

SEC Number 0000086335
File Number_____

Monde Nissin Corporation
(Company's Full Name)

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

(632) 7759 7595
Telephone Number

June 30, 2021
(Half Year Ending)
(month & day)

Form 17-Q
Form Type

N/A
Designation (If applicable)

30 June 2021
Period Date Ended

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

SECURITIES AND EXCHANGE COMMISSION

SEC FORM 17-Q

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

1. For the quarterly period ended June 30, 2021
2. Commission Identification Number 0000086335
3. BIR Tax Identification No. 000-417-352-000
4. Exact name of issuer as specified in its charter: Monde Nissin Corporation
5. Province, country or other jurisdiction of incorporation or organization: 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
<u>Common</u>	<u>17,968,611,496</u>	

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

Yes [] No []

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

The common shares are listed on the Philippine Stock Exchange.

12. Indicate by check mark whether the registrant:

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

Yes No

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

Yes No

PART I--FINANCIAL INFORMATION

Item 1. Financial Statements.

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

MONDE NISSIN CORPORATION AND SUBSIDIARIES

UNAUDITED INTERIM CONSOLIDATED STATEMENTS OF FINANCIAL POSITION (with Comparative Audited Figures as at December 31, 2020)

	June 30, 2021 (Unaudited)	December 31, 2020 (Audited)
ASSETS		
Current Assets		
Cash and cash equivalents (Note 5)	P31,273,045,258	P7,093,014,862
Financial assets at fair value through profit or loss (FVTPL) (Note 20)	5,000,431,089	–
Trade and other receivables (Note 6)	5,993,213,342	6,456,718,430
Inventories (Note 7)	6,741,273,094	6,073,003,451
Prepayments and other current assets (Note 8)	1,754,059,570	972,252,627
Total Current Assets	50,762,022,353	20,594,989,370
Noncurrent Assets		
Intangible assets (Note 10)	34,967,586,902	33,600,331,015
Property, plant and equipment (Note 9)	28,384,608,386	26,636,573,782
Investments in associates and joint ventures	1,030,978,843	1,024,068,245
Deferred tax assets - net (Note 19)	1,881,489,230	843,075,203
Noncurrent receivables (Note 18)	667,158,122	655,521,471
Other noncurrent assets (Note 11)	1,188,841,904	1,047,857,077
Total Noncurrent Assets	68,120,663,387	63,807,426,793
	P118,882,685,740	P84,402,416,163
LIABILITIES AND EQUITY		
Current Liabilities		
Accounts payable and other current liabilities (Notes 12 and 18)	P9,867,514,318	P10,140,676,184
Dividends payable (Note 14)	8,549,323,840	–
Acceptances and trust receipts payable (Note 7)	1,247,833,300	605,902,034
Current portion of loans payable (Note 13)	6,118,812,115	9,559,593,645
Refund liabilities (Note 12)	220,999,541	279,696,147
Current portion of lease liabilities	90,882,593	88,072,967
Income tax payable	86,127,713	282,397,364
Total Current Liabilities	26,181,493,420	20,956,338,341
Noncurrent Liabilities		
Loans payable (Note 13)	18,649,629,190	19,986,408,011
Convertible note (Note 13)	–	7,027,163,502
Deferred tax liabilities - net (Note 19)	5,722,854,944	4,199,918,067
Derivative liability (Note 20)	–	2,513,886,182
Lease liabilities	2,695,681,391	2,674,958,536
Pension liability	538,161,511	481,480,886
Other noncurrent liabilities	19,436,965	22,225,774
Total Noncurrent Liabilities	27,625,764,001	36,906,040,958
Total Liabilities	53,807,257,421	57,862,379,299
Equity		
Capital stock (Note 14)	8,984,305,748	6,570,000,000
Additional paid-in capital (Note 14)	46,842,902,864	–
Retained earnings (Note 14):		
Appropriated	4,355,336,000	11,155,336,000
Unappropriated	9,315,827,155	12,497,957,136
Fair value reserve of financial assets at FVOCI	(235,130,244)	(235,130,244)
Remeasurement losses on pension liability	(319,731,741)	(289,888,680)
Equity reserve (Note 14)	(622,335,202)	(89,762,438)
Cumulative translation adjustments (Note 14)	(3,379,507,554)	(4,366,784,166)
Equity Attributable to Equity Holders of the Parent Company	64,941,667,026	25,241,727,608
Non-controlling Interests (Notes 4 and 14)	133,761,293	1,298,309,256
Total Equity	65,075,428,319	26,540,036,864
	P118,882,685,740	P84,402,416,163

See accompanying Notes to Unaudited Interim Condensed Consolidated Financial Statements.

MONDE NISSIN CORPORATION AND SUBSIDIARIES
UNAUDITED INTERIM CONSOLIDATED
STATEMENTS OF COMPREHENSIVE INCOME

	Quarters Ended June 30		Six Months Ended June 30	
	2021	2020	2021	2020
NET SALES (Note 15)	₱16,682,290,137	₱16,578,024,895	₱33,758,551,099	₱33,359,413,974
COST OF GOODS SOLD (Note 15)	10,770,152,111	10,131,624,087	21,134,589,632	20,225,593,232
GROSS PROFIT	5,912,138,026	6,446,400,808	12,623,961,467	13,133,820,742
SALES, GENERAL AND ADMINISTRATIVE EXPENSES (Note 16)	3,985,493,474	3,097,424,840	7,322,411,463	5,774,580,607
	1,926,644,552	3,348,975,968	5,301,550,004	7,359,240,135
OTHER INCOME (EXPENSES)				
Foreign exchange gain (loss) - net (Notes 4 and 13)	259,399,988	1,406,210,150	267,547,193	803,909,906
Reversal of provision for expected credit losses (Note 6)	4,048,569	–	14,732,427	–
Share in net earnings (losses) from associates and joint ventures	(3,132,339)	(35,878,756)	6,910,598	(48,608,374)
Gain on sale of property, plant and equipment	652,126	342,434	1,674,624	2,380,344
Market valuation gain on financial instruments at fair value through profit or loss	431,089	–	431,089	–
Miscellaneous income (Note 17)	63,202,330	57,425,991	76,661,651	68,391,171
	324,601,763	1,428,099,819	367,957,582	826,073,047
INCOME BEFORE FINANCE INCOME (EXPENSES)	2,251,246,315	4,777,075,787	5,669,507,586	8,185,313,182
FINANCE INCOME (EXPENSES)				
Derivative gain (loss) (Note 20)	(2,635,355,219)	(182,449,138)	(2,253,520,663)	256,115,269
Loss on convertible note redemption (Note 13)	(1,579,324,482)	–	(1,579,324,482)	–
Interest expense (Notes 13 and 17)	(390,248,615)	(544,448,373)	(1,307,642,151)	(1,032,519,387)
Interest income (Note 17)	7,766,610	36,663,260	24,860,374	69,000,701
	(4,597,161,706)	(690,234,251)	(5,115,626,922)	(707,403,417)
INCOME BEFORE INCOME TAX	(2,345,915,391)	4,086,841,536	553,880,664	7,477,909,765
PROVISION FOR INCOME TAX (Note 19)				
Current	(137,421,546)	740,971,150	254,327,624	1,713,017,815
Deferred	(55,402,846)	10,001,076	95,879,908	127,628,384
	(192,824,392)	750,972,226	350,207,532	1,840,646,199
NET INCOME	(2,153,090,999)	3,335,869,310	203,673,132	5,637,263,566
NET INCOME ATTRIBUTABLE TO:				
Equity holders of the Parent Company	(₱2,154,612,054)	₱3,091,705,449	₱78,293,859	₱5,254,213,734
Non-controlling interests	1,521,055	244,163,861	125,379,273	383,049,832
	(₱2,153,090,999)	₱3,335,869,310	₱203,673,132	₱5,637,263,566
Earnings per Share (EPS) (Note 14)				
Basic, income attributable to equity holders of the parent	(₱0.138)	₱0.235	₱0.005	₱0.400
Diluted, income attributable to equity holders of the parent	(0.138)	0.235	0.005	0.374

(Forward)

	Six Months Ended June 30	
	2021	2020
NET INCOME	₱203,673,132	₱5,637,263,566
OTHER COMPREHENSIVE INCOME (LOSS)		
Other comprehensive income (loss) to be reclassified to profit and loss in subsequent periods:		
Exchange gains (losses) on foreign currency translation (including effective portion of the net investment hedge) (Notes 14 and 20)	987,276,612	(2,778,883,721)
Other comprehensive loss not to be reclassified to profit and loss in subsequent periods:		
Remeasurement loss on defined benefit plans	(42,632,944)	(28,646,153)
Income tax effect	12,789,883	8,593,846
	(29,843,061)	(20,052,307)
Other comprehensive income (loss) - net of tax	957,433,551	(2,798,936,028)
TOTAL COMPREHENSIVE INCOME	₱1,161,106,683	₱2,838,327,538
Total comprehensive income attributable to:		
Equity holders of the Parent Company	₱1,035,727,410	₱2,463,298,629
Non-controlling interests	125,379,273	375,028,909
	₱1,161,106,683	₱2,838,327,538

See accompanying Notes to Unaudited Interim Condensed Consolidated Financial Statements.

MONDE NISSIN CORPORATION AND SUBSIDIARIES

**UNAUDITED INTERIM CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY
FOR THE SIX MONTHS ENDED JUNE 30, 2021 AND 2020**

	Equity Attributable to Equity Holders of the Parent Company										
	Capital Stock (Note 14)	Additional Paid- in Capital (Note 14)	Retained Earnings (Note 14)		Fair Value Reserve of Financial Assets at FVOCI	Remeasurement Losses on Pension Liability	Equity Reserve (Note 14)	Cumulative Translation Adjustments (Note 14)	Total	Non-controlling Interests (Notes 4 and 14)	Total Equity
			Appropriated	Unappropriated							
Balance as at January 1, 2021	₱6,570,000,000	₱-	₱11,155,336,000	₱12,497,957,136	(₱235,130,244)	(₱289,888,680)	(₱89,762,438)	(₱4,366,784,166)	₱25,241,727,608	₱1,298,309,256	₱26,540,036,864
Net income	-	-	-	78,293,859	-	-	-	-	78,293,859	125,379,273	203,673,132
Other comprehensive income (loss), net of tax	-	-	-	-	-	(29,843,061)	-	987,276,612	957,433,551	-	957,433,551
Total comprehensive income (loss)	-	-	-	78,293,859	-	(29,843,061)	-	987,276,612	1,035,727,410	125,379,273	1,161,106,683
Issuance of shares (Note 14)	2,414,305,748	46,842,902,864	-	-	-	-	-	-	49,257,208,612	-	49,257,208,612
Acquisition during the period (Note 4)	-	-	-	-	-	-	(532,572,764)	-	(532,572,764)	(1,289,927,236)	(1,822,500,000)
Release of appropriation (Note 14)	-	-	(6,800,000,000)	6,800,000,000	-	-	-	-	-	-	-
Dividends (Note 14)	-	-	-	(10,060,423,840)	-	-	-	-	(10,060,423,840)	-	(10,060,423,840)
Balance as at June 30, 2021	₱8,984,305,748	₱46,842,902,864	₱4,355,336,000	₱9,315,827,155	(₱235,130,244)	(₱319,731,741)	(₱622,335,202)	(₱3,379,507,554)	₱64,941,667,026	₱133,761,293	₱65,075,428,319
Balance as at January 1, 2020	₱6,570,000,000	₱-	₱8,961,452,000	₱9,847,540,651	(₱235,130,244)	(₱62,425,778)	(₱89,762,438)	(₱3,266,356,789)	₱21,725,317,402	₱1,496,688,476	₱23,222,005,878
Net income	-	-	-	5,254,213,734	-	-	-	-	5,254,213,734	383,049,832	5,637,263,566
Other comprehensive loss, net of tax	-	-	-	-	-	(12,031,384)	-	(2,778,883,721)	(2,790,915,105)	(8,020,923)	(2,798,936,028)
Total comprehensive income (loss)	-	-	-	5,254,213,734	-	(12,031,384)	-	(2,778,883,721)	2,463,298,629	375,028,909	2,838,327,538
Balance as at June 30, 2020	₱6,570,000,000	₱-	₱8,961,452,000	₱15,101,754,385	(₱235,130,244)	(₱74,457,162)	(₱89,762,438)	(₱6,045,240,510)	₱24,188,616,031	₱1,871,717,385	₱26,060,333,416

See accompanying Notes to Unaudited Interim Condensed Consolidated Financial Statements.

MONDE NISSIN CORPORATION AND SUBSIDIARIES

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

	2021 (Unaudited)	2020 (Unaudited)
CASH FLOWS FROM OPERATING ACTIVITIES		
Income before income tax	₱553,880,664	₱7,477,909,765
Adjustments to reconcile income before income tax to net cash flows:		
Derivative loss (gain) (Note 20)	2,253,520,663	(256,115,269)
Loss on convertible note redemption	1,579,324,482	–
Interest expense (Notes 13, 17 and 20)	1,307,642,151	1,032,519,387
Depreciation (Notes 9 and 17)	1,192,309,999	1,029,233,046
Unrealized foreign exchange gain - net	(143,791,742)	(519,885,214)
Amortization (Notes 10, 15 and 16)	35,322,851	33,289,485
Interest income (Note 17)	(24,860,374)	(69,000,701)
Retirement Expense	23,602,429	18,341,121
Share in net (earnings) losses from associates and joint venture	(6,910,598)	48,608,374
Gain on sale of property, plant and equipment	(1,674,624)	(2,380,344)
Market valuation gain on financial instruments at fair value through profit or loss	(431,089)	–
Working capital adjustments:		
Decrease (increase) in:		
Inventories	(668,269,643)	344,348,994
Prepayments and other current assets	(781,806,943)	(317,820,873)
Trade and other receivables	437,932,356	252,434,472
Increase (decrease) in:		
Accounts payable and other current liabilities	(914,765,968)	224,580,613
Acceptance and trust receipts payable	641,931,266	(1,299,352,762)
Refund liabilities	(58,696,606)	(3,792,542)
Net cash generated from operations	5,424,259,274	7,992,917,552
Income tax paid	(234,793,092)	(1,566,274,838)
Interest received	30,899,891	70,750,179
Net cash flows from operating activities	5,220,366,073	6,497,392,893
CASH FLOWS FROM INVESTING ACTIVITIES		
Additions to:		
Financial assets at fair value through profit or loss (Note 20)	(5,000,000,000)	–
Property, plant and equipment (Notes 9 and 21)	(2,613,018,596)	(1,716,642,369)
Intangible assets (Note 10)	(84,145,110)	–
Investments in associates and joint ventures	–	(185,625,000)
Noncurrent receivables	(5,412,211)	–
Proceeds from sale of property, plant and equipment (Note 9)	19,245,778	42,690,075
Decrease (increase) in other noncurrent assets	(140,984,827)	39,890,218
Net cash used in investing activities	(7,824,314,966)	(1,819,687,076)
CASH FLOWS FROM FINANCING ACTIVITIES		
Proceeds from (payments for):		
Convertible note (Note 13)	(13,351,934,700)	–
Loans (Note 13)	(5,141,022,264)	(394,155,310)
Interest	(639,585,649)	(329,849,026)
Principal portion of lease liabilities	(73,288,305)	(476,641,327)
Derivatives	–	42,298,955
Issuance of capital stock, net of transaction cost (Note 14)	49,257,208,612	–
Acquisition of non-controlling interest (Note 4)	(1,822,500,000)	–
Dividends paid (Note 14)	(1,511,100,000)	–
Decrease in other noncurrent liabilities	(2,788,809)	(389,335)
Net cash used in financing activities	26,714,988,885	(1,158,736,043)
NET INCREASE IN CASH AND CASH EQUIVALENTS	24,111,039,992	3,518,969,774
EFFECT OF FOREIGN EXCHANGE RATE CHANGES ON CASH AND CASH EQUIVALENTS	68,990,404	28,555,646
CASH AND CASH EQUIVALENTS AT BEGINNING OF PERIOD	7,093,014,862	10,499,291,065
CASH AND CASH EQUIVALENTS AT END OF PERIOD	₱31,273,045,258	₱14,046,816,485

See accompanying Notes to Unaudited Interim Condensed Consolidated Financial Statements.

MONDE NISSIN CORPORATION AND SUBSIDIARIES

NOTES TO UNAUDITED INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

1. General Information

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

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

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

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

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

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

Basis of Preparation

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

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

Selected explanatory notes are included to explain events and transactions that are significant to the understanding of the changes in financial position and performance of the Group since the last annual consolidated financial statements as at and for the year ended December 31, 2020. The unaudited

interim condensed consolidated financial statements do not include all the information and disclosures required in the annual financial statements and should be read in conjunction with the Group's annual consolidated financial statements as at and for the year ended December 31, 2020.

Basis of Consolidation

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

Changes in Accounting Policies and Disclosures

The accounting policies adopted in the preparation of the interim condensed consolidated financial statements are consistent with those followed in the preparation of the Group's annual consolidated financial statements as at and for the year ended December 31, 2020, except for the adoption of Amendments to PFRS 9, PFRS 7, PFRS 4 and PFRS 16, *Interest Rate Benchmark Reform – Phase 2*, which is effective as at January 1, 2021. The amendments provide temporary reliefs which address the financial reporting effects when an interbank offered rate is replaced with an alternative nearly risk-free interest rate. The adoption of the amendments did not have any significant impact on the Group's financial position or performance.

The Group has not early adopted any other standard, interpretation or amendment that has been issued but is not yet effective.

3. Significant Accounting Judgment, Estimates and Assumptions

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

Estimating Fair Value of Equity Conversion and Redemption Options. The fair value of embedded derivatives related to the issuance of convertible note is measured using the Jarrow-Rudd Binomial Lattice model. The inputs to this model are taken from a combination of observable markets and unobservable market data. Changes in inputs about these factors could affect the reported fair value of the embedded derivatives and impact profit or loss. The inputs considered in the calculation which involves judgement and estimates are stock price, option-adjusted credit spread, dividend yield, probability of default and stock volatility.

The carrying value of the embedded derivative liability amounted to nil and ₱2,513,886,182 as at June 30, 2021 and December 31, 2020, respectively (see Note 20).

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

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

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

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

Allowance for ECL on trade receivables amounted to ₱51,549,305 and ₱67,574,988 as at June 30, 2021 and December 31, 2020, respectively. The carrying amount of trade and other receivables amounted to ₱5,993,213,342 and ₱6,456,718,430 as at June 30, 2021 and December 31, 2020, respectively (see Note 6).

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

As at June 30, 2021, management assessed that:

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

Recognition of Deferred Taxes. The Group's assessment on the recognition of deferred tax assets on nondeductible temporary differences is based on the forecasted taxable income of the following reporting periods over which the deductible temporary differences can be utilized. This forecast is based on the Group's past results and future expectations on revenues and expenses (see Note 19).

Net deferred tax assets recognized in the consolidated financial statements amounted to ₱1,881,489,230 and ₱843,075,203 as at June 30, 2021 and December 31, 2020, respectively (see Note 19).

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

The Group, in consultation with its external and internal legal and tax counsels, believe that its position on these assessments are 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 June 30, 2021 and December 31, 2020, management has assessed that the probable cash outflow to settle these assessments is not material.

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

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

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

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

*Dormant

**In dissolution

***The Group effectively owns 100%

****80% owned and accounted as a subsidiary effective September 7, 2020.

a. Purchase of Minority Shareholder's Equity of MMYSC

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

b. Segment Information

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

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

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

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

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

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

	June 30, 2021 (Unaudited)			
	APAC BFB	Meat Alternative	Eliminations	Consolidated
Net sales - third parties	P26,238,754,493	P7,519,796,606	P-	P33,758,551,099
Costs and expenses	(20,596,038,674)	(6,633,329,571)	-	(27,229,368,245)
Depreciation and amortization	(893,590,568)	(334,042,282)	-	(1,227,632,850)
Finance income	610,281,842	657,111	(586,078,579)	24,860,374
Finance expense	(5,093,804,680)	(632,761,195)	586,078,579	(5,140,487,296)
Foreign exchange gain (loss) - net	269,859,964	(2,312,771)	-	267,547,193
Share in net earnings from associates and joint venture	6,910,598	-	-	6,910,598
Other income	93,499,791	-	-	93,499,791
Income before income tax	635,872,766	(81,992,102)	-	553,880,664
Provision for income tax	(960,185,154)	1,310,392,686	-	350,207,532
Net income	P1,596,057,920	(P1,392,384,788)	P-	P203,673,132
<i>(Forward)</i>				
Other information				
Total assets	P67,527,377,353	P72,040,874,119	(P20,685,565,732)	P118,882,685,740
Total liabilities	P37,664,244,152	P36,828,579,001	(P20,685,565,732)	P53,807,257,421
Investment in associates and joint venture	P1,030,978,843	P-	P-	P1,030,978,843
Capital expenditures	P1,905,284,928	P707,733,668	P-	P2,613,018,596
Noncash expenses (income) other than depreciation and amortization:				
Reversal of provision for ECL	(P14,732,427)	P-	P-	(P14,732,427)
Inventory obsolescence	36,438,508	-	-	36,438,508
	P21,706,081	P-	P-	P21,706,081

June 30, 2020 (Unaudited)				
	APAC BFB	Meat Alternative	Eliminations	Consolidated
Net sales - third parties	P25,793,981,733	P7,565,432,241	P-	P33,359,413,974
Costs and expenses	(18,536,607,964)	(6,401,043,344)	-	(24,937,651,308)
Depreciation and amortization	(804,072,242)	(258,450,289)	-	(1,062,522,531)
Finance income	850,120,256	5,262,711	(530,266,997)	325,115,970
Finance expense	(900,714,940)	(662,071,444)	530,266,997	(1,032,519,387)
Foreign exchange gain - net	812,039,489	(8,129,583)	-	803,909,906
Share in net losses from associates and joint venture	(48,608,374)	-	-	(48,608,374)
Other income	70,771,515	-	-	70,771,515
Income before income tax	7,236,909,473	241,000,292	-	7,477,909,765
Provision for income tax	1,789,402,206	51,243,993	-	1,840,646,199
Net income	P5,447,507,267	P189,756,299	P-	P5,637,263,566

Other information

December 31, 2020 (Audited)				
	APAC BFB	Meat Alternative	Eliminations	Consolidated
Total assets	P54,462,662,369	P49,251,201,442	(P19,311,447,648)	P84,402,416,163
Total liabilities	P43,373,262,402	P33,800,564,545	(P19,311,447,648)	P57,862,379,299
Investment in associates and joint venture	P1,024,068,245	P-	P-	P1,024,068,245

June 30, 2020 (Unaudited)				
	APAC BFB	Meat Alternative	Eliminations	Consolidated
Capital expenditures	P684,646,074	P1,031,996,295	P-	P1,716,642,369
Noncash expenses other than depreciation and amortization:				
Provision for ECL	P124,401,651	P6,388,420	P-	P130,790,071
Inventory obsolescence	15,035,586	-	-	15,035,586
	P139,437,237	P6,388,420	P-	P145,825,657

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:

	June 30, 2021 (Unaudited)	June 30, 2020 (Unaudited)
Domestic	P24,371,237,965	P24,681,198,393
Foreign	9,387,313,134	8,678,215,581
	P33,758,551,099	P33,359,413,974

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

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

	June 30, 2021 (Unaudited)	December 31, 2020 (Audited)
Domestic:		
Property, plant and equipment (see Note 9)	P16,302,736,262	P15,161,639,267
Investments in associates and joint ventures	1,030,978,843	1,024,068,245
Intangible assets (see Note 10)	655,055,651	648,473,927
Other noncurrent assets (see Note 11)	991,572,318	944,163,187
Total (Carried Forward)	18,980,343,074	17,778,344,626

	June 30, 2021 (Unaudited)	December 31, 2020 (Audited)
Total (Brought Forward)	₱18,980,343,074	₱17,778,344,626
Foreign:		
Property, plant and equipment (see Note 9)	12,081,872,124	11,474,934,515
Intangible assets (see Note 10)	34,312,531,251	32,951,857,088
Other noncurrent assets (see Note 11)	117,995,678	13,825,099
	46,512,399,053	44,440,616,702
	₱65,492,742,127	₱62,218,961,328

5. Cash and Cash Equivalents

	June 30, 2021 (Unaudited)	December 31, 2020 (Audited)
Cash on hand and in banks	₱7,998,146,900	₱3,620,373,627
Cash equivalents	23,274,898,358	3,472,641,235
	₱31,273,045,258	₱7,093,014,862

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

6. Trade and Other Receivables

	June 30, 2021 (Unaudited)	December 31, 2020 (Audited)
Trade receivables:		
Non-related parties	₱5,926,350,036	₱6,414,106,257
Related parties (see Note 18)	34,565,074	58,397,406
Nontrade receivables	42,404,011	36,106,738
Other receivables	41,443,526	15,683,017
	6,044,762,647	6,524,293,418
Allowance for ECL	(51,549,305)	(67,574,988)
	₱5,993,213,342	₱6,456,718,430

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

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

Movements in the allowance for ECL follow:

	June 30, 2021 (Unaudited)	December 31, 2020 (Audited)
Balance at January 1	₱67,574,988	₱368,806,669
(Reversal of) provision for ECL	(14,732,427)	98,543,597
Write-off	(1,966,315)	(399,701,804)
Currency translation adjustments	673,059	(73,474)
Balance at end of period	₱51,549,305	₱67,574,988

Reversal of provision for ECL for the six months ended June 30, 2021 is attributable to the effective collection efforts during the period.

7. Inventories

	June 30, 2021	December 31, 2020
	(Unaudited)	(Audited)
At cost:		
Raw materials	₱86,730,959	₱120,274,930
Finished goods	54,799,013	85,659,389
Packaging and other materials	21,451,479	14,580,150
Work in-process	6,584,318	5,177,053
In-transit	2,570,584	124,561,072
	172,136,353	350,252,594
At NRV:		
Finished goods	2,936,162,674	2,528,917,689
Raw materials	1,798,987,112	1,677,530,472
Work in-process	1,088,970,472	823,835,137
Packaging and other materials	745,016,483	692,467,559
	6,569,136,741	5,722,750,857
	₱6,741,273,094	₱6,073,003,451

The costs of inventories carried at NRV are as follows:

	June 30, 2021	December 31, 2020
	(Unaudited)	(Audited)
Finished goods	₱3,080,208,190	₱2,692,978,588
Raw materials	1,914,406,071	1,744,292,778
Work in-process	1,133,158,822	852,404,691
Packaging and other materials	788,764,088	732,301,223
	₱6,916,537,171	₱6,021,977,280

Provision for inventory obsolescence amounted to ₱36,438,508 and ₱15,035,586 for the six months ended June 30, 2021 and June 30, 2020, respectively.

The cost of inventories recognized under “Cost of goods sold” account amounted to ₱21,134,589,632 and ₱20,225,593,232 for the six months ended June 30, 2021 and June 30, 2020, respectively.

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

Under the terms of the agreements covering liabilities under trust receipts totaling ₱1,247,833,300 and ₱605,902,034 as at June 30, 2021 and December 31, 2020, respectively, certain inventories which approximate the trust receipts payable, have been released to the Group under trust receipt agreement with the banks. The Group is accountable to these banks for the trusted merchandise or their sales proceeds.

8. **Prepayments and Other Current Assets**

	June 30, 2021	December 31, 2020
	(Unaudited)	(Audited)
Creditable withholding tax and other credits	₱573,696,189	16,020,863
Prepayments	562,434,858	239,836,976
Input VAT	323,828,893	364,711,525
Deferred input VAT	289,001,369	₱335,950,379
Other current assets	8,701,210	19,335,833
	1,757,662,519	975,855,576
Allowance for non-recoverability of other current assets	(3,602,949)	(3,602,949)
	₱1,754,059,570	₱972,252,627

As of June 30, 2021, the creditable withholding tax (CWT) and other credits include the overpayment on 2020 income tax due to CREATE Act, Q1 excess payment and unapplied CWT.

9. Property, Plant and Equipment

June 30, 2021																	
	Land	Land Improvements	Buildings	Building Improvements	Leasehold Improvements	Plant Machinery and Fixtures	Office Furniture and Equipment	Transportation Equipment	Computer and Communications Equipment	Machineries Under Installation	Construction In-progress	ROU Land	ROU Building	ROU Leasehold Improvements	ROU Others	Total	
Cost																	
Balance at January 1, 2021	P456,118,622	P5,576,957	P8,613,001,967	P1,643,601,881	P145,198,401	P30,313,880,194	P362,439,721	P115,322,579	P234,304,037	P1,863,900,842	P3,933,033,885	P2,835,139,481	P397,170,402	P42,697,047	P289,829,348	P51,251,215,364	
Additions	-	-	-	3,763,290	(3,082,684)	127,518,223	12,910,938	5,006,971	11,704,049	767,545,717	1,624,739,979	-	62,912,113	-	-	2,613,018,596	
Disposals	-	-	(440,000)	-	-	(108,767,331)	(1,465,801)	(2,020,536)	(486,632)	-	-	-	-	-	-	(113,180,300)	
Reclassifications	-	-	267,303,814	76,735,985	1,500,000	1,074,945,678	35,164,012	-	19,643,536	(890,931,046)	(584,361,979)	-	-	-	-	-	
Foreign currency translation adjustments	(12,255,682)	(271,722)	318,360,451	(2,012,655)	-	(62,092,784)	(2,131,877)	(56,895)	(14,130,447)	25,286,553	(14,080,269)	-	-	-	-	236,614,673	
Balance at June 30, 2021	443,862,940	5,305,235	9,198,226,232	1,722,088,501	143,615,717	31,345,483,980	406,916,993	118,252,119	251,034,543	1,765,802,066	4,959,331,616	2,835,139,481	460,082,515	42,697,047	289,829,348	53,987,668,333	
Accumulated Depreciation																	
Balance at January 1, 2021	-	3,690,191	3,761,226,346	778,906,822	90,692,720	16,326,942,470	274,737,576	67,337,564	161,725,805	-	-	131,000,345	104,565,032	10,431,354	65,856,947	21,777,113,172	
Depreciation (see Notes 15 and 16)	-	136,001	198,094,255	49,727,489	3,932,359	800,226,395	22,275,707	8,335,985	19,716,068	-	-	43,183,572	39,620,589	2,695,136	4,366,443	1,192,309,999	
Disposals	-	-	(330,000)	-	-	(91,423,589)	(1,465,798)	(2,020,536)	(369,223)	-	-	-	-	-	-	(95,609,146)	
Reclassifications	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	
Foreign currency translation adjustments	-	(184,255)	(23,160,516)	(19,910,872)	-	(24,186,021)	(2,140,818)	(56,895)	(1,036,820)	-	-	-	-	-	-	(70,676,197)	
Balance at June 30, 2021	-	3,641,937	3,935,830,085	808,723,439	94,625,079	17,011,559,255	293,406,667	73,596,118	180,035,830	-	-	174,183,917	144,185,621	13,126,490	70,223,390	22,803,137,828	
Accumulated Impairment Loss																	
Balance at January 1, 2021	-	-	694,312,917	104,167,063	966,759	1,343,317,959	-	-	36,047	543,683,187	151,044,478	-	-	-	-	2,837,528,410	
Foreign currency translation adjustments	-	-	(7,686,450)	-	-	(29,919,841)	-	-	-	-	-	-	-	-	-	(37,606,291)	
Balance at June 30, 2021	-	-	686,626,467	104,167,063	966,759	1,313,398,118	-	-	36,047	543,683,187	151,044,478	-	-	-	-	2,799,922,119	
Net Book Value	P443,862,940	P1,663,298	P4,575,769,680	P809,197,999	P48,023,879	P13,020,526,607	P113,510,326	P44,656,001	P70,962,666	P1,222,118,879	P4,808,287,138	P2,660,955,564	P315,896,894	P29,570,557	P219,605,958	P28,384,608,386	

December 31, 2020																	
	Land	Land Improvements	Buildings	Building Improvements	Leasehold Improvements	Plant Machinery and Fixtures	Office Furniture and Equipment	Transportation Equipment	Computer and Communications Equipment	Machineries Under Installation	Construction In-progress	ROU Land	ROU Building	ROU Leasehold Improvements	ROU Others	Total	
Cost																	
Balance at January 1, 2020	P470,301,100	P5,891,398	P7,916,782,885	P1,631,739,739	P145,003,401	P25,896,529,322	P313,768,181	P102,407,723	P186,911,649	P1,211,889,800	P5,587,261,201	P1,764,382,111	P276,024,703	P39,301,349	P87,082,713	P45,635,277,275	
Additions	-	-	551,684,298	6,721,799	195,000	108,679,681	30,997,953	7,753,303	35,584,926	725,759,903	2,286,098,002	1,086,130,071	135,483,126	3,395,698	36,721,454	5,015,205,214	
Acquisition of a subsidiary	-	-	457,348,539	-	-	396,585,604	12,282,073	6,510,000	2,538,325	69,554,461	-	(15,372,701)	-	-	166,025,181	1,095,471,482	
Disposals	-	-	(21,323,586)	-	-	(10,583,143)	(3,383,585)	(9,836,607)	(5,002,017)	-	-	-	(14,337,427)	-	-	(64,466,365)	
Reclassifications	-	-	43,911,703	7,469,421	-	3,994,147,648	11,370,180	8,554,000	2,016,649	(113,320,952)	(3,954,148,649)	-	-	-	-	-	
Foreign currency translation adjustments	(14,182,478)	(314,441)	(335,401,872)	(2,329,078)	-	(71,478,918)	(2,595,081)	(65,840)	12,254,505	(29,982,370)	13,823,331	-	-	-	-	(430,272,242)	
Balance at December 31, 2020	456,118,622	5,576,957	8,613,001,967	1,643,601,881	145,198,401	30,313,880,194	362,439,721	115,322,579	234,304,037	1,863,900,842	3,933,033,885	2,835,139,481	397,170,402	42,697,047	289,829,348	51,251,215,364	
Accumulated Depreciation																	
Balance at January 1, 2020	-	3,603,080	3,458,531,211	663,694,915	75,306,086	14,858,205,566	236,871,856	59,333,612	138,088,935	-	-	60,588,762	52,861,717	5,309,455	34,854,453	19,647,249,648	
Depreciation (see Notes 15 and 16)	-	278,353	345,435,087	116,167,062	15,386,634	1,507,036,011	43,225,734	15,088,864	30,010,798	-	-	70,411,583	57,835,821	5,121,899	31,002,494	2,237,000,340	
Disposals	-	-	-	-	-	(10,007,439)	(2,902,553)	(7,032,619)	(4,962,602)	-	-	-	(6,132,506)	-	-	(31,037,719)	
Foreign currency translation adjustments	-	(191,242)	(42,739,952)	(955,155)	-	(28,291,668)	(2,457,461)	(52,293)	(1,411,326)	-	-	-	-	-	-	(76,099,097)	
Balance at December 31, 2020	-	3,690,191	3,761,226,346	778,906,822	90,692,720	16,326,942,470	274,737,576	67,337,564	161,725,805	-	-	131,000,345	104,565,032	10,431,354	65,856,947	21,777,113,172	
Accumulated Impairment Loss																	
Balance at January 1, 2020	-	-	191,334,766	-	966,759	1,044,599,687	-	-	36,047	530,350,542	99,921,018	-	-	-	-	1,867,208,819	
Impairment loss	-	-	511,873,038	104,167,063	-	333,342,006	-	-	-	13,332,645	51,123,460	-	-	-	-	1,013,838,212	
Foreign currency translation adjustments	-	-	(8,894,887)	-	-	(34,623,734)	-	-	-	-	-	-	-	-	-	(43,518,621)	
Balance at December 31, 2020	-	-	694,312,917	104,167,063	966,759	1,343,317,959	-	-	36,047	543,683,187	151,044,478	-	-	-	-	2,837,528,410	
Net Book Value	P456,118,622	P1,886,766	P4,157,462,704	P760,527,996	P53,538,922	P12,643,619,765	P87,702,145	P47,985,015	P72,542,185	P1,320,217,655	P3,781,989,407	P2,704,139,136	P292,605,370	P32,265,693	P223,972,401	P26,636,573,782	

The Group acquired property, plant and equipment and recognized depreciation expense amounting to ₱1,716,642,369 and ₱1,029,233,046 for the six months ended June 30, 2020, respectively.

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

The Group has capital commitments for acquisitions of machineries and building expansions amounting to ₱1,321,292,827 and ₱1,624,822,028 as at June 30, 2021 and December 31, 2020, respectively.

10. Intangible Assets

	2021						Total
	Goodwill	Brand	Distribution Rights	License	Trademarks	Software	
Cost							
Balance at January 1, 2021	₱15,851,354,400	₱17,224,877,419	₱727,560,000	₱-	₱17,870,838	₱272,741,602	₱34,094,404,259
Additions	-	-	-	34,639,200	-	49,505,910	84,145,110
Foreign currency translation adjustments	634,419,168	685,783,960	-	-	(1,392,166)	(1,314,870)	1,317,496,092
Balance at June 30, 2021	16,485,773,568	17,910,661,379	727,560,000	34,639,200	16,478,672	320,932,642	35,496,045,461
Accumulated Amortization							
Balance at January 1, 2021	-	40,604,600	233,425,500	-	2,601,673	127,299,473	403,931,246
Amortization (see Note 17)	-	-	18,189,000	-	118,341	17,015,510	35,322,851
Foreign currency translation adjustments	-	1,625,119	-	-	(1,356,575)	(1,206,080)	(937,536)
Balance at June 30, 2021	-	42,229,719	251,614,500	-	1,363,439	143,108,903	438,316,561
Accumulated Impairment Loss	-	90,141,998	-	-	-	-	90,141,998
Net Book Value	₱16,485,773,568	₱17,778,289,662	₱475,945,500	₱34,639,200	₱15,115,233	₱177,823,739	₱34,967,586,902

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

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

Amortization of the intangible assets for the six months ended June 30, 2021 and June 30, 2020 amounted to ₱35,322,851 and ₱33,289,485, respectively (see Note 17).

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

	June 30, 2021 (Unaudited)				December 31, 2020 (Audited)		
	Goodwill	Brand	Trademark	License	Goodwill	Brand	Trademark
MNUKL	₱16,485,773,568	₱17,910,661,379	₱-	₱-	₱15,851,354,400	₱17,224,877,419	₱-
MNC	-	-	14,459,000	34,639,200	-	-	14,459,000
Total	₱16,485,773,568	₱17,910,661,379	₱14,459,000	₱34,639,200	₱15,851,354,400	₱17,224,877,419	₱14,459,000

The Group performed its annual impairment test in December 2020.

11. Other Noncurrent Assets

	June 30, 2021 (Unaudited)	December 31, 2020 (Audited)
Deferred input VAT for amortization	P446,546,727	P279,133,013
Advances to suppliers and contractors	634,575,090	637,524,324
Refundable and other deposits	72,717,823	75,805,823
Withholding tax receivables	45,037,910	47,344,650
Advances to employees	34,235,998	42,524,141
Others	11,515,052	21,311,822
	1,244,628,600	1,103,643,773
Less allowance for advances to suppliers and contractors	55,786,696	55,786,696
	P1,188,841,904	P1,047,857,077

12. Accounts Payable and Other Current Liabilities and Refund Liabilities

Accounts Payable and Other Current Liabilities

	June 30, 2021 (Unaudited)	December 31, 2020 (Audited)
Trade payables		
Non-related parties	P4,756,085,276	P4,648,497,052
Related parties (see Note 18)	5,978,483	35,708,765
Nontrade payables	1,588,180,287	2,449,581,739
Accruals for:		
Advertising and promotions	943,724,644	936,724,458
Personnel costs	140,585,041	436,262,880
Trade spend	247,487,978	235,041,191
Selling, general and administrative expenses	368,184,829	337,168,684
Interest	134,677,585	166,287,725
Freight	101,810,948	63,786,546
Other accruals	193,433,939	228,241,544
Cash variable interest (see Note 13)	588,474,159	-
Statutory payables	568,490,013	400,828,394
Others	230,401,136	202,547,206
	P9,867,514,318	P10,140,676,184

Refund Liabilities

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

	June 30, 2021 (Unaudited)	December 31, 2020 (Audited)
Refund liabilities:		
Arising from rights of return	P120,159,668	P166,969,747
Arising from retrospective volume rebates	100,839,873	112,726,400
	P220,999,541	P279,696,147

13. **Loans Payable and Convertible Note**

Loans Payable

	June 30, 2021	December 31, 2020
	(Unaudited)	(Audited)
Parent Company	₱17,939,872,906	₱22,325,000,000
MNUKL	6,922,513,995	7,302,376,400
SFC	-	110,000,000
	24,862,386,901	29,737,376,400
Current portion	(6,118,812,115)	(9,559,593,645)
Unamortized debt issue costs	(93,945,596)	(191,374,744)
	₱18,649,629,190	₱19,986,408,011

Details of the Group's loans are as follows:

Description	Maturities	Interest Rates	June 30, 2021 (Unaudited)		December 31, 2020 (Audited)	
			US\$/£ Balances	Php Equivalent	US\$/£ Balances	Php Equivalent
Parent						
₱18,700,000,000 Floating Rate Corporate Notes (FRCNs)	December 2022	3-day average of the 3-Month BVAL + 75 bps (subject to floor rate of the BSP overnight borrowing rate)	\$-	₱5,983,296,709	\$-	₱8,736,666,667
₱9,000,000,000 FRCN	October 2021	Average 3-month BVAL rate + 100 bps or BSP RRP rate + 25 bps, whichever is higher	-	3,894,909,531	-	5,486,666,667
₱4,550,000,000 FRCN	November 2023	Average 3-month BVAL rate + 125 bps	-	961,666,666	-	1,001,666,666
₱7,100,000,000 Fixed Rate Note (FXCN)	October 2023	4.50% until October 2020 and 3.75% thereafter until maturity	-	7,100,000,000	-	7,100,000,000
Total Parent Company loan				17,939,872,906		22,325,000,000
MNUKL						
£113,000,000 term loan	March 2024	Margin and LIBOR	£102,999,500	6,922,513,995	£113,000,000	7,302,376,400
SFC						
₱110,000,000 short term loan	January 2021	Floating between 4.75% to 5.00%		-		110,000,000
				₱24,862,386,901		₱29,737,376,400

a. Parent Company

As at June 30, 2021 and December 31, 2020, the Group is in compliance with the financial covenants.

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

b. MNUKL Loan

MNUKL has an outstanding unsecured loans payable amounting to ₱6,922,513,995 (£102,999,500) and ₱7,302,376,400 (£113,000,000) as at June 30, 2021 and December 31, 2020, respectively. Interest rate is based on Margin and LIBOR.

As at June 30, 2021 and December 31, 2020, the Group is in compliance with the financial covenants.

c. SFC

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

For the six months ended June 30, 2021 and June 30, 2020, interest expense related to the loans amounted to ₱365,199,431 and ₱646,212,572, respectively (see Note 17).

Convertible Note

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

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

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

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

Cash variable interest is an amount equal to the amount of the dividends received by the Parent Company's shareholder that the Investor would have received if the Convertible Note was converted into shares prior to the declaration of such dividend. As at June 30, 2021, unpaid cash variable interest amounted to ₱588,474,159 payable on or before December 31, 2021 based on the dividend declaration approved by the Parent Company's BOD on March 1, 2021 at ₱1.19 per share to holders of record or beneficial owners as of the date of declaration (see Notes 12 and Note 14)

Accretion of interest on Convertible Note amounted to ₱223,622,824 for the six months ended June 30, 2020 (see Note 17).

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

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

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

	June 30, 2021 (Unaudited)	December 31, 2020 (Audited)
Loans Payable		
Balance at January 1	₱191,374,744	(₱94,243,252)
Amortization during the period (see Note 17)	(68,043,681)	122,614,027
Foreign currency translation adjustments	(29,385,467)	(2,062,315)
Additions during the period	-	165,066,284
Total (Carried Forward)	93,945,596	191,374,744

	June 30, 2021 (Unaudited)	December 31, 2020 (Audited)
Total (Brought Forward)	₱93,945,596	₱191,374,744
Convertible Note		
Balance at January 1	173,928,860	221,553,331
Amortization during the period (see Note 17)	(20,987,957)	(47,624,471)
Redemption of convertible note	(152,940,903)	–
	–	173,928,860
	₱93,945,596	₱365,303,604

14. Equity

Capital Stock and Additional Paid-in Capital (APIC)

The details of the Parent Company's common stock as of June 30, 2021 and December 31, 2020 follows:

	June 30, 2021 (Unaudited)	December 31, 2020 (Audited)
Authorized shares	20,400,000,000	12,000,000,000
Par value per share	₱0.50	₱1
Issued and outstanding common shares:		
Balance at January 1	6,570,000,000	6,570,000,000
Issuance to MCI	614,305,748	–
Reduction in par	7,184,305,748	–
Issuance during IPO	3,600,000,000	–
Balance at end of period	17,968,611,496	6,570,000,000

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

	June 30, 2021 (Unaudited)	December 31, 2020 (Audited)
Balance at January 1	₱–	₱–
Additions		
Issuance of common shares to MCI	1,204,039,266	–
Issuance of common shares during IPO	46,800,000,000	–
Share issuance costs		
Issuance of common shares to MCI	(3,375,000)	–
Issuance of common shares during IPO	(1,157,761,402)	–
Balance at end of period	₱46,842,902,864	₱–

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

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

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

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

Amendment of AOI

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

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

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

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

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

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

Retained Earnings

Parent Company

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

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

Restriction on Retained Earnings

As at June 30, 2021 and December 31, 2020, undistributed retained earnings of subsidiaries amounting to ₱11,328,160,611 and ₱12,177,213,308, respectively, are not available for dividend declaration until the actual declaration of the subsidiaries. Further, the undistributed retained earnings include appropriated retained earnings of MMYSC and MIL amounting to ₱1,555,337,760 as at June 30, 2021 and December 31, 2020.

Equity Reserve

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

Cumulative Translation Adjustments

	June 30, 2021 (Unaudited)	December 31, 2020 (Audited)
MNSPL (see Note 20)	₱2,914,440,388	₱4,046,231,894
MNII	186,225,535	186,341,768
MNTH	185,072,414	68,095,679
MIL	93,769,217	66,114,825
	₱3,379,507,554	₱4,366,784,166

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

Changes on Dividend Policy

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

Earnings per Share

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

Basic EPS

	<u>Quarters Ended June 30</u>		<u>Six Months Ended June 30</u>	
	2021 (Unaudited)	2020 (Unaudited)	2021 (Unaudited)	2020 (Unaudited)
Net income attributable to equity holders of the parent	(₱2,154,612,054)	₱3,091,705,449	₱78,293,859	₱5,254,213,734
Number of stocks:				
Common stocks outstanding at January 1	6,570,000,000	6,570,000,000	6,570,000,000	6,570,000,000
Effect of common stock issuance to MCI	614,305,748	–	511,921,457	–
Effect of reduction in par	7,184,305,748	6,570,000,000	7,081,921,457	6,570,000,000
Effect of common stock issuance during IPO	1,200,000,000	–	600,000,000	–
Weighted average number of common shares	15,568,611,496	13,140,000,000	14,763,842,914	13,140,000,000
Basic EPS	(₱0.138)	₱0.235	₱0.005	₱0.400

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

Diluted EPS

	Quarters Ended June 30		Six Months Ended June 30	
	2021 (Unaudited)	2020 (Unaudited)	2021 (Unaudited)	2020 (Unaudited)
Net income attributable to equity holders of the parent	(P2,154,612,054)	₱3,091,705,449	₱78,293,859	₱5,254,213,734
Adjustments, net of tax:				
Unrealized foreign exchange gain (see Note 13)	—	(93,341,186)	—	(246,509,855)
Accretion of interest (see Note 17)	—	82,332,927	—	156,535,977
Derivative loss (gain) (see Note 20)	—	230,402,838	—	105,649,660
Accretion of debt issue cost (see Note 17)	—	8,290,660	—	16,581,319
	(2,154,612,054)	3,319,390,688	78,293,859	5,286,470,835
Weighted average number of common shares	15,568,611,496	13,140,000,000	14,763,842,913	13,140,000,000
Effects of dilution from Convertible Note (see Note 13)	—	989,032,200*	—	989,032,200*
Weighted average number of common shares adjusted for the effects of dilution	—	14,129,032,200	14,763,842,913	14,129,032,200
Diluted EPS	(P0.138)**	₱0.235	₱0.005**	₱0.374

*Adjusted for the effect of the reduction in par value.

**Potentially dilutive shares were redeemed in June 2021, hence, basic EPS equals diluted EPS

15. Net Sales and Cost of Goods Sold

Net Sales by Geography and Operating Segment

	June 30, 2021 (Unaudited)	June 30, 2020 (Unaudited)
APAC BFB		
Philippines	₱24,371,237,965	₱24,681,198,393
Other countries	1,867,516,528	1,112,783,340
	26,238,754,493	25,793,981,733
Meat Alternative		
United Kingdom	5,866,537,690	5,892,913,129
United States	685,871,693	707,788,338
Other countries	967,387,223	964,730,774
	7,519,796,606	7,565,432,241
	₱33,758,551,099	₱33,359,413,974

All revenues are recognized at a point in time.

Cost of Goods Sold

	June 30, 2021 (Unaudited)	June 30, 2020 (Unaudited)
Direct materials	₱15,889,107,891	₱14,290,965,818
Direct labor (see Note 17)	1,451,306,025	1,423,844,942
Manufacturing overhead:		
Depreciation and amortization (see Notes 9 and 10)	1,007,947,375	873,059,550
Repairs and maintenance	828,208,793	596,774,515
Light and water	626,748,217	490,187,650
Indirect labor (see Note 17)	523,634,618	517,200,065
Plant utilities and other consumption	400,487,831	284,456,507
Steam	304,763,150	254,366,590
Rent	16,074,322	10,817,449
Others	540,527,173	1,085,170,411
Total manufacturing costs	21,588,805,395	19,826,843,497
Inventory movements (see Note 7):		
Finished goods	(327,769,680)	327,223,049
Work in-process	(126,446,083)	71,526,686
	₱21,134,589,632	₱20,225,593,232

16. Sales, General and Administrative Expenses

	June 30, 2021 (Unaudited)	June 30, 2020 (Unaudited)
Advertising and promotional expenses	₱1,967,545,489	₱1,312,824,014
Salaries, wages and employee benefits (see Note 17)	1,731,265,772	1,610,360,721
Transportation and delivery	1,264,140,897	1,209,188,283
Outside services	1,054,391,618	390,409,384
Research and development	271,722,922	231,443,885
Depreciation and amortization (see Notes 9 and 10)	219,685,475	189,462,981
Taxes and licenses	137,979,979	110,817,088
Repairs and maintenance	111,471,706	83,620,958
Insurance	104,696,366	77,369,937
Dealer support	82,435,166	89,673,797
Fringe benefit tax	46,393,811	50,137,570
Light, water, and telecommunication	41,872,544	28,826,313
Warehouse supplies	31,521,225	33,699,405
Entertainment, amusement and recreation	24,692,615	44,893,069
Rent	12,181,966	3,265,510
Provision for ECL (see Note 6)	-	130,790,071
Others	220,413,912	177,797,621
	₱7,322,411,463	₱5,774,580,607

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

Interest Income

Interest income from cash and cash equivalents amounted to ₱24,860,374 and ₱69,000,701 for the six months ended June 30, 2021 and 2020, respectively.

Interest Expense

	June 30, 2021 (Unaudited)	June 30, 2020 (Unaudited)
Accretion of interest on convertible note (see Note 13)	₱746,999,024	₱223,622,824
Interest on loans payable (see Note 13)	365,199,431	646,212,572
Interest expense on lease liabilities	96,820,786	68,706,834
Amortization of debt issue costs (see Note 13):		
Loans payable	68,043,681	35,825,235
Convertible Note	20,987,957	23,687,599
Acceptance and trust receipts payable	9,591,272	28,913,009
Others	-	5,551,314
	₱1,307,642,151	₱1,032,519,387

Personnel Costs

	June 30, 2021 (Unaudited)	June 30, 2020 (Unaudited)
Cost of goods sold:		
Direct labor (see Note 15)	₱1,451,306,025	₱1,423,844,942
Indirect labor (see Note 15)	523,634,618	517,200,065
Sales, general and administrative expenses:		
Salaries and wages (see Note 16)	1,377,817,895	1,299,208,286
Employee benefits (see Note 16)	353,447,877	311,152,435
	₱3,706,206,415	₱3,551,405,728

Depreciation and Amortization Expense

	June 30, 2021 (Unaudited)	June 30, 2020 (Unaudited)
Property, plant and equipment (see Note 9)	₱1,192,309,999	₱1,029,233,046
Intangible assets (see Note 10)	35,322,851	33,289,485
	₱1,227,632,850	₱1,062,522,531
	June 30, 2021 (Unaudited)	June 30, 2020 (Unaudited)
Cost of goods sold (see Note 15)	₱1,007,947,375	₱873,059,550
Sales, general and administrative expense (see Note 16)	219,685,475	189,462,981
	₱1,227,632,850	₱1,062,522,531

Miscellaneous Income

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

18. Related Party Transactions

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

The following are the significant transactions with related parties:

Nature	Period ended	Volume of Transactions	Outstanding Balance	Terms	Conditions
<i>Associates and joint ventures</i>					
Monde Land, Inc. (MLI)					
Rent expense	June 30, 2021	₱35,320,484	₱-	15 days;	Unsecured
	December 31, 2020	49,856,400	-	noninterest-bearing	
	June 30, 2020	17,563,953	-		
Monde Malee Beverages Corporation (MMBC)					
Miscellaneous income	June 30, 2021	4,411,508	33,080,549	30 days;	Unsecured;
	December 31, 2020	52,164,990	58,397,406	noninterest-bearing	no impairment
	June 30, 2020	-	-		
Trade purchases, net	June 30, 2021	30,082,697	(4,769,788)	30 days;	Unsecured
	December 31, 2020	83,352,863	(12,562,460)	noninterest-bearing	
	June 30, 2020	49,290,497	(20,039,721)		
Sarimonde Foods Corporation (SFC)					
(a) Trade purchases, net	June 30, 2021	-	-	30 days;	Unsecured
	December 31, 2020	-	-	noninterest-bearing	
	June 30, 2020	-	(10,810,063)		
(b) Trade sales	June 30, 2021	-	-	30 days;	Unsecured;
	December 31, 2020	-	-	noninterest-bearing	no impairment
	June 30, 2020	15,216,753	34,378,628		
(c) Notes receivable	June 30, 2021	-	-	30 days;	Unsecured;
	December 31, 2020	-	-	interest-bearing	no impairment
	June 30, 2020	90,000,000	90,000,000		
YCE Group Pte. Ltd. (YCE)					
Advances and interest income	June 30, 2021	5,412,211	5,412,211	Interest-bearing	Unsecured
	December 31, 2020	8,930,086	-		
	June 30, 2020	4,481,406	4,481,406		
Calaca Harvest Terminal Inc. (CHTI)					
Transportation and delivery expense	June 30, 2021	125,217,658	-	15 days;	Unsecured
	December 31, 2020	105,665,220	(23,146,305)	noninterest-bearing	
	June 30, 2020	48,337,023	(3,940,288)		
Advances	June 30, 2021	1,484,525	1,484,525	On demand;	Unsecured
	December 31, 2020	-	-	noninterest-bearing	
	June 30, 2020	-	-		
<i>Common shareholders</i>					
PT. Nissin Biscuit Indonesia					
Trade purchases, net	June 30, 2021	4,799,555	(1,208,695)	45 days;	Unsecured
	December 31, 2020	57,993,292	-	noninterest-bearing	
	June 30, 2020	17,507,920	(15,704)		
MNSG Holdings Pte. Ltd.					
Loans receivable	June 30, 2021	-	161,745,911	2 years;	Unsecured
	December 31, 2020	155,521,471	155,521,471	interest-bearing	
	June 30, 2020	-	-		
Trade and other receivables (see Note 6)	June 30, 2021	-	₱34,565,074		
	December 31, 2020	-	58,397,406		
	June 30, 2020	-	124,378,628		
Noncurrent receivables	June 30, 2021	-	167,158,122		
	December 31, 2020	-	155,521,471		
	June 30, 2020	-	4,481,406		
Trade payables (see Note 12)	June 30, 2021	-	(5,978,483)		
	December 31, 2020	-	(35,708,765)		
	June 30, 2020	-	(34,805,776)		

These transactions with related parties will be settled through cash.

Compensation of Key Management Personnel

	June 30, 2021 (Unaudited)	June 30, 2020 (Unaudited)
Short-term employee benefits	₱621,738,287	₱603,629,405
Post-employment benefits	53,554,849	51,994,999
	₱675,293,136	₱655,624,404

19. Income Tax

Current Income Tax

A reconciliation of the provision for income tax computed at the applicable statutory tax rate of the Group to provision for income tax as shown in the unaudited interim consolidated statements of comprehensive income is as follows:

	For the six months ended	
	June 30, 2021	June 30, 2020
Provision for income tax computed at applicable statutory tax rate (17% to 30%)	₱151,125,707	₱1,918,211,181
Income tax effects of:		
Loss on convertible note redemption	(662,481,390)	-
Nontaxable income	(224,999,560)	-
Benefit from OSD	(151,150,771)	(204,079,184)
Nondeductible expenses	127,618,292	115,860,934
MCIT	(90,278,204)	-
Interest income already subjected to final tax	(2,190,138)	(11,923,502)
Nondeductible interest expense	(937,653)	3,312,951
Change in unrecognized deferred tax liabilities - net	1,230,992,619	-
Others	(27,491,370)	19,263,819
	₱350,207,532	₱1,840,646,199

Deferred Income Tax

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

	June 30, 2021 (Unaudited)	December 31, 2020 (Audited)
Deferred tax assets - net		
Allowance for impairment loss	₱317,399,491	₱380,879,389
Derivative liability	-	197,327,883
Interest accretion and cash variable interest on convertible note	147,118,540	154,490,840
Pension liability	112,790,965	123,252,079
Refund liabilities	55,249,885	83,908,844
Gain on loan modification	(32,362,684)	(46,694,270)
Allowance for inventory obsolescence	31,253,895	36,498,508
Unrealized profits from intercompany sales	26,733,681	30,139,355
Unrealized foreign exchange gain	(7,074,347)	(161,189,205)

(Forward)

	June 30, 2021	December 31, 2020
	(Unaudited)	(Audited)
Allowance for ECL	₱6,403,717	₱12,602,362
Right-of-use assets and lease liabilities	15,333,955	8,022,824
Unamortized past service cost	6,406,307	8,450,668
Advances from customers	4,326,015	5,890,274
Excess of the tax base over the carrying amounts of non-monetary assets	3,242,916	2,969,824
NOLCO	1,049,295,028	-
MCIT	96,804,032	-
Others	48,567,834	6,525,828
	1,881,489,230	843,075,203
Deferred tax liabilities - net		
Brand	(4,444,578,001)	(3,255,599,730)
Property, plant and equipment	(1,124,352,410)	(654,687,338)
Interest income	(227,756,857)	(283,760,530)
NOLCO	76,467,267	-
Others	(2,634,943)	(5,870,469)
	(5,722,854,944)	(4,199,918,067)
	(₱3,841,365,714)	(₱3,356,842,864)

Corporate Recovery and Tax Incentives for Enterprises (CREATE) Act

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

As clarified by the Philippine Financial Reporting Standards Council in its Philippine Interpretations Committee Q&A No. 2020-07, the CREATE Act was not considered substantively enacted as of June 30, 2021 and December 31, 2020 even though some of the provisions have retroactive effect to July 1, 2020. The passage of the CREATE Act into law on March 26, 2021 is considered as a non-adjusting subsequent event. Accordingly, current and deferred taxes are computed and measured using the applicable income tax rates for financial reporting purposes as follows:

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

Applying the provisions of the CREATE Act, the Parent Company and its Philippine subsidiaries would have been subjected to lower regular corporate income tax rate of 25% effective July 1, 2020.

The impact of the CREATE Act as at and for the year ended December 31, 2020 amounting to ₱269,093,60 are reflected in the Parent Company and its Philippine subsidiaries' 1st quarter of 2021 income tax return.

The above impact are reflected in the consolidated financial statements as of June 30, 2021.

MNUKL

The U.K. government has announced an increase in corporate income tax rate from 19% to 25% to be implemented with effect from April 2023. While Marlow Foods Limited is largely insulated from this increase by virtue of the tax reductions afforded by its patent box, MNUKL will be required to

record a one-off increase in its deferred tax liability, which is principally associated with the carrying value of its brands, with a consequent one-off non-cash tax charge to net profit in the first quarter of 2021.

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

As of June 30, 2021, deferred tax liabilities of MNUKL were calculated at 25%. The adjustment on deferred tax liability pertains to items such as the value of the brand of Quorn and Cauldron.

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

20. Financial Risk Management Objectives and Policies

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

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

	June 30, 2021 (Unaudited)	December 31, 2020 (Audited)
Financial Assets		
Cash and cash equivalents	₹31,273,045,258	₹7,093,014,862
Financial assets at FVTPL	5,000,431,089	–
Trade and other receivables	5,993,213,342	6,456,718,430
Noncurrent receivables	667,158,122	655,521,471
Withholding tax receivables*	45,037,910	47,344,650
Advances to employees*	34,235,998	42,524,141
	43,013,121,719	14,295,123,554
Financial Liabilities		
Accounts payable and other current liabilities**	9,299,024,305	9,739,847,790
Dividends payable	8,549,323,840	–
Loans payable***	24,768,441,305	29,546,001,656
Acceptance and trust receipts payable	1,247,833,300	605,902,034
Convertible note	–	7,027,163,502
Lease liabilities	2,786,563,984	2,763,031,503
	46,651,186,734	49,681,946,485
	(₹3,638,065,015)	(₹35,386,822,931)

* Recorded under "other noncurrent assets".

** Excluding statutory payables.

***Includes future interest.

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

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.

Liquidity Risk

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

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

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

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

Derivative Financial Instruments

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

Embedded Derivatives

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

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

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

Capital Management

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

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

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

	June 30, 2021	December 31, 2020
	(Unaudited)	(Audited)
Total debt	₱53,807,257,421	₱57,862,379,299
Total equity attributable to equity holders of the Parent Company	64,941,667,026	25,241,727,608
Debt-to-Equity Ratio	0.83:1.00	2.29:1.00

The Group is obligated to perform certain covenants with respect to maintaining specified debt-to-equity, gross leverage and minimum debt service cover ratios, as set in the agreements with creditors (see Note 13). As at June 30, 2021 and December 31, 2020, the Group is in compliance with these covenants.

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 June 30, 2021 and December 31, 2020 due to the short-term nature of these financial instruments.

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

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

Financial Assets at FVOCI. The fair values of financial assets at FVOCI are derived from the cash flow projection of the investee (income approach), which is nil as of June 30, 2021 and December 31, 2020.

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

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

	June 30, 2021 (Unaudited)		
	Quoted prices in active market (Level 1)	Significant observable inputs (Level 2)	Significant unobservable inputs (Level 3)
Financial instruments measured at fair value			
Financial assets at FVPTL	P-	P5,000,431,089	P-
Financial instruments for which fair values are disclosed			
Loans payable (fixed rate)	P-	P5,602,173,993	P-
	December 31, 2020 (Audited)		
	Quoted prices in active market (Level 1)	Significant observable inputs (Level 2)	Significant unobservable inputs (Level 3)
Financial instruments measured at fair value			
Equity conversion and Redemption options	P-	P-	P2,513,886,182
Financial instruments for which fair values are disclosed			
Loans payable (fixed rate)	P-	P5,807,186,355	P-

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

21. Supplemental Disclosure to Cash Flow Statements

The Group's material noncash activities are as follows:

	June 30, 2021 (Unaudited)	June 30, 2020 (Unaudited)
Cumulative translation adjustments	(P987,276,612)	P2,778,883,721
Additions to ROU assets	-	1,038,347,114

22. Subsequent Events

Change in Use of IPO Proceeds

The BOD has approved in its regular meeting last August 9, 2021, the change in use of IPO proceeds, previously earmarked for capital expenditures, to pay down the majority of the remaining term loans of P15.6 billion, resulting in interest expense savings of approximately P700 million assuming interest rates remain at current levels. This action was done to avoid the significant negative carry associated with large cash balances as these have substantially lower investment returns than the interest payments on the outstanding debt. The BOD confirms that there is no change in the capital expenditure plans as stipulated in the IPO Prospectus, amounting to P26.5 billion or 57.2% of the net proceeds, and considers that the above change in the use of net proceeds is in the best interests of the Company and its shareholders.

Continuing COVID-19 pandemic

In a move to contain the COVID-19 outbreak, on March 16, 2020, the Office of the President of the Philippines issued Proclamation No. 929, declaring a State of Calamity throughout the Philippines for a period of six (6) months and imposed an enhanced community quarantine throughout the island of Luzon until April 12, 2020 which was subsequently extended until May 15, 2020. On May 12, 2020, this was further extended into a modified enhanced community quarantine, wherein certain implementing rules have been relaxed.

The community quarantine classification was subsequently extended or changed as follows:

Classification	Effectivity
General community quarantine	June 1 – August 1, 2020
Modified enhanced community quarantine	August 2 – 18, 2020
General community quarantine	August 19, 2020 – March 27, 2021
Enhanced community quarantine	March 28, 2021 – April 11, 2021
Modified enhanced community quarantine	April 12, 2021 – May 31, 2021
General community quarantine “with restrictions”	June 1, 2021 – July 15, 2021
General community quarantine	July 15, 2021 – August 5, 2021
Enhanced community quarantine	August 6 – 20, 2021

On March 1, 2021, the National Government of the Philippines officially began rolling out COVID-19 vaccine doses with a target to achieve 70% herd immunity by yearend. As at August 8, 2021, about 11.61 million individuals have been fully inoculated with two doses of COVID-19 vaccines and 1.77 million individuals have received the first dose of the vaccine. The Company purchased a total of 150,000 vaccine doses for the employees and their respective dependents, and some select service providers.

Only July 22, 2021, the Department of Health confirmed local transmission of the highly contagious Delta variant in the country prompting the government to impose another round of stricter community quarantine.

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

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

Item 2

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

Group Overview

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

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

Financial Highlights and Key Indicator

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

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

Core EBITDA is measured as net income excluding depreciation and amortization of property and equipment and intangible assets, asset impairment on noncurrent assets, financing costs, interest income, share in net earnings (losses) of associates and joint ventures, net foreign exchange gains (losses), net gains (losses) on derivative financial instruments, loss on redemption of Arran's convertible note, provision for (benefit from) income tax and other non-recurring income (expenses) NRI(E). In 1st half (1H) of 2021, NRE pertains to Initial Public Offering (IPO) related expenses. Core EBITDA margin pertains to Core EBITDA divided by segment net sales.

Core Income before tax is measured as net income excluding the effects of asset impairment on noncurrent assets, non-recurring financing costs, interest income, equity in net earnings (losses) of associates and joint ventures, net foreign exchange gains (losses) except those related to U.S dollar balances that the company hedge against foreign exchange risks, net gains (losses) on derivative financial instruments, loss on redemption of Arran’s convertible note, NRI/(E). In 1st half of 2021, NRE pertains to IPO-related expenses. Core Income before tax margin pertains to Core Income before tax divided by segment net sales.

Core Income (after tax) pertains to Core Income before tax less income tax based on recurring tax rate per entity. Core Income (after tax) margin pertains to Core Income (after tax) divided by segment net sales.

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

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

I. SUMMARY CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME

IA. CORE INCOME AFTER TAX RECONCILIATION

	₱ in millions, except percentages					
	1H 2021 (Unaudited)	% to Net Sales (in %)	1H 2020 (Unaudited)	% to Net Sales (in %)	Inc (Dec)	Inc (Dec) (in %)
Net Sales	33,759	100.0	33,359	100.0	400	1.2
Less: Cost of Goods Sold	21,135	62.6	20,225	60.6	910	4.5
Gross Profit	12,624	37.4	13,134	39.4	(510)	(3.9)
Less: Sales, General & Administrative (SGA) ⁽¹⁾	6,736	20.0	5,774	17.3	962	16.7
Other Income (Expense)						
Less: Interest expense ⁽²⁾	(51)	(0.1)	(154)	(0.5)	(103)	(66.9)
Foreign exchange loss (gain) - net ⁽³⁾	66	0.2	–	–	66	n/m
	15	0.1	(154)	(0.5)	169	n/m
Core Income Before Tax	5,903	17.5	7,206	21.6	(1,303)	(18.1)
Less: Provision for income tax	1,524	4.5	1,939	5.8	(415)	(21.4)
Core Income (After Tax)	4,379	13.0	5,267	15.8	(888)	(16.9)
Less: Non-Controlling Interest	125	0.4	383	1.2	(258)	(67.4)
Core Income (After Tax) at Ownership	4,254	12.6	4,884	14.6	(630)	(12.9)

n/m = not meaningful %

⁽¹⁾ Excluding non-recurring expenses related to IPO amounting to ₱587 million (included in the SG&A)

⁽²⁾ Recurring interest expense on Loans and Trust Receipts Payable

⁽³⁾ Foreign exchange gain on U.S dollars balances for the Group’s natural hedge

⁽⁴⁾ Based on recurring income tax rate per entity

1B. REPORTED NET INCOME AFTER TAX RECONCILIATION

	£ in millions, except percentages					
	1H 2021 (Unaudited)	% to Net Sales (in %)	1H 2020 (Unaudited)	% to Net Sales (in %)	Inc (Dec)	Inc (Dec) (in %)
Core Income (After Tax)	4,379	13.0	5,267	15.8	(888)	(16.9)
Other income (expenses)						
Foreign exchange gain (loss) – net ⁽¹⁾	202	0.6	804	2.4	(602)	(74.9)
Share in net earnings (losses) from associates and joint ventures	7	–	(49)	(0.1)	56	n/m
Gain on sale of property, plant and equipment	2	–	2	–	–	–
Miscellaneous income	92	0.3	68	0.2	24	35.3
Non-recurring SGA (IPO-related expense)	(587)	(1.7)	–	–	(587)	n/m
	(284)	(0.8)	825	2.5	(1,109)	34.4
Finance income (expense)						
Interest expense ⁽²⁾	(1,257)	(3.7)	(878)	(2.6)	(379)	43.0
Interest income	25	–	69	0.2	(44)	(63.8)
Loss on redemption of convertible note	(1,579)	(4.7)	–	–	(1,579)	n/m
Derivative gain (loss) - net	(2,254)	(6.7)	256	0.7	(2,510)	n/m
	(5,065)	(15.1)	(553)	(1.7)	(4,512)	n/m
Add: Provision for income tax ⁽³⁾	1,174	3.5	98	0.3	1,076	n/m
Reported net income (after tax)	204	0.6	5,637	16.9	(5,433)	(96.4)

n/m = not meaningful %

(1) Excluding recurring interest expense on Loans and Trust Receipts Payable (included in the Core Income calculation above)

(2) Excluding foreign exchange gain on USD reserves for the Group's natural hedge (included in the Core Income calculation above)

(3) Income tax effect of Other Income(expenses), non-recurring finance income (expenses), one-off credit due to impact of CREATE act partly offset by one-off increase due to deferred tax liability adjustment in MNUK. To simplify this is the difference between Total provision for income tax as reported and provision for income tax related to Core Income from table 1.A above.

II – OPERATING SEGMENTS OF THE GROUP

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

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

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

	£ in millions, except percentages					
	1H 2021 (Unaudited)	% to Total (in %)	1H 2020 (Unaudited)	% to Total (in %)	Inc/(Dec)	Inc/(Dec) (in %)
Net Sales						
APAC BFB	26,239	77.7	25,794	77.3	445	1.7
Meat Alternative	7,520	22.3	7,565	22.7	(45)	(0.6)
Total	33,759	100.0	33,359	100.0	400	1.2
		% of Segment Net Sales (in %)		% of Segment Net Sales (in %)		
Gross Profit						
APAC BFB	9,550	36.4	10,256	39.8	(706)	(6.9)
Meat Alternative	3,074	40.9	2,878	38.0	196	6.8
Total	12,624	37.4	13,134	39.4	(510)	(3.9)
Core Income before Tax						
APAC BFB	5,392	20.6	6,425	24.9	(1,033)	(16.1)
Meat Alternative	511	6.8	781	10.3	(270)	(34.6)
Total	5,903	17.5	7,206	21.6	(1,303)	(18.1)

	P in millions, except percentages					
	1H 2021 (Unaudited)	% to Total (in %)	1H 2020 (Unaudited)	% to Total (in %)	Inc/(Dec)	Inc/(Dec) (in %)
Core Income (after tax)						
APAC BFB	3,948	15.0	4,614	17.9	(666)	(14.4)
Meat Alternative	431	5.7	653	8.6	(222)	(34.0)
Total	4,379	13.0	5,267	15.8	(888)	(16.9)
Core Income (after tax) at Ownership						
APAC BFB	3,823	14.6	4,231	16.4	(408)	(9.6)
Meat Alternative	431	5.7	653	8.6	(222)	(34.0)
Total	4,254	12.6	4,884	14.6	(630)	(12.9)
Core EBITDA ⁽¹⁾						
APAC BFB	6,331	24.1	7,279	28.2	(948)	(13.0)
Meat Alternative	886	11.8	1,164	15.4	(278)	(23.9)
Total	7,217	21.4	8,443	25.3	(1,226)	(14.5)

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

RESULTS OF OPERATIONS

Six-months ended June 30, 2021 compared to six-months ended June 30, 2020

Net Sales

Net sales grew 1.2% from P33,359 million in 1H 2020 to P33,759 million in 1H 2021 driven by an increase in the APAC BFB segment, effect of forex and consolidation of Sarimonde Foods Corporation. Growth was softened by a decline in the Meat Alternative segment and lower price of pollard (flour by-product).

APAC BFB

Net sales in the APAC BFB segment increased by 1.7% from P25,794 million in 1H 2020 to P26,239 million in 1H 2021. This increase was primarily due to high double-digit growth in the international sales, good growth of culinary business and sustained high level of sales of noodles in the Philippines despite the surge of volume last year. High growth in international business was due to Thailand and Philippines export business. Moreover, biscuits in Thailand have gained market share despite decline in the overall category, primarily due to effective in-store execution and efficient promos. Good growth in culinary segment was driven by *Mama Sita*, as the mobility remained restricted, the public relied more on home cooking. Noodles was able to sustain high level of sales primarily due to the successful relaunched of thinner noodles and continued drive to educate consumers on many ways instant noodles can be enjoyed. Growth was softened by a decline in the price of pollard, lower net sales of biscuits and beverage in 2021 compared to 2020, primarily due to softer demand for this category because of the effect of COVID-19 pandemic on mobility and economy.

Meat Alternative

Net sales in the Meat Alternative segment slightly down by 0.6% from P7,565 million in 1H 2020 to P7,520 million in 1H 2021. Excluding the effect of foreign exchange, Meat Alternative's overall net sales was down by 4.6% due to decline across geographic markets (UK -5.0%, US -2.4% and rest of the world -3.6%). This was due to the challenges brought by COVID-19 pandemic. UK growth was also affected by high base, as last year's lockdown resulted to panic buying plus timing of inventory replenishment in Q2 2020. Carry-over price action in UK and price increase in US helped soften effect of volume decline.

Cost of Goods Sold

Cost of goods sold increased by 4.5% from ₱20,225 million in 1H 2020 to ₱21,135 million in 1H 2021 primarily due to effect of rising commodity prices in APAC BFB, timing of spend on repairs, negative sales mix partly offset by productivity, supply chain cost reduction initiatives, hedging and forward buying. Cost of goods sold as a percentage of net sales slightly increased by 2% from 60.6% in 1H 2020 to 62.6% in 1H 2021.

APAC BFB

Cost of Goods Sold in the APAC BFB segment increased by 7.4% from ₱15,538 million in 1H 2020 to ₱16,689 million in 1H 2021 primarily due to rising commodity prices, timing of repairs and negative sales mix. Prices of key raw materials ingredients such as palm oil, coconut oil, shortening liquid has increased significantly in 1H 2021 as compared to same period last year. The effect of rising commodity prices was partly softened by hedging, forward buying and supply chain cost reduction initiatives. Repairs was significantly low in 1H 2020 due to deferment of contracted repairs to focus on the throughput. Further, this year's repairs include spare parts and maintenance of noodle lines.

Meat Alternative

Cost of Goods Sold in the Meat Alternative segment decreased by 5.1% from ₱4,687 million in 1H 2020 to ₱4,446 million in 1H 2021 primarily due to volume decline across geographic markets. Commodity prices was relatively stable in 1H 2021 as compared with same period last year.

Gross Profit

Gross profit decreased by 3.9% from ₱13,134 million in 1H 2020 to ₱12,624 million in 1H 2021, for the reasons discussed above. Gross margin decreased by 2.0% from 39.4% in 1H 2020 to 37.4% in 2021.

APAC BFB

Gross profit for the APAC BFB segment decreased by 6.9% from ₱10,256 million in 1H 2020 to ₱9,550 million in 1H 2021, for the reasons discussed above. Gross margin decreased by 3.4% from 39.8% in 1H 2020 to 36.4% in 1H 2021.

Meat Alternative

Gross profit for the Meat Alternative segment increased by 6.8% from ₱2,878 million in 1H 2020 to ₱3,074 million in 1H 2021, for the reasons discussed above. Gross margin increased by 2.9% from 38.0% in 1H 2020 to 40.9% in 1H 2021.

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

Sales, general and administrative expenses (excluding non-recurring expenses related to IPO) increased by 16.7% from ₱5,774 million in 1H 2020 to ₱6,736 million in 1H 2021, primarily due to increase in advertising and promotion expenses, and one-off credit in Meat Alternative due to fire insurance claims. The increase in advertising and promotion was primarily on brand building and consumer marketing activities. Moreover, advertising and promotion's year on year growth was higher partly due to low base in APAC BFB, as last year's activities were postponed due to lockdowns.

APAC BFB

Sales, general and administrative expenses excluding non-recurring expenses in the APAC BFB segment increased by 10.8% from ₱3,802 million in 1H 2020 to ₱4,214 million in 1H 2021. The increase was mainly due to higher advertising and promotional expenses due to low base, partially offset by a reduction in expected credit loss due to effective collection efforts.

Meat Alternative

Sales, general and administrative expenses for the Meat Alternative segment increased by 27.9% from ₱2,878 million in 1H 2020 to ₱3,074 million in 1H 2021. The increase was mainly due to brand building, consumer marketing and product development activities and one-off credit due to fire insurance claims received last 1Q 2020.

Core Income (After Tax)

Core Income (after tax) decreased by 16.9% from ₱5,267 million in 1H 2020 to ₱4,379 million in 1H 2021, for the reasons discussed above.

Core Income (after tax) at Ownership

Core Income (after tax) decreased by 12.9% from ₱4,884 million in 1H 2020 to ₱4,254 million in 1H 2021. Core Income attributable to non-controlling interest significantly down by 67.4% from ₱383 million to ₱125 million due to acquisition of minority shares of MCI last January 29, 2021.

Share in Net Losses of Associates and Joint Ventures

Share in the net losses of associates and joint ventures decreased by 114.3% % from a loss of ₱49 million in 1H 2020 to an income of ₱7 million in 1H 2021, as a result of increase in ownership in Sarimonde Foods Corporation (SFC) from 25% to 80%. The Group started to consolidate SFC in September 2020. The Group's share in the losses of SFC went down to zero because of the effect of consolidating SFC's operating results for 1H 2021 which is now reflected in the Group's Core Income.

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

Net foreign exchange gain decreased by 74.9% from ₱804 million in 1H 2020 to ₱202 million in 1H 2021, primarily due to higher 2020 base. Last year's foreign exchange gain was driven by realization of gain on payment of U.S. dollar and pound sterling denominated loans as a result of the strengthening of the Peso against the U.S. dollar and pound sterling and unrealized foreign exchange gain on convertible notes which was pegged at U.S.\$1: ₱52.186 while the Peso closing rate was U.S.\$1: ₱48.036.

Miscellaneous Income

Miscellaneous income increased by 13.2% from ₱68 million in 1H 2020 to ₱92 million in 1H 2021 due to the reversal of expected credit losses provision from 2020.

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

Interest expense increased by 43.0% from ₱879 million in 1H 2020 to ₱1,257 million in 1H 2021. The increase was driven by recognition of unpaid cash variable interest amounting to ₱588 million. The cash variable interest is an amount equal to dividends received by the Parent Company's shareholder that Arran would have received if the convertible note was converted into shares prior to declaration of such dividend.

Interest Income

Interest income decreased by 63.5% from ₱69 million in 1H 2020 to ₱25 million in 1H 2021 due to lower interest rates.

Derivative Gain (Loss)

The Group recorded derivative losses of ₱2,254 million in 1H 2021 compared to derivative gains of ₱256 million in 1H 2020. Derivative loss for 1H 2021 was primarily due to the full settlement of Arran's convertible note last June 3, 2021.

Loss on Convertible Note Redemption

The Group recognized additional ₱1,579 million losses in 1H 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 we paid upon redemption.

Income Before Income Tax

Income before income tax decreased by 92.6% from ₱7,478 million in 1H 2020 to ₱554 million in 1H 2021 as a result of the one-off loss related to the full redemption of Arran's convertible note, IPO-related expenses, and others as discussed above.

Total Income Tax Expense

Income tax expense decreased by 81.0% from ₱1,841 million in 1H 2020 to ₱350 million in 1H 2021 due to lower income tax rate from the Corporate Recovery and Tax Incentives for Enterprise (CREATE) Act, recognition of the actual loss on redemption of the convertible note and reversal of previously recognized deferred tax liability related to the said note. The decrease 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 decreased by 96.4% from ₱5,637 million in 1H 2020 to ₱204 million in 1H 2021. Net income as percentage of net sales decreased by 16.3% from 16.9% in 1H 2020 to 0.6% in 1H 2021.

STATEMENT OF FINANCIAL POSITION

Financial condition as of the year ended December 31, 2020 compared to the six months period ended June 30, 2021

Current Assets

The Group's current assets increased by 146.5% from ₱20,595 million as of December 31, 2020 to ₱50,762 million as of June 30, 2021. The increase was mainly due to higher cash and cash equivalents and FVTPL as discussed below.

	June 30, 2021		December 31, 2020		Increase (Decrease)	
	Unaudited	% to Total (In %)	Audited	% to Total (In %)	Amount	In %
₱ in millions, except percentages						
Cash and cash equivalents	31,273	62	7,093	34	24,180	340.9
Trade and other receivables	5,993	12	6,457	31	(464)	(7.2)
Inventories	6,741	13	6,073	30	668	11.0
Financial assets at fair value through profit or loss (FVTPL)	5,001	10	–	–	5,001	–
Prepayments and other current assets	1,754	3	972	5	782	80.4
Total	50,762	100	20,595	100	30,167	146.5

Cash and cash equivalents increased by 340.9% from ₱7,093 million as of December 31, 2020 to ₱31,273 million as of June 30, 2021. This was mainly due to the IPO proceeds.

Trade and other receivables decreased by 7.2% from ₱6,457 million as of December 31, 2020 to ₱5,993 million as of June 30, 2021, resulting from better trade management and effective collection efforts in both APAC BFB and Meat Alternative segments.

Inventories increased by 11.0% from ₱6,073 million as of December 31, 2020 to ₱6,741 million as of June 30, 2021, primarily as a result of increase in inventory in both Meat Alternative and APAC BFB segments. APAC BFB's level of inventory was healthy. Significant increase in terms of days in inventory was mainly in Meat Alternative due to low base as it was recovering from forming capacity issues and supporting customer restocking. 1H 2021 level is ahead of expected increase in activity in 2H 2021.

Financial assets at fair value through profit or loss (FVTPL) amounted to ₱5,001 million for the six months ended June 30, 2021 as a result of investing part of the IPO proceeds in unit investment trust funds (UITFS).

Prepayments and other current assets increased by 80.4% from ₱972 million as of December 31, 2020 to ₱1,754 million as of June 30, 2021 due to the excess payment of taxes in 2020 due to the enactment of the CREATE Act, lower taxable income for 1H 2021 and unused creditable withholding tax (CWT).

Noncurrent Assets

The Group's noncurrent assets increased by 6.8% from ₱63,807 million as of December 31, 2020 to ₱68,121 million as of June 30, 2021. The increase was mainly due to the increase in the Group's intangible assets, property, plant and equipment and deferred tax assets as discussed below.

	June 30, 2021		December 31, 2020		Increase (Decrease)	
	Unaudited	% to Total (In %)	Audited	% to Total (in %)	Amount	In %
₱ in millions, except percentages						
Intangible assets	34,968	51	33,600	52	1,368	4.1
Property, plant and equipment	28,385	42	26,637	42	1,748	6.6
Investments in associates and joint ventures	1,031	1	1,024	2	7	0.7
Deferred tax assets – net	1,881	3	843	1	1,038	123.1
Noncurrent receivables	667	1	655	1	12	1.8
Other noncurrent assets	1,189	2	1,048	2	141	13.4
Total	68,121	100	63,807	100	4,314	6.8

Property, plant and equipment increased by 6.6% from ₱26,637 million as of December 31, 2020 to ₱28,385 million as of June 30, 2021, primarily as a result of continued investments in improving the production capability and capacity of the Group. APAC BFB segment continued the construction of a new manufacturing facility in Malvar, Batangas and new noodle line. Meat Alternative segment continued building the fermentation capacity in its Belasis facility which is expected to be completed by 2H 2021.

Deferred tax assets increased by 123.1% from ₱843 million as of December 31, 2020 to ₱1,881 million as of June 30, 2021 due to the net operating loss carry-over (NOLCO) as of June 30, 2021.

Other noncurrent assets increased by 13.4% from ₱1,048 million as of December 31, 2020 to ₱1,189 million as of June 30, 2021, due to the increase in deferred input VAT primarily as a result of advance payments for the Group's major equipment and construction/improvements.

Current Liabilities

The Group's current liabilities increased by 24.9% from ₱20,956 million as of December 31, 2020 to ₱26,181 million as of June 30, 2021. The increase was mainly due to dividends payable and cash variable interest payable to Arran partly offset by partial settlement of loans payable.

	June 30, 2021		December 31, 2020		Increase (Decrease)	
	Unaudited	%To Total (in %)	Audited	%To Total (in %)	Amount	%
₱ in millions, except percentages						
Accounts payable and other current liabilities	9,867	38	10,141	48	(273)	(2.7)
Dividends payable	8,549	33	–	–	8,549	–
Acceptances and trust receipts payable	1,248	5	606	3	642	105.9
Current portion of loans payable	6,119	23	9,559	46	(3,440)	(36.0)
Refund liabilities	221	1	280	1	(59)	(21.1)
Current portion of lease liabilities	91	–	88	1	3	3.4
Income tax payable	86	–	282	1	(196)	(69.5)
Total	26,181	100	20,956	100	5,226	24.9

Acceptances and trust receipts payable increased by 105.9% from ₱606 million as of December 31, 2020 to ₱1,248 million as of June 30, 2021.

Current portion of loans payable decreased by 36.0% from ₱9,559 million as of December 31, 2020 to ₱6,119 million as of June 30, 2021, primarily as a result of repayment of outstanding loans payable.

Refund liabilities decreased by 21.1% from ₱280 million as of December 31, 2020 to ₱221 million as of June 30, 2021, primarily from decrease in refund liabilities arising from right of returns as the actual returns during the year was pertaining to previous years' sales.

Income tax payable decreased by 69.5% from ₱282 million as of December 31, 2020 to ₱86 million as of June 30, 2021 mainly due to excess payments in 2020 as a result of low income tax rate and NOLCO as of 1H 2021.

Noncurrent Liabilities

The Group's noncurrent liabilities decreased by 25.1% from ₱36,906 million as of December 31, 2020 to ₱27,626 million as of June 30, 2021, primarily due to the Group's full settlement of Arran's convertible notes.

	June 30, 2021		December 31, 2020		Increase (Decrease)	
	Unaudited	In %	Audited	In %	Amount	%
	₱ in millions, except percentages					
Loans payable	18,650	67	19,986	54	(1,336)	(6.7)
Convertible notes	–	–	7,027	19	(7,027)	(100)
Deferred tax liabilities - net	5,723	21	4,200	12	1,523	36.3
Derivative liability	–	–	2,514	7	(2,514)	(100.0)
Lease liabilities	2,696	10	2,675	7	21	0.8
Pension liability	538	2	482	1	56	11.6
Other noncurrent liabilities	19	–	22	–	(3)	(13.6)
Total	27,626	100	36,906	100	(9,280)	(25.1)

Loans payable decreased by 6.7% from ₱19,986 million as of December 31, 2020 to ₱18,650 million as of June 30, 2021, primarily as a result of repayment of outstanding loans payable.

Convertible notes decreased by ₱7,027 million as of December 31, 2020 to nil as of June 30, 2021, due to full settlement of Arran's convertible note.

Deferred tax liabilities increased by 36.3% from ₱4,200 million as of December 31, 2020 to ₱5,723 million as of June 30, 2021, primarily as a result of the increase in tax rate in the UK 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 the balance sheet date. The adjustment on deferred tax liability pertains to items such as the value of the brand of Quorn and Cauldron.

Derivative liability decreased by ₱2,514 million as of December 31, 2020 to nil as of June 30, 2021 due to full settlement of Arran's convertible note.

Pension liability increased by 11.6% from ₱482 million as of December 31, 2020 to ₱538 million as of June 30, 2021 due to additional accrual related retirement expense which was based on December 31, 2020 actuarial valuation reports.

Other noncurrent liabilities decreased by 13.6% from ₱22 million as of December 31, 2020 to ₱19 million as of June 30, 2021.

Equity

The Group's total equity increased by 145.2% from ₱26,540 million as of December 31, 2020 to ₱65,075 million as of June 30, 2021 due to additional capital stock and additional paid in capital from issuances of common shares during IPO and to My Crackers Inc (MCI).

LIQUIDITY AND CAPITAL RESOURCES

Overview

The Group's principal source of liquidity are cash flows from its operations, borrowings and IPO proceeds. During the year ended December 31, 2020 the Group's cash flows from operations have been sufficient to provide cash for its operation, capital expenditures and dividends requirements. The Group's borrowings in the year ended December 31, 2020 has been primarily used to refinance the Group's existing indebtedness. For the six months ended June 30, 2021, the Group's cash flows from operation were sufficient to provide for its cash operations, partial settlement of outstanding loans payable and dividend requirements. IPO proceeds financed the Company capital expenditures requirements and redemption of Arran's convertible notes.

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

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

Cash Flows

The following discussion of the Group's cash flows for the six months ended June 30, 2021 and June 30, 2020 should be read in conjunction with the statements of cash flows and notes included in the interim unaudited Consolidated Financial Statements.

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

	For the six months ended	
	2021	2020
	₱ in millions	
Net cash flows provided by operating activities	5,220	6,497
Net cash flows used in investing activities	(7,824)	(1,820)
Net cash flows from (used in) financing activities	26,715	(1,159)
Net increase in cash and cash equivalents	24,111	3,518
Effect of foreign exchange rate changes on cash and cash equivalents	69	29
Cash and cash equivalents at beginning of year	7,093	10,499
Cash and cash equivalents as of June 30,	31,273	14,046

Net cash flow provided by operating activities

Net cash flows provided by operating activities were ₱5,220 million for the six months ended June 30, 2021. The Group's income before income tax for this period was ₱554 million due to effect of non-recurring items related to losses on redemption of Arran's convertible note and IPO-related expenses. Cash generated from operations (after adjusting for, among other things, depreciation, and amortization, and working capital changes) was ₱5,640 million. The Group generated cash from interest received amounting to ₱31 million and paid income taxes of ₱451 million.

Net cash flows provided by operating activities were ₱6,497 million for the six months ended June 30, 2020. The Group's income before income tax for this period was ₱7,478 million. Cash generated from operations (after adjusting for, among other things, depreciation, and amortization, and working capital changes) was ₱7,993 million. The Group generated cash from interest received amounting to ₱71 million and paid income taxes of ₱1,566 million.

Net cash flows used in investing activities

The Group's net cash flows used in investing activities were ₱7,824 million for the six months ended June 30, 2021. The cash outflow primarily consisted of the Group's investment in FVTPL at ₱5,000 million and payments for CapEx of ₱2,613 million.

The Group's net cash flows used in investing activities were ₱1,820 million for the six months ended June 30, 2020. The cash outflow primarily consisted of the Group's payments for CapEx of ₱1,717 million and investment in associates and joint ventures of ₱186 million.

Net cash flows used in financing activities

Net cash inflows from financing activities were ₱26,715 million for the six months ended June 30, 2021. This amount consisted primarily of the IPO proceeds or ₱49,257 million additional paid-in capital (net of transaction costs). The cash outflow is mainly on the partial settlement of the outstanding loans amounting to ₱5,141 million, and MNC bought the additional shares in MMYSC from MCI amounting to ₱1,822 million, increasing its ownership to 100%.

Net cash flows used in financing activities were ₱1,159 million for the six months ended June 30, 2020. This amount consisted primarily of the payment of loans of ₱394 million and related interest expense of ₱330 million and the payment of principal portion of lease liability of ₱477 million.

FINANCIAL RATIOS / KEY PERFORMANCE INDICATORS

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

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

	June 30, 2021	December 31, 2020
Current ratio	1.94	0.98
Acid test ratio	1.61	0.65
Solvency ratio	3.4%	16.7%
Debt-to-equity ratio	0.83	2.29
Asset-to-equity ratio	1.83	3.34
	Six months ended June 30,	
	2021	2020
Net Sales Growth	1.2%	3.9%
Gross Margin	37.4%	39.4%
Net profit margin	12.6%	14.6%
Core EBITDA Margin	21.4%	25.3%
Core Return on equity	9.4%	21.3%
Core Return on assets	4.2%	5.6%
Interest rate coverage ratio	1.40	8.17

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

Financial ratios	Formula
Current ratio	$\frac{\text{Current assets}}{\text{Current liabilities}}$
Acid test ratio	$\frac{\text{Cash and cash equivalents} + \text{Current receivables}}{\text{Current liabilities}}$
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	$\frac{\text{EBIT}}{\text{Interest Expense}}$
Net Sales Growth	$\frac{\text{Current period net sales} - \text{prior period net sales}}{\text{Prior period net sales}}$
Gross margin	$\frac{\text{Gross profit}}{\text{Net sales}}$
Core EBITDA Margin	$\frac{\text{Core EBITDA}}{\text{Net sales}}$
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	$\frac{\text{Core income after tax at Ownership}}{\text{Total assets (average)*}}$

Note:

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

OTHER FINANCIAL DATA

I. EBITDA Reconciliation

	For the six months ended June 30,	
	2021 Unaudited	2020 (Unaudited)
	(₹ in millions)	
Income before Income Tax	554	7,478
Interest Expense	1,308	1,032
Interest Income	(25)	(69)
EBIT	1,837	8,441
Loss on Convertible Note Redemption	1,579	–
Derivative (Gain) Loss	2,254	(256)
Foreign Exchange Gain – Net	(268)	(804)
Non-recurring (IPO-related included in SG&A)	587	–
Depreciation and Amortization Expense	1,228	1,062
EBITDA	7,217	8,443

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

	For the six months ended June 30, 2021 (unaudited)		
	APAC BFB	Meat Alternative	Total
	(in ₹ millions)		
Income before Income Tax	50	504	554
Interest Expense	1,261	47	1,308
Interest Income	(24)	(1)	(25)
EBIT	1,287	550	1,837
Loss on Convertible Note Redemption	1,579	–	1,579
Derivative Loss	2,254	–	2,254
Foreign Exchange Loss (Gain) – Net	(270)	2	(268)
Non-recurring (IPO-related included in SG&A)	587	–	587
Depreciation and Amortization Expense	894	334	1,228
EBITDA	6,331	886	7,217

	For the six months ended June 30, 2020 (unaudited)		
	APAC BFB	Meat Alternative	Total
	(in ₹ millions)		
Income before Income Tax	6,707	771	7,478
Interest Expense	900	132	1,032
Interest Income	(64)	(5)	(69)
EBIT	7,543	898	8,441
Derivative Gain	(256)	–	(256)
Foreign Exchange Gain – Net	(812)	8	(804)
Depreciation and Amortization Expense	804	258	1,062
EBITDA	7,279	1,164	8,443

FINANCIAL LIABILITIES

The following table summarizes the Group's financial liabilities as of June 30, 2021

	₱ in millions					Total
	On Demand	1 to 3 Months	3 to 12 Months	1 to 5 Years	More than 5 Years	
Accounts payable and other current liabilities	2,915	6,312	72	–	–	9,299
Dividends Payable	–	–	8,549	–	–	8,549
Loans payable *	–	105	5,551	19,279	1,729	26,664
Acceptance and trust receipts payable	–	–	1,248	–	–	1,248
Convertible note *	–	–	–	–	–	–
Lease liabilities *	–	139	234	1,366	8,228	9,967
	2,915	6,556	15,654	20,645	9,957	55,727

* 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 capability, and improve operational efficiencies. The Group invested in the construction of a new manufacturing plant, new production lines and machineries.

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

	June 30, 2021	June 30, 2020
	(in ₱ millions) (unaudited)	
APAC BFB	1,902	687
Meat Alternative	711	1,029
Total	2,613	1,716

The Group's major CapEx in its APAC BFB segment was primarily for the continued construction of new manufacturing plant and new production line to improve production capabilities and improve operational efficiencies. The details below set out the major CapEx for the six months ended June 30, 2021.

In 2021, the Group major CapEx in its APAC BFB segment were continued construction of a new facility in Malvar, Batangas, new production line for Noodles and invested in various machineries to improve efficiencies.

The Group's major CapEx in its Meat Alternative segment was mainly to increase production capacity primarily by continued investing in the fermentation in its Belasis facility which will be completed in the second half of the year.

Off-Balance Sheet Arrangements

As of June 30, 2021 the Group are not aware of any material off-balance sheet arrangements or obligations (including contingent obligations), that were likely to have a current or future effect on the Group's financial condition, revenues or expenses, results of operations, liquidity, CapEx or capital resources.

PART II--OTHER INFORMATION

Board of Directors

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

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

August 12, 2021
Date


HENRY SOESANTO
Chief Executive Officer


JESSE C. TEO
Chief Financial Officer

MONDE NISSIN CORPORATION AND SUBSIDIARIES
Aging Analysis of Trade and Other Receivables

June 30, 2021							
Days Past Due							
	Current	1-30 Days	31-60 Days	61-90 Days	More than 90 Days	ECL	Total
Trade receivables:							
Non-related parties	P5,211,307,232	P456,267,274	P82,177,226	P63,622,493	P62,136,569	P50,839,242	P5,926,350,036
Related parties	-	30,742,965	-	945,602	2,166,444	710,063	34,565,074
Nontrade receivables	36,676,444	377,480	470,832	206,105	4,673,150	-	42,404,011
Other receivables	41,443,526	-	-	-	-	-	41,443,526
Noncurrent receivables	667,158,122	-	-	-	-	193,571,547	860,729,669
	P5,956,585,324	P487,387,719	P82,648,058	P64,774,200	P68,976,163	P245,120,852	P6,905,492,316

December 31, 2020							
Days Past Due							
	Current	1-30 Days	31-60 Days	61-90 Days	More than 90 Days	ECL	Total
Trade receivables:							
Non-related parties	P5,153,954,541	P804,601,436	P172,188,367	P70,110,767	P145,676,158	P67,574,988	P6,414,106,257
Related parties	58,397,406	-	-	-	-	-	58,397,406
Nontrade receivables	36,054,141	20,100	19,161	13,336	-	-	36,106,738
Other receivables	15,050,166	-	-	632,851	-	-	15,683,017
Noncurrent receivables	655,521,471	-	-	-	-	193,571,547	849,093,018
	P5,918,977,725	P804,621,536	P172,207,528	P70,756,954	P145,676,158	P261,146,535	P7,373,386,436