to retirement of some trust receipts payable to save on interest expenses and in consideration of higher cash availability.

The **current portion of loans payable** as at December 31, 2021, pertains to MNUK's outstanding loan which was reclassified from noncurrent. As at December 31, 2021, loans of MFL, a wholly owned UK-based indirect subsidiary, was reclassified to current portion as MFL exceeded the gross leverage covenant threshold of 3.0x. To address this issue, MFL entered into a sterling term loan facility amounting to ₱7,003.7 million (£105.0 million) on June 1, 2022 and repaid its existing financial indebtedness on June 9, 2022. For more information, please refer to Note 13 of the Unaudited Interim Consolidated Financial Statements.

**Income tax payable** increased by 294.9%, from ₱138 million as at December 31, 2021, to ₱545 million as at September 30, 2022. Income tax payable was low as at December 31, 2021 due to utilization of prepaid income tax from the implementation of CREATE Act and lower taxable income due to recognition of actual loss on redemption on Arran's convertible notes.

### ***Noncurrent Liabilities***

The Group's noncurrent liabilities increased by 69.2%, from ₱9,033 million as at December 31, 2021, to ₱15,284 million as at September 30, 2022, mainly due to refinancing of MFL's loan.

	September 30, 2022		December 31, 2021		Increase (Decrease)	
	Unaudited	In %	Audited	In %	Amount	%
<b>in millions, except percentages</b>						
Loans payable	6,779	44	-	-	6,779	n/m
Deferred tax liabilities – net	5,231	35	5,702	64	(471)	(8.3)
Lease liabilities	2,638	17	2,662	29	(24)	(0.9)
Pension liability	601	4	649	7	(48)	(7.4)
Other noncurrent liabilities	35	-	20	-	15	75.0
<b>Total</b>	<b>15,284</b>	<b>100</b>	<b>9,033</b>	<b>100</b>	<b>6,251</b>	<b>69.2</b>

**Loans payable** as at September 30, 2022 pertains to MNUK's new loan agreement amounting to ₱7,003.7 million (£105.0 million) entered into last June 1, 2022, with maturity date of June 2025 subject to extension of 2 years, primarily used to refinance old loan. Please see discussion under current portion of loans payable.

**Deferred tax liability** decreased by 8.3%, from ₱5,702 million as at December 31, 2021, to ₱5,231 million as at September 30, 2022, due to NOLCO in Meat Alternative and effect of forex.

**Pension liability** decreased by 7.4%, from ₱649 million as at December 31, 2021, to ₱601 million as at September 30, 2022, primarily due to contribution by MMYSC.

### ***Equity***

The Group's total equity increased by 1.7%, from ₱68,416 million as at December 31, 2021, to ₱69,604 million as at September 30, 2022 due to recognition of the results of operations year-to-date September 2022.

## **LIQUIDITY AND CAPITAL RESOURCES**

### **Overview**

The Group's principal sources of liquidity are cash flows from its operations, borrowings, and IPO proceeds. For the nine months ended September 30, 2021, the Group's cash flow from operations were sufficient to provide for its operations, partial settlement of outstanding loans and dividend payments. For the nine months ended September 30, 2022, the Group's cash flows from operations were sufficient to provide for its operations. The IPO proceeds financed the Company's capital expenditures requirements for YTD 2022.

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. Any excess capital expenditure 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 year ended September 30, 2022, and September 30, 2021, should be read in conjunction with the statements of cash flows and notes included in Unaudited Interim Consolidated Financial Statements.

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

	<b>Nine-months ended Sep 30,</b>	
	<b>2022</b>	<b>2021</b>
	in millions	
Net cash flows provided by operating activities	2,341	8,923
Net cash flows used in investing activities	(4,940)	(7,861)
Net cash flows from (used in) financing activities	998	15,204
<b>Net increase in cash and cash equivalents</b>	<b>(1,601)</b>	<b>16,266</b>
Effect of foreign exchange rate changes on cash and cash equivalents	96	233
<b>Cash and cash equivalents at beginning of year</b>	<b>13,857</b>	<b>7,093</b>
<b>Cash and cash equivalents as at September 30,</b>	<b>12,352</b>	<b>23,592</b>

### *Net cash flow provided by operating activities*

The net cash flows provided by operating activities were ₱2,341 million for the nine months ended September 30, 2022. The Group's income before income tax for the year was ₱7,411 million. Cash generated from operations (after adjusting for, among other things, depreciation, and amortization, and working capital changes) was ₱3,891 million. The Group generated cash from interest received amounting to ₱72 million and paid income taxes of ₱1,622 million.

The net cash flows provided by operating activities were ₱8,923 million for nine months ended September 30, 2021. The Group's income before income tax for this period was ₱4,071 million. 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 ₱71 million and paid income taxes of ₱637 million.

### *Net cash flows used in investing activities*

The Group's net cash flows used in investing activities were ₱4,940 million for the nine months ended September 30, 2022. The cash outflow primarily consisted of the Group's payments for CapEx of ₱3,340 million and investment in FVTPL at ₱1,736 million

The Group's net cash flows used in investing activities were ₱7,861 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, payments for CapEx of ₱3,560 million, and for the acquisition of additional shares in MMYSC from MCI, amounting to ₱1,822 million, increasing its ownership to 100%.

**Net cash flows provided by financing activities**

The net cash flows provided by financing activities were ₱998 million for the nine months ended September 30, 2022. The cash flow was primarily from proceeds from the unwinding of due CCS agreement amounting to ₱920 million.

The net cash flows provided by financing activities were ₱15,205 million for the nine months ended September 30, 2021, primarily consisted of the IPO proceeds or ₱48,931 million total additional paid-in capital. The cash outflow was for the settlement of Arran’s convertible note amounting to ₱13,432 million, partial settlement of the outstanding loans amounting to ₱17,161 million, interest payment amounting to ₱1,341 million, and dividends payment of ₱1,511 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, Core Gross Margin, Core Net Income margin After Tax, (at ownership), Core EBITDA margin, and Core Return on equity.

	<b>September 30, 2022</b>	<b>December 31, 2021</b>
Current ratio	2.11	1.37
Acid test ratio	1.35	0.90
Solvency ratio	0.32	0.18
Debt-to-equity ratio	0.44	0.46
Asset-to-equity ratio	1.44	1.46
	<b>Nine months ended Sep 30, 2022</b>	<b>2021</b>
<b>Net Sales Growth</b>	6.7%	2.2%
<b>Core Gross Margin</b>	33.2%	38.1%
<b>Core Net Income After Tax margin (at ownership)</b>	10.2%	13.8%
<b>Core EBITDA Margin</b>	16.1%	21.9%
Interest rate coverage ratio	25.6	3.8
	<b>Twelve months ended September 30, 2022</b>	<b>Twelve months ended December, 2021</b>
<b>Core Return on equity *</b>	9.7%	17.5%
Core Return on assets *	6.7%	8.9%

• Annualized

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

<b>Financial ratios</b>	<b>Formula</b>
Current ratio	$\frac{\text{Current assets}}{\text{Current liabilities}}$
Acid test ratio	$\frac{\text{Cash and cash equivalents} + \text{Current receivables} + \text{Current Financial Assets}}{\text{Current liabilities}}$
Solvency ratio	$\frac{\text{Net income attributable to equity holders of the Company} + \text{Depreciation and amortization **}}{\text{Total liabilities}}$
Debt-to-equity ratio	$\frac{\text{Total liabilities (current + noncurrent)}}{\text{Equity attributable to equity holders of the Company}}$
Asset-to-equity ratio	$\frac{\text{Total assets (current + noncurrent)}}{\text{Equity attributable to equity holders of the Company}}$
Interest rate coverage ratio	$\text{EBIT}$

Financial ratios	Formula
	Interest Expense
Net Sales Growth	$\frac{\text{Current period net sales} - \text{prior period net sales}}{\text{Prior period net sales}}$
Core Gross margin	$\frac{\text{Gross profit}}{\text{Net sales}}$
Core EBITDA Margin	$\frac{\text{Core EBITDA}}{\text{Net sales}}$
Core Net profit margin	$\frac{\text{Core Income after-tax at Ownership}}{\text{Net sales}}$
Core Return on equity	$\frac{\text{Core income after-tax at Ownership}^{**}}{\text{Equity attributable to equity holders of the Company (average)}^*}$
Core Return on assets	$\frac{\text{Core income after-tax at Ownership}^{**}}{\text{Total assets (average)}^*}$

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

\*\* For 2022 January to September 2022 and October to December 2021 to get annualized results.

\*\* For 2021 pertains to twelve months ended December 31, 2021.

## OTHER FINANCIAL DATA

### I. RECONCILIATION OF PFRS TO NON-PFRS MEASURES

The following tables set out PFRS to non-PFRS reconciliation for the period indicated:

	For the nine months ended September 30, 2022 (Unaudited)			
	PFRS	Adjustments		Non-PFRS
	Reported	APAC BFB	Meat Alternative	Reported
	(in ₱ millions)			
<b>Net Sales<sup>(1)</sup></b>	<b>54,854</b>	<b>43</b>		<b>54,897</b>
Less: Cost of Goods Sold <sup>(2)</sup>	37,412	(200)	(523)	36,689
<b>Gross Profit</b>	<b>17,442</b>	<b>243</b>	<b>523</b>	<b>18,208</b>
Less: Sales, General & Administrative (SG&A) <sup>(3)</sup>	11,715	(6)	(252)	11,457
Less: Interest Expense <sup>(4)</sup>	-	(172)	-	(172)
Add: Forex exchange gain <sup>(5)</sup>	-	866	-	866
<b>Core Income Before Tax</b>	<b>5,727</b>	<b>943</b>	<b>775</b>	<b>7,445</b>
Other Income(expenses)				
Foreign exchange gain (loss) – net <sup>(5)</sup>	718	(866)	-	(148)
Share in net earnings of an associate	18	-	-	18
Impairment loss – Net	(215)	-	-	(215)
Miscellaneous Income	71	-	-	71
	592	(866)	-	(274)
<b>Income Before Finance Income (Expenses)</b>	<b>6,319</b>	<b>77</b>	<b>775</b>	<b>7,171</b>
Finance Income (Expenses)				
Interest income	83	-	-	83
Interest expense <sup>(4)</sup>	(298)	172	-	(126)
Derivative gain <sup>(6)</sup>	1,307	-	-	1,307
	1,092	172	-	1,264
Other non-Recurring Expenses				
PPE- change in estimated useful life	-	-	(523)	(523)

For the nine months ended September 30, 2022  
(Unaudited)

	PFRS Reported	Adjustments		Non- PFRS Reported
		APAC BFB	Meat Alternative	
Restructuring costs	-	-	(252)	(252)
Global strategic alignment initiatives	-	(249)	-	(249)
	-	(249)	(775)	(1,024)
<b>Income Before Income Tax</b>	<b>7,411</b>	-	-	<b>7,411</b>
Provision for Current Income Tax	1,785	-	-	1,785
<b>Reported Net Income</b>	<b>5,626</b>	-	-	<b>5,626</b>

<sup>(1)</sup> P43 million in APAC BFB pertains recall provision Thailand due to selective EU recall.

<sup>(2)</sup> P200 million in APAC BFB pertains to expenses related to global strategic alignment initiatives to adhere to strictest global compliance standards; P523 million in Meat Alternative (MA) pertains to additional depreciation due to production cost rationalization

<sup>(3)</sup> P252 million in MA pertains to restructuring costs in UK due to improve efficiency and P 6m in APAC BFB related to recall provision.

<sup>(4)</sup> Recurring interest expense on Loans and Trust Receipts Payable

<sup>(5)</sup> Foreign exchange gain on U.S dollars balances for the Group's natural hedge

<sup>(6)</sup> One-off gain from unwinding of cross-currency swap

For the nine months ended Sep 30, 2021  
(Unaudited)

	PFRS Reported	Adjustments		Non-PFRS Reported
		APAC BFB	(in P millions)	
<b>Net Sales</b>	<b>51,448</b>	-	-	<b>51,448</b>
<b>Less: Cost of Goods Sold</b>	<b>31,851</b>	-	-	<b>31,851</b>
<b>Gross Profit</b>	<b>19,597</b>	-	-	<b>19,597</b>
Less: Sales, General & Administrative (SG&A) <sup>(1)</sup>	11,044	(655)	-	10,389
Less: Interest Expense <sup>(2)</sup>	-	(52)	-	(52)
Add: Foreign exchange gain <sup>(3)</sup>	-	233	-	233
<b>Core Income Before Tax</b>	<b>8,553</b>	<b>836</b>	-	<b>9,389</b>
<b>Other Income (Expenses)</b>				
Scrap sales	-	-	-	-
Foreign exchange gain (loss) – net	390	(233)	-	157
Share in net earnings of an associate	25	-	-	25
Impairment loss – Net	101	-	-	101
Miscellaneous Income	201	-	-	201
	<b>717</b>	<b>(233)</b>	-	<b>484</b>
<b>Income before Finance Income / (Expenses)</b>	<b>9,270</b>	<b>603</b>	-	<b>9,873</b>
<b>Finance Income / (Expenses)</b>				
Interest income	80	-	-	80
Interest expense	(1,442)	52	-	(1,390)
Loss on CN redemption	(1,579)	-	-	(1,579)
Derivative Loss <sup>(4)</sup>	(2,258)	-	-	(2,258)
	<b>(5,199)</b>	<b>52</b>	-	<b>(5,147)</b>
Other Non-Recurring Expense	-	(655)	-	(655)
<b>Income Before Income Tax</b>	<b>4,071</b>	-	-	<b>4,071</b>
Provision for Current Income Tax	1,744	-	-	1,744
<b>Reported Net Income</b>	<b>2,327</b>	-	-	<b>2,327</b>

<sup>(1)</sup> P655 million non-recurring expense in APAC BFB related to IPO-related expenses

<sup>(2)</sup> Recurring interest expense on Loans and Trust Receipts Payable

<sup>(3)</sup> Foreign exchange gain on U.S dollars balances for the Group's natural hedge

<sup>(4)</sup> Derivative loss primarily related to Arran's convertible note

## II. 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 Sep 30, 2022  
(Unaudited)

	APAC BFB	Meat		Total
		Alternative	(in P millions)	
<b>Income before Income Tax</b>	8,378	(967)	-	7,411
Interest Expense	160	138	-	298
Interest Income	(80)	(3)	-	(83)
<b>EBIT</b>	<b>8,458</b>	<b>(832)</b>	-	<b>7,626</b>

**For the nine months ended Sep 30, 2022**  
**(Unaudited)**

	APAC BFB	Meat Alternative	Total
Derivative Gain	(1,307)	-	(1,307)
Foreign Exchange (Gain) – Net	(707)	(11)	(718)
Non-recurring expenses	249	252	501
Impairment Loss	215	-	215
Depreciation and Amortization Expense	1,457	1063	2,520
<b>EBITDA</b>	<b>8,365</b>	<b>472</b>	<b>8,837</b>

**For the nine months ended Sep 30, 2021**  
**(Unaudited)**

	APAC BFB	Meat Alternative	Total
	(in ₱ millions)		
<b>Income before Income Tax</b>	3,157	914	4,071
Interest Expense	1,401	41	1,442
Interest Income	(79)	(1)	(80)
<b>EBIT</b>	<b>4,479</b>	<b>954</b>	<b>5,433</b>
Derivative Loss	2,258	-	2,258
Loss on redemption of CN	1,579	-	1,579
Foreign Exchange Gain – Net	(397)	7	(390)
Depreciation and Amortization Expense	1,360	484	1,844
Reversal of Impairment	(101)	-	(101)
IPO-related Expenses	655	-	655
<b>EBITDA</b>	<b>9,833</b>	<b>1,445</b>	<b>11,278</b>

### III. FINANCIAL LIABILITIES

The following table summarizes the Group’s financial liabilities as at September 30, 2022.

	(in ₱ millions)					
	On Demand	1 to 3 Months	3 to 12 Months	1 to 5 Years	More than 5 Years	Total
Financial Liabilities						
Trade and other payables *	1,516	7,372	119	–	–	9,007
Dividends Payable	–	2,516	–	–	–	2,516
Loans Payable **	–	–	267	6,883	–	7,150
Convertible note	–	–	–	–	–	–
Lease liabilities	–	317	166	942	7,179	8,604
Acceptance and trust receipts payable	–	–	1,911	–	–	1,911
	1,516	10,204	2,463	7,825	7,179	29,188

\* Including statutory payable

\*\*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 Capital Expenditure for the nine months ended September 30, 2022, and September 30, 2021, of the Group:

	<b>For the nine months ended September 30,</b>	
	<b>2022</b>	<b>2021</b>
	<b>(in ₱ millions)</b>	
APAC BFB	1,531	2,499
Meat Alternative	1,809	1,061
<b>Total</b>	<b>3,340</b>	<b>3,560</b>

In 2021 and 2022, the Group's major capital expenditures in its APAC BFB segment were continued construction of a new facility in Malvar, Batangas, new production line for Noodles and investment in various technology and machineries to improve operational efficiencies.

In 2021 and 2022, the Group's major capital expenditures in its Meat Alternative segment was to increase production fermentation capacity. Additional investment in 2022 mainly in increasing capacity to produce deli products.

The latest estimated full year capital expenditure requirements for 2022 is around ₱5 billion. Below are anticipated key spending in Q4 2022.

- Improving production capacity and capability for its bread business
- Improvement and maintenance capex to improve efficiency on various plants in APAC BFB.
- Additional investments in Meat Alternative's capacity for fermentation and deli products.

No assurance can be given that the Group's capital expenditures plan will not change or that the amount of the capital expenditures for any project or as whole will not change in future years from current expectations.

### **Off-Balance Sheet Arrangements**

As at September 30, 2022, 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. For more information, please see Note 20 to the Unaudited Interim Consolidated Financial Statements.

#### ***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.

## **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 may enter short and long-term tenor contracts for commodities 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.

## **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.

## **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.

## **Contingencies**

As at September 30, 2022, 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 ₱1,651.7 million and ₱1,423.5 million as at September 30, 2022, and December 31, 2021, 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.
- There were no material changes in estimates of amounts reported in prior interim periods of the current year or changes in estimates of amounts reported in prior financial years.
- Subsequent to June 30, 2022, there was a news concerning a selective recall in a few EU jurisdictions for some products. This attracted media attention in the Philippines and an FDA inquiry which concluded that all tested products in the Philippines comply with the Philippine FDA

regulations. Unfortunately, this had a temporary effect on sale of Noodles. Sales of noodles in Q3 declined by 22%. Sales and marketing efforts have largely corrected the impact due to significant recovery seen in October. October average daily sales volume was up by 21% and net invoiced value increased by 32% compared with September. Further, the Group will continue sales and marketing efforts to resume the growth seen earlier this year and last year in this category. Additionally, as part of global strategic alignment initiatives, the Group enhanced the sourcing, testing and overall processes to ensure products adhere to all food quality compliance standards, regardless of what jurisdiction they are sold in.

- The Group saw a gradual easing of commodity prices in the global markets. If the trend continues, it may have a favorable effect on the margin on a longer term; however, minimal impact for the current fiscal year. To secure supply, and in the context of the volatile environment, the Group already secured partial tranches of wheat and palm oil requirements until Q2 2023.
- There were no other known trends, events or uncertainties that have had or that are reasonably expected to have a favourable or unfavourable impact on net sales or income from continuing operations, except those stated above and in the Management’s Discussion and Analysis of Factors affecting the Operations, Financial Position and Financial Performance.
- Below is the foreign exchange rate used in the translation of the Income Statement and Balance Sheet Items to Philippine Peso.

	Nine months average		Closing Rate	
	For the period ended September 30,			
	2022	2021	Sep 30, 2022	Dec 31, 2021
1GBP	67.2740	67.7180	65.5492	68.5347
1USD	53.5980	48.8946	58.6250	51.0000

## PART II--OTHER INFORMATION

### Board of Directors

The following table sets forth the Company's Board of Directors as at September 30, 2022:

<b>Name</b>	<b>Position</b>
Hartono Kweefanus	Chairperson Emeritus
Kataline Darmono	Chairperson
Hoediono Kweefanus	Vice-Chairperson
Betty T. Ang	President
Henry Soesanto	Executive Vice President and Chief Executive Officer
Monica Darmono	Treasurer
Romeo L. Bernardo	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 14, 2022**

Date



**HENRY SOESANTO**  
Chief Executive Officer



**JESSE C. TEO**  
Chief Financial Officer